



CITY COUNCIL STAFF REPORT

DATE: March 21, 2012

NEW BUSINESS

SUBJECT: APPROVAL OF AN EXCLUSIVE AGREEMENT TO NEGOTIATE BY AND BETWEEN THE CITY OF PALM SPRINGS AND SAVOY GROUP, INC., A NEVADA CORPORATION, FOR A PERIOD OF NINE MONTHS, FOR TWO CITY-OWNED PARCELS TOTALLING APPROXIMATELY 1.75 ACRES AT THE SOUTHWEST CORNER OF NORTH PALM CANYON DRIVE AND STEVENS ROAD

FROM: David H. Ready, City Manager

BY: Community & Economic Development

SUMMARY

This action approves an Exclusive Agreement to Negotiate for a period of nine months with Savoy Group, Inc. ("Developer") on a property consisting of two parcels totaling 1.75+ acres at the southwest corner of North Palm Canyon Drive and Stevens Road, formerly in Merged Project Area #1, for a boutique hotel and bistro on the Site. One property, the former O'Donnell Reservoir, has been owned by the City of Palm Springs since 1997 and the other, the Casa del Camino Property, was acquired in the 1980's by the Agency and transferred to the City in March, 2011.

The Project would consist of developing the two parcels into a high-end, boutique hotel and bistro. It would include the demolition of the former reservoir structure. During the term of the Agreement, the Developer would undertake the design and entitlement of the project. Upon conclusion of the entitlement process, the City and Developer would enter into a Purchase and Sale Agreement for the sale of the property for the Project.

RECOMMENDATION:

1. Approve Agreement No. _____ "AN EXCLUSIVE AGREEMENT TO NEGOTIATE BY AND BETWEEN THE CITY OF PALM SPRINGS AND SAVOY GROUP, INC., A NEVADA CORPORATION, FOR A PERIOD OF NINE MONTHS FOR TWO CITY-OWNED PARCELS TOTALLING APPROXIMATELY 1.75 ACRES AT THE

ITEM NO. 56

SOUTHWEST CORNER OF NORTH PALM CANYON DRIVE AND STEVENS ROAD

2. AUTHORIZE THE CITY MANAGER OR HIS DESIGNEE TO EXECUTE ALL DOCUMENTS RELATED TO THE AGREEMENT

STAFF ANALYSIS:

City staff has worked for the past several years on the redevelopment of the City- and Agency-owned parcels at Stevens Road and North Palm Canyon Drive (the Casa del Camino and Reservoir Parcels). Over the past few years staff has worked with a number of developers trying to put together a mixed use project on the site, which is split between the C-1 and R-2 zones. Most recently, an RFP was issued in May, 2006 and the Agency entered an ENA with the adjacent land owner for the development of a condominium project, which was in effect until the housing market began to soften in late 2006/early 2007.

In December, 2011, the City received an offer from developer Robert Gray ("Developer"), who proposed acquiring the site for a boutique hotel and bistro, called the Savoy Hotel. The Savoy had been proposed on a much smaller parcel on the east side of Palm Canyon Drive and was well received by the Architectural Advisory Committee but considered to be too dense for the 16,000 square foot site. Mr. Gray has proposed redesign and relocating the project to the subject parcel. The Agreement will be for a period of nine months, which should be adequate time for his architect to complete the redesign and for the Developer to entitle the project.

The Agreement covers the project designed and described in their proposal: a boutique hotel and bistro project developed on the Agency's 75,000 square feet parcel. The Purchase and Sale Agreement (PSA) presented for approval at the end of the Agreement period will require that the Developer build the project as revised through the land use entitlement process. As far as the negotiated price, the Developer has proposed acquiring the parcel for \$810,000. The final price will be confirmed by an appraisal conducted during the term of the Agreement.

The steps in the negotiation process are as follows: (1) staff presents the Agreement for approval by the City; (2) once executed, the Agreement will give the Developer the right to submit the project to Planning for approval, much as an option would; (3) the PSA will be negotiated during the Agreement period; and (4) and staff will bring the PSA forward for approval once the project is nearing approval. The Planning approval process will be concurrent. Therefore, the Developer would purchase the property after the entitlements have been obtained from the City.

The Developer has proposed building a high-end boutique hotel and bistro on the site.

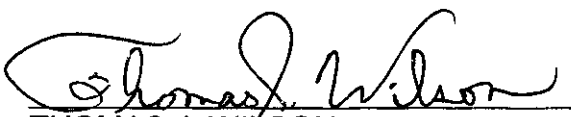
The Reservoir Parcel was acquired by the City of Palm Springs in 1997 from the O'Donnell Golf Club as part of a financial settlement. The Casa del Camino parcel was acquired by

the Community Redevelopment Agency, was acquired in 1987 as part of the abatement of a deteriorated hotel property.


The Exclusive Agreement is for a period of nine months, during which staff will negotiate a Purchase and Sale Agreement with the developers. The developers, upon execution of this agreement, will make a deposit to the City sufficient to cover the cost in preparing the PSA.



JOHN S. RAYMOND
Director of Community &
Economic Development



THOMAS J. WILSON
Assistant City Manager -
Development Services



DAVID H. READY
City Manager

ATTACHMENTS:

1. Exclusive Agreement to Negotiate

EXCLUSIVE AGREEMENT TO NEGOTIATE

Savoy Group, Inc.

THIS EXCLUSIVE AGREEMENT TO NEGOTIATE ("**Agreement**") is made this day of _____, 2012, by and between THE CITY OF PALM SPRINGS ("**City**"), and SAVOY GROUP, INC. , a Nevada corporation ("**Developer**"). The City and the Developer may sometimes be referred to individually as "Party" and collectively as the "Parties."

RECITALS

The Parties entered into this Agreement on the basis of the following facts, understandings, and intentions:

A. The City is a Charter City and municipal corporation exercising governmental functions and powers and organized and existing under the Law of the State of California (

B. The City desires to provide for the development of an upscale quality hotel and restaurant resort property (the "Hotel") at the northeast corner of North Palm Canyon Drive and Stevens Road, consisting of approximately seventy five thousand (75,000) square feet currently owned by the City, currently vacant (the "**Site**"). The Legal Description of the Site is contained on Exhibit "A1" to this Agreement and the Site is depicted on Exhibit "A2" to this Agreement.

C. The Developer desires to construct a Hotel and Bistro development (the "**Project**") at the Site .

E. The City and Developer desire, for the period set forth herein, to negotiate diligently and in good faith the design, schedule, scope of development, and other agreements described in this Agreement, and the Developer's Proposal, including, without limitation, the terms and conditions of a term sheet and Agreement for Purchase and Sale of Real Property ("Purchase Agreement") with respect to the Site. The Purchase Agreement, if agreed upon and executed, will specify the rights, obligations, and method of participation of the Parties with respect to the sale by the City to the Developer of the Site and development of the Site by the Developer.

NOW, THEREFORE, and in consideration of the mutual covenants hereinafter contained, it is mutually agreed upon by the parties as follows:

SECTION 1 NATURE OF NEGOTIATIONS.

A. Good Faith. The City and the Developer agree that for the period set forth in Section 2 herein they will negotiate diligently and in good faith to prepare and enter into a Purchase Agreement consistent with the provisions of this Agreement for the development of an boutique hotel on the Site specified herein. The development will be subject to all rules, regulations, standards, and criteria set forth in the City's General Plan, applicable specific plans and zoning regulations, as may be amended from time to time, and with this Agreement. This Agreement is solely an exclusive right to negotiate and is not a final

agreement. The Parties do not intend this Agreement to be a purchase agreement, option, or similar contract or to be bound in any way by this Agreement, other than to establish a period of exclusive negotiations during which time each Party shall negotiate with the other in good faith and the City shall not market the Site to other interested parties. The Parties agree to negotiate diligently and in good faith and exclusively with each other and to work together to negotiate the details of a term sheet upon which the terms and conditions of the Purchase Agreement will be based (the "**Term Sheet**").

B. Site. The Project shall be located upon the Site. t.

C. Initial Submittals for the Project. On or before October 1, 2012, the Developer shall generate the necessary analysis, plans, and studies to be able to fully describe the material aspects of the proposed Development on the Site. This information will include a "**Site Plan**," a "**Project Description**," and "**Feasibility Analysis**" The submittal shall be in sufficient detail to reasonably enable the Parties to be able to evaluate and determine the feasibility of the Project and to assure the Parties that the Development Planning Process can be completed and that the Term Sheet can be negotiated.

D. Financial Provisions. The Developer is responsible for the acquisition of the Site, and the financing and construction of all improvements upon the Site. The identification and scope of public improvements for the Development shall be based upon the results of the CEQA analysis for the Project. Without assistance from the City, Developer shall pay for all such public improvements and shall also pay all fees of the City of Palm Springs and any other government entity with review authority over the Project. . Upon the successful negotiation of the Purchase Agreement, the Site owned by the City shall be conveyed to the Developer at fair market value based on an MAI appraisal in accordance with the requirements of the California Government Code Section that pertains to the City disposition of land. The City shall commission such appraisal, the cost of which shall be paid from Deposit described in Section _____

E. Schedule. A schedule for the completion of the Developer's and City's respective obligations pursuant to this Agreement (the "**Schedule**") is attached to this Agreement as Exhibit B. During the Period of Negotiation, the City and Developer shall agree on an itemized schedule for the Development process. City and Developer shall meet semi-monthly in order to review Developer's and City's progress and to allow the parties to comment upon the parties' respective efforts. City and Developer agree to reasonably consider adjustments to the Schedule and the Period of Negotiation for delays caused by factors beyond the control of City and the Developer. In this regard, it is agreed and acknowledged that as of the date of this Agreement the precise scope of the Project is subject to numerous factors beyond the control of the parties, including, without limitation, the ability of Developer to acquire one or more legal parcels consisting of the Adjacent Property and the ability to provide a precise description of the Project for purposes of the required CEQA analysis; however, the deadlines for the submittal as described in Section 1.C above will ensure that a Project Description will be completed and full processing of the required CEQA analysis will be able to be commenced no later than June 1, 2012, or as soon thereafter as is reasonably practicable.

F. Use and Transfer Restrictions. The Purchase and Sale Agreement will generally be subject to restrictions on use and transfer during construction and for a specified period thereafter through recorded restrictions (i) to assure that the use will be consistent with and promote the Project, (ii) to prevent speculation, (iii) to assure that any transferee has the resources, capability and experience to successfully develop the Project, and (iv) to assure long-term maintenance of the Project in an attractive first class condition.

G. Exclusivity. The City agrees for the period set forth in Section 2 that it will not negotiate with or enter into any agreement with any other entity for development or sale of the Site, and the Developer agrees not to negotiate with any other person or entity regarding the development of a boutique hotel within the Coachella Valley.

H. CEQA. The intent of this Agreement is for the parties to proceed with the drafting of the Purchase and Sale Agreement, which shall require a CEQA action by the City. An Initial Study for CEQA purposes shall be undertaken for the purpose of determining the appropriate CEQA action. Once the appropriate CEQA action is determined, a more precise environmental timeline shall be developed.

I. Payment of the Purchase Price for the Site. It is hereby agreed and acknowledged that the City and the Developer may agree to a Schedule of Performance in the DA which may call for the conveyance of the Site to the Developer, within a brief period of time following the approval of the Purchase Agreement, and any and all necessary **"Entitlements"** for the development of the Project. The Purchase Agreement shall contain the payment terms agreed to by the parties.

J. Agreement to Negotiate. The Parties acknowledge that the Developer's Proposal and this Agreement do not establish the essential terms of the transfer of property or the development of the Project and that although they have set forth in this Agreement a framework for negotiation of the essential terms: (a) they have not set forth herein nor agreed upon all essential terms, including, e.g., price, terms, and timing of the transfer of property; (b) they do not intend the Developer's Proposal or this Agreement to be a statement of all of the essential terms; and (c) the essential terms of any transaction, if agreed to by the Parties, shall be set forth, if at all, in the Purchase Agreement approved and executed by authorized representatives of each of the Parties. The Purchase Agreement shall not exist and shall not be binding unless and until it is fully executed by both Parties, approved by counsel to each Party as to form and approved by the City Council of the City and by the authorized members or managing member of the Developer. Each Party assumes the risk that, notwithstanding this Agreement and good faith negotiations, the Parties may not enter into a Purchase Agreement due to the Parties' failure to agree upon essential terms of a transaction.

K. Developer's Representations, Warranties, and Covenants.

1. The Developer represents that it has the necessary expertise, experience, and financial capability to undertake the Project contemplated herein, including expertise and experience in developing and financing multiple land uses

including, but not limited to, office, retail, hotel, and residential uses of a similar size, quality, and design of the Development contemplated in the the Developer's Proposal.

2. The Developer represents and agrees that its intended acquisition of the Site and its other intended undertakings pursuant to this Agreement shall be used only for the timely development of the Site and, and not for speculation in any manner.

3. The Developer shall only negotiate with the City's negotiating team as defined in writing by the City Manager of the City (the "City Manager") and with no other persons unless expressly authorized to do so by the City Manager. Nothing in this Agreement shall restrict the Developer from responding to inquiries from the City Council or communicating with the City Council as requested by the City. During the period of negotiations, neither the Developer nor the City's negotiating team shall make any statements to the media about the proposed Development without the approval of the other Party, which approval shall not be unreasonably denied.

4. The Developer acknowledges and agrees that prior to issuance of any certificate of occupancy for the Project, the Project shall include (a) certain restrictions upon assignment, sale, encumbrance, and use of the Site and/or any improvements thereon without approval of the City and (b) restrictions on transfer of control of the Developer.

5. The Developer agrees to make oral and/or written reports at least monthly (or at such other times as information is requested by the City Manager) advising the City Manager of all matters and studies being made.

6. The Developer shall, within fifteen (15) days following the Effective Date, to the extent not submitted with the Developer's Proposal, make full disclosure in writing to the City of the names of the Developer's agents, authorized negotiators, employees or other associates of the Developer who may be participants in planning, negotiation, and development of the Project and other relevant information concerning the above, such as addresses, telephone numbers, employers.

L. As-Is. The Developer acknowledges and agrees that all property conveyed, if at all, by the City pursuant to the DA shall be conveyed, on an "AS-IS, WHERE-IS AND WITH ALL FAULTS" basis, and the Developer shall be obligated to release, as applicable, with respect to its acquisition and development of the Site and the condition of the Site, including any and all land use and environmental conditions of the Site.

1. Effective as of the date of execution of this Agreement by the City, the City hereby grants to the Developer and its representatives and agents a revocable license during the Period of Negotiations to enter upon the Site for purposes of conducting the Developer's due diligence inspections and necessary inspections for

the purposes of developing the Development Plan Package, provided that prior to such access the Developer shall: (a) deliver to the City Manager written evidence that the Developer has procured the insurance required under Section 1.L.2; (b) give the City Manager twenty-four (24) hours telephonic or written notice of any intended access which involves work on the Site or which may result in any impairment of the use of any portion of the Site; (c) access the Site in a safe manner; (d) conduct no invasive testing or boring without the written consent of the City Manager; (e) allow no dangerous or hazardous condition created by the Developer or the Developer's agents; (f) comply with all laws and obtain all permits required in connection with such access; and (g) conduct inspections and testing, subject to the rights of existing occupants and contractors, if any, and only after obtaining the City Manager's consent, which shall not be unreasonably withheld. The limited license granted herein is revocable by the City and may be revoked during the continuation of any breach of this Agreement by the Developer and shall be automatically revoked and terminated, without further action of the City, upon the termination of this Agreement or any period of exclusive negotiation hereunder.

2. The Developer shall obtain at Developer's sole cost and expense prior to commencement of any investigative activities on the Site, a policy of commercial general liability insurance covering any and all liability of the Developer and its contractors and consultants arising out of any investigative activities and listing the City and the officers, officials, employees and contractors of each as additional insureds thereunder, in an amount approved by the City Manager. Such insurance shall be provided by insurer(s) licensed to do business in, and in good standing in, the State of California, with a Best's Key Rating of at least A VII and satisfactory to the City Manager and City Attorney. Such policy of insurance shall be kept and maintained in force at all times during the term of this Agreement and so long thereafter as necessary to cover any claims of damages suffered by persons or property resulting from any acts or omissions of the Developer, the Developer's employees, agents, contractors, suppliers, consultants or other related parties. The City's Insurance Endorsement Form must be executed by the applicable insurance underwriters and delivered to the City.

3. The Developer hereby agrees to protect, indemnify, defend and hold the City and the officials, employees, agents, representatives, consultants and contractors of the City free and harmless from and against any and all claims, costs, expenses, losses, damages, liabilities, fees, fines and penalties resulting from the Developer's access to the Site or its exercise of its rights under this license, including any inspections, surveys, tests or studies performed by the Developer or its employees, consultants or contractors, save and except where such claims result solely from the gross negligence or willful misconduct of the City or its agents, employees or representatives. The Developer shall keep the Site free and clear of mechanics' liens and materialmen's liens related to the Developer's inspection of the Site. The indemnification by the Developer set forth in this Section 1.L.3 shall survive the termination of this Agreement, the execution of the DDA, and the closing and transfer of the Site to the Developer and shall not merge into any deed granted pursuant to the DDA.

SECTION 2. PERIOD OF NEGOTIATIONS.

A. The term of this Agreement shall be a period of nine (9) months (the "**Period of Negotiation**") from the date this Agreement is signed by the City (the "**Effective Date**") and it is the intent of the Parties to negotiate and prepare definitive documentation reflecting the transaction for execution and delivery within such Period of Negotiation. This Agreement shall automatically terminate at the end of the Period of Negotiation unless the Developer and City Manager have agreed upon a form of Purchase Agreement acceptable to each as of said date, unless terminated earlier as provided in this Section 2, or unless extended as follows:

1. For sixty (60) days if a DDA has been prepared by the City and executed by the Developer, and has been submitted to the City but has not yet been approved by the City Council; or

2. For thirty (30) days if the major business terms have been agreed to and the City Manager determines that further negotiations are likely to result in a written agreement; or

3. By mutual agreement of the parties.

B. Developer understands and acknowledges that if negotiations culminate in a Purchase Agreement, such agreement shall be effective only after and if the Agreement has been considered and approved by the City Council after public hearing thereon as required by law.

C. Notwithstanding the Period of Negotiation established by this Agreement and in addition to the termination rights set forth in this Section 2, if the City determines in its reasonable discretion and notifies the Developer in writing (1) at any time that the Developer is not negotiating diligently or in good faith; or (2) that the Parties have failed to make substantial progress toward the negotiation of the Purchase Agreement in accordance with the Schedule; or (3) the Developer does not comply with the provisions of Section 1.C, then subject to the provisions of Section 6.D the City may terminate this Agreement at any time thereafter upon five (5) days written notice to the Developer and such termination shall be binding upon each of the Parties.

D. Notwithstanding the Period of Negotiation established by this Agreement, the Developer may terminate this Agreement in the event that during the course of its investigations and evaluation of the Project, the Developer determines in good faith that the Project is not feasible for any reason, including, without limitation, the geotechnical and/or environmental condition of the Site or is not able to be reasonably financed.

E. Upon the City's negotiating team being prepared to recommend a Purchase Agreement acceptable to the Developer to the City Council for approval, the Developer shall execute said Agreement and the City's staff shall submit the form Purchase Agreement to the City Council for approval. The Developer acknowledges that any Purchase Agreement shall require approval of the City and hereby agrees that, upon

submittal by the Developer to the City of its fully executed Purchase Agreement , the Developer shall not withdraw such offer for a period of sixty (60) days following such submittal (provided there shall have been no material adverse changes to the Project, including applicable land use regulations, title, the geotechnical condition of the Site and the status of the Letter of Commitment). During said sixty (60) day period the City shall (a) determine whether it desires to enter into such Purchase Agreement , and (b) if it does so desire, take all actions necessary to authorize the execution of and execute the Purchase Agreement . If the City has not approved the Purchase Agreement by the end of such sixty (60) day period, this Agreement shall automatically terminate.

F. In the event this Agreement is terminated as provided in this Section 2, no Party shall have any liability hereunder following such termination except as otherwise expressly set forth in this Agreement. In the event of such termination of this Agreement, unused portions of the Deposit shall be allocated as provided in Section 3.A.4. In the event of such termination of this Agreement the provisions of this Section and Section 1.L.3 shall not terminate, and such Sections shall survive and be binding upon the Parties notwithstanding such termination.

H. The City Manager shall review and preliminarily approve the plans and all other appropriate documents at each milestone as identified in the Schedule, prior to, and as a condition precedent to, proceeding to each following milestone.

SECTION 3. DEVELOPER'S RESPONSIBILITIES.

A. During the Period of Negotiation, Developer will prepare such studies, reports, and analysis as shall be reasonably necessary to determine the feasibility of the Project. The Developer shall fully cooperate with the City in the development of the Project design and financing plan, subject to the terms of Section 1.C. above. During the Period of Negotiation and as requested by the City, the Developer shall submit to the City the following:

1. Full disclosure of Developer's principals, partners, joint venturers, negotiators, or other associates of the Developer who are participants or principals of the Project.

2. Statement of financial condition in sufficient detail to demonstrate Developer's financial capabilities, and where applicable, those of its principals, partners, or joint venturers, to satisfy the commitments necessitated by the Project.

3. The Developer shall negotiate exclusively with the City's negotiating team and with no other persons, including the members of the City Council, unless expressly authorized to do so by the City Manager in writing. During the Period of Negotiation, Developer and City shall coordinate community and neighborhood outreach efforts. No statements will be made by the Developer or the City's negotiating team to the media without the approval of the other party. No prepared statements shall be released to the media without the mutual consent of the respective negotiating teams. The Developer shall also cooperate with City, which

will manage the environmental review of the Project, as well as the Project planning contract through the City's Focused Entitlement Process.

4.

5. The Developer understands and agrees that the City's negotiating team reserves the right at any time to reasonably request from the Developer additional information, including information, data, and commitments to ascertain the depth of the Developer's capability to develop the Project expeditiously. The City's negotiating team shall provide a reasonable time in which the Developer may obtain and submit to the City such additional information. The Developer agrees to submit such additional information in a timely manner.

B. The Developer acknowledges and agrees that, as the Developer:

1. It shall design and construct the Project and all required Project infrastructure at its own cost and expense.

2. It shall collaborate with the City to design and develop a mutually satisfactory Development Plan for the Project.

3. It shall make all oral and/or written reports as provided in this Agreement or at such other times as information is requested by the City Manager.

4. It shall have a continuing obligation to demonstrate, to the City, after written request, the financial capacity of Developer and its capital partners and members, the willingness of each to make adequate funding available and the capability of Developer to perform its obligations under this Agreement and the proposed Purchase Agreement until the completion of the Project.

C. The Developer acknowledges that the selection of the Developer as the developer is based in large part on the experience, qualifications, and financial capacity of the Developer and the constituent members of the Developer's development team. Accordingly, the principals of the Developer and the members of the development team, all as described in the Developer's Proposal, shall remain substantially as set forth therein throughout the Period of Negotiation. The Developer shall notify the City in writing of any proposed change in the Developer's ownership, directors, or officers, and any change in the development team, including consultants, as described in the Developer's Proposal.

D. The Developer will be required to make and maintain full disclosure to the City of the methods of financing and the material terms of any Project financing obtained by Developer for the acquisition and/or development of the Project.

SECTION 4. CITY'S RESPONSIBILITIES.

A. Negotiate Exclusively. The City agrees that, during the Period of Negotiation and provided that the Developer is not in default of its obligations under this Agreement, the City shall negotiate exclusively and in good faith with Developer with respect to the

Purchase Agreement. During the Period of Negotiation, the City shall not solicit or entertain offers or proposals from other parties concerning the Site. Developer acknowledges, however, that the City may, from time to time, be contacted by other developers respecting the Site and that such contact is expressly permitted so long as the City does not initiate such contacts and the City indicates to such other developers that the City has executed this Agreement with Developer and that the City is unable to discuss anything concerning these negotiations with Developer, disclose any information other than any Project related information that is a disclosable public record, entertain any offer or proposal, or negotiate with any other developer regarding the Site until the Period of Negotiation expires or this Agreement is terminated, as provided in this Agreement.

B. Preparation of Agreement. If agreement is reached on the business terms for inclusion in the Purchase Agreement, the City shall prepare such Purchase Agreement for consideration by the Developer. City's outside legal, appraisal, and financial consultant expenses shall be chargeable against the Deposit as provided in Section 3.A.4 of this Agreement. City shall notify Developer of the amount of the appraiser and financial consultant contracts and provide monthly notification of the legal costs of preparing the Purchase Agreement.

C. Planning Approvals. To the extent allowed by Law, the City will undertake all acts necessary to assist Developer in securing necessary permits as may be necessary to permit the development at the Site.

D. Contract Authority. The City Manager is authorized to enter into contracts on behalf of the City for the purposes of planning, environmental review, appraisals, and such other services identified in Section 3.A of this Agreement in any amount, provided such contracts have been funded by Developer and the contract amount has been deposited with City by Developer under the same terms and conditions described in Section 3.A above.

E. Reserved. F. Confidentiality. The Developer acknowledges that all documents submitted to the City are public records; however, Developer and City agree that certain documents may not be required to be disclosed. Prior to delivering any information to the City which the Developer deems to be confidential or proprietary, and non-disclosable under law, the Developer shall identify such information. The City Manager shall review the Developer's position and if the City Manager concurs with such position, the Developer shall deliver the information to the City and the City shall maintain the non-disclosable status of the information. If the City determines that the information is a disclosable public record, the City Manager shall so advise the Developer and the Developer can decide to submit the information as initially described or the Developer shall meet with the City Manager and review or formulate alternative forms or content of submissions. In the event the Developer fails or refuses to deliver the information, either Party shall have the right to terminate this Agreement. The Parties shall mutually cooperate in the defense of any legal challenge of a determination of the City Manager pursuant to this section that any such record is non-disclosable.

SECTION 5. GOOD FAITH DEPOSIT.

Concurrently with the execution of this Agreement, Developer shall submit to the City a initial good faith deposit in the sum of Ten Thousand Dollars (\$10,000.00) (the "**Good Faith Deposit**") in the form of a cash deposit, cashiers' check, irrevocable letter of credit, or other form of security acceptable to the City to ensure that the Developer will proceed diligently and in good faith to negotiate and perform all of the Developer's obligations under this Agreement. If the Good Faith Deposit is in cash or a certified cashiers' check, it shall be deposited with the City consistent with City practices. Interest, if any, shall be added to the Good Faith Deposit and held as additional security for the Developer's obligations hereunder.

SECTION 6. MISCELLANEOUS.

A Brokerage Commission. City and Developer hereby represent and acknowledge that the Developer has engaged a broker to represent them in connection with this Agreement. ~~The City and Developer hereby indemnify and hold the other free and harmless from and against any and all costs and liabilities including, without limitation attorneys' fees, for causes of action or proceedings which may be instituted by any broker, agent or finder, licensed or otherwise, claiming through, under or by reason of the conduct of the indemnifying party in connection with this Agreement.~~ The foregoing representation and indemnity shall survive the termination of this Agreement.

B. Successors and Assigns. This Agreement shall be binding upon and enforceable by the respective successors and assigns of the City and the Developer. Without the prior written consent of the City, Developer may not assign its rights or delegate its obligations hereunder; provided, however, Developer shall have the right to assign its rights in and to this Agreement and the Purchase Agreement to any entity in which Developer, or any "**Affiliate**" of Developer holds a direct or indirect interest and maintains an active role in the management of the affairs of such entity.

C. Notices. Any notice, consent, approval or disapproval to be given or other document to be delivered by any party to the other or others hereunder, and any payments from Builder to Company, may be delivered in person to an officer of any party, or may be delivered by Federal Express, other private commercial delivery or courier service for next business day delivery, or may be deposited in the United States mail, duly certified or registered, return receipt requested, with postage prepaid, and addressed to the party for whom intended, as follows:

If to Developer: Savoy Group, Inc.

Attn: Robert Gray

If to City:

The City of Palm Springs
3200 E. Tahquitz Canyon Way
Palm Springs, CA, 92263
Attn: City Manager
Phone No.: (760) 323-8350
Fax No.: (760) 323-8207

Notice may also be given by facsimile transmission ("Fax") to any party at the respective Fax number given above and marked "RUSH - PLEASE DELIVER IMMEDIATELY," provided receipt of such transmission shall be confirmed by follow-up notice within seventy-two (72) hours by another method authorized above. Any party hereto may from time to time, by written notice to the other, designate a different address which shall be substituted for the one above specified. Any notice shall be deemed served or delivered upon actual receipt or first attempted delivery (as shown by the records of the U.S. Postal Service or private delivery service) at the address listed above.

D. Default. Neither City nor Developer shall be deemed to be in default of its respective obligations under this Agreement unless the non-defaulting party shall deliver written notice of any alleged default which the defaulting party fails to cure within thirty (30) days after delivery of such notice, and if such breach is capable of cure, but cannot reasonably be cured within such thirty (30) day period, then within such longer period (not to exceed ninety (90) days from the delivery of the original notice), provided that the defaulting party promptly undertakes to cure within the initial thirty (30) day period and thereafter diligently prosecutes such cure to completion.

E. Ownership of Documents. In the event the Period of Negotiation expires without execution of the Purchase Agreement, Developer shall, at the request of the City and in consideration for the actual, out-of-pocket cost incurred by Developer therefor, transfer to City copies of any non-privileged and/or proprietary reports, studies, analysis, site plan layouts, development cost estimates, engineering studies, regarding the proposed development and prepared during the Period of Negotiation, which copies shall become the property of City. Such transfer shall be made without any representation or warranty by the Developer as to the accuracy or sufficiency of the contents of such documents and shall be made subject to the rights of the preparers of such documents including, without limitation, the copyright (if any) associated with such documents.

F. Purpose of Contract. It is expressly understood and agreed by the parties hereto that this is an Agreement regarding the conduct of contract negotiations only and does not convey any interest in the property whatsoever. It is further agreed and understood that this Agreement does not imply any obligation on the part of the City or Developer to enter into any agreement that may result in negotiations contemplated herein. Nevertheless, the City would not have entered the Agreement if the Developer's proposal did not fulfill City's objectives and have merit, as represented.

G. Amendment. This Agreement may only be amended by a document in writing signed by the parties hereto.

H. Acceptance. This Agreement, when executed by the Developer and delivered to the City, shall constitute a binding Agreement and the Parties acknowledge the City has authorized the City Manager to execute an Exclusive Negotiating Agreement at its meeting of March 21, 2012.

I. Corporate Authority. The persons executing this Agreement on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said party, (iii) by so executing this Agreement, such party is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which said party is bound.

J. Governing Law; Dispute Resolution. The Agreement shall be interpreted in accordance with California law, without giving effect to choice of law provisions. The Parties agree that in the event of litigation, exclusive venue shall be in Riverside County, California. In the event of any dispute, controversy, or claim arising between the City and the Developer in connection with or relating to this Agreement, the Parties shall make good faith efforts to resolve such dispute through negotiation and, if the Parties so elect, non-binding mediation, prior to initiating any judicial proceeding to enforce the terms of this Agreement. The Parties shall bear their costs, including attorneys' fees, in the dispute resolution process, including any judicial proceedings.

K. Superseded by Purchase and Sale Agreement. Following mutual execution by the Parties of a Purchase and Sale Agreement (Purchase Agreement), this Agreement shall be of no further force or effect, except that the indemnity set forth in Section 1.L.3 and the representations and warranties set forth in Sections 1.K shall remain in effect with respect to claims arising during the term of this Agreement. In the event of any conflict between the provisions of this Agreement and any Purchase Agreement approved and executed by the Parties, the provisions of the Purchase Agreement shall for all purposes prevail.

L. No Duty. Notwithstanding any other provision of this Agreement, the City shall not have any obligation or duty under this Agreement or any liability whatsoever in the event the Parties fail to execute a Purchase Agreement.

M. Non-liability of City Officials and Employees. No member, official, representative, director, staff member, attorney or employee of either of the City shall be personally liable to the Developer or any successor in interest in the event of any default or breach by the City or for any amount which may become due to the Developer or to its successor with respect to this Agreement, the Project or the Site.

N. Purchase Agreement Approval. If the negotiations hereunder culminate in a Purchase Agreement, such Purchase Agreement will be considered for approval by the City Council only after all required public hearings have been held and after compliance with all applicable laws and ordinances. The concurrence of the City with the terms and provisions of a proposed Purchase Agreement under any provisions of this Agreement shall not be construed or interpreted as the City approving or accepting such terms. Such

concurrence shall be viewed as nothing more than the willingness of the City negotiators to recommend to the City Council that the City negotiators recommend approval of such terms. A Purchase Agreement shall only become effective after it has been considered and approved by the City Council after notice and, if required by law or requested by members of the City Council, the conduct of a public hearing.

O. Definitions.

In construing the provisions of this Agreement, the following definitions shall apply:

"Affiliate" means any person or entity in control of, under the control of, or in common control with the Developer.

"City" means the City of Palm Springs, a governmental City organized under the laws of the State of California.

"Agreement" means this Exclusive Agreement to Negotiate between the City and the Developer.

"Developer" means the Savoy Group, Inc., a Nevada corporation.

"Developer's Proposal" means the Developer's submittal dated _____, 2011,.

"Evidence" means documentation in the form of recorded deeds of trust, contracts of sale, or other instruments of conveyance demonstrating to the reasonable satisfaction of the City Manager and City Attorney that Developer has acquired or is under contract to acquire one or more of the parcels that make up the Adjacent Property (subject to any commercially reasonable conditions, including the City's sale of the Site to Developer).

"Feasibility Analysis" means the identification of a hotel development program that analyzes the number of hotel rooms, project amenities, meeting rooms, restaurant and retail space, based on the Project Description; and a preliminary project budget based on those assumptions.

"Project" means the hotel, bistro, amenities, and public improvements to be developed by Developer on the Site and any additional public improvements.

"Project Description" means an accurate written description of the development of the site or the Extended site, including the number, type, and size of hotel rooms; the number and size of condominium units; the size, extent, description, and intensity of the amenities (including, but not limited to swimming pools and other recreational facilities, spa, health club, commercial retail space, meeting rooms, and restaurants, and any other uses or facilities that the developer desires to include in the Project; and the number of parking spaces and related facilities.

"Schedule" means the schedule attached to this Agreement as Exhibit "B" for the completion of the Developer's and City's respective obligations pursuant to this Agreement.

"Site" means the approximately seventy five thousand (75,000) square feet, currently vacant, generally located at the northeast corner of North Palm Canyon Drive and Stevens Road, , commonly referred to as the O'Donnell Reservoir and Casa Del Camino Parcels, and more specifically described and depicted on Exhibits "A1" and "A2" to this Agreement.

"Site Plan" means a plan, prepared to scale, showing accurately and with complete dimensioning, all of the buildings, structures, uses and the manner of development proposed for the Site, including mass, height, and conceptual elevations , location of amenities and related facilities consistent with the Project Description, and the location of parking and related facilities.

"Term Sheet" means a non-exhaustive narrative description of the essential terms and conditions that will be incorporated into the Purchase Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day first above written.

"CITY"

THE CITY OF PALM SPRINGS, a Charter City
and municipal corporation

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

[SIGNATURES CONTINUED ON NEXT PAGE]

"DEVELOPER"

SAVOY GROUP, INC., a Nevada Corporation

(Check One: __individual, __partnership,
__corporation)

[NOTARIZED]

Signature

Print Name:

Print Title: _____

[NOTARIZED]

Signature

Print Name:

Print Title: _____

Mailing Address:

(Corporations require two signatures; **one from each** of the following: (A) Chairman of Board, President, any Vice President; **AND** (B) Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, or Chief Financial Officer.)

[END OF SIGNATURES / NOTARY JURAT(S) FOLLOW]

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

ON _____, before me, _____, Notary Public, personally appeared _____ personally known to me (or 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.

Witness my hand and official seal.

[SEAL]

Signature

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

ON _____, before me, _____, Notary Public, personally appeared _____ personally known to me (or 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.

Witness my hand and official seal.

[SEAL]

Signature

EXHIBIT "A1"
TO EXCLUSIVE AGREEMENT TO NEGOTIATE
LEGAL DESCRIPTION OF THE PROPERTY

The parcel is located in the City of Palm Springs, County of Riverside, bearing APN Numbers.

EXHIBIT "A2"
TO EXCLUSIVE AGREEMENT TO NEGOTIATE

MAP OF THE PROPERTY
(Including the Site and the Adjacent Property)

EXCLUSIVE AGREEMENT TO NEGOTIATE
Savoy Group, Inc.

THIS EXCLUSIVE AGREEMENT TO NEGOTIATE ("**Agreement**") is made this _____ day of _____, 2012, by and between THE CITY OF PALM SPRINGS ("**City**"), and SAVOY GROUP, INC., a Nevada corporation ("**Developer**"). The City and the Developer may sometimes be referred to individually as "Party" and collectively as the "Parties."

RECITALS

The Parties entered into this Agreement on the basis of the following facts, understandings, and intentions:

A. The City is a Charter City and municipal corporation exercising governmental functions and powers and organized and existing under the Law of the State of California (

B. The City desires to provide for the development of an upscale quality hotel and restaurant resort property (the "Hotel") at the northeast corner of North Palm Canyon Drive and Stevens Road, consisting of approximately seventy five thousand (75,000) square feet currently owned by the City, currently vacant (the "**Site**"). The Legal Description of the Site is contained on Exhibit "A1" to this Agreement and the Site is depicted on Exhibit "A2" to this Agreement.

C. The Developer desires to construct a Hotel and Bistro development (the "**Project**") at the Site .

E. The City and Developer desire, for the period set forth herein, to negotiate diligently and in good faith the design, schedule, scope of development, and other agreements described in this Agreement, and the Developer's Proposal, including, without limitation, the terms and conditions of a term sheet and Agreement for Purchase and Sale of Real Property ("Purchase Agreement") with respect to the Site. The Purchase Agreement, if agreed upon and executed, will specify the rights, obligations, and method of participation of the Parties with respect to the sale by the City to the Developer of the Site and development of the Site by the Developer.

NOW, THEREFORE, and in consideration of the mutual covenants hereinafter contained, it is mutually agreed upon by the parties as follows:

SECTION 1 NATURE OF NEGOTIATIONS.

A. Good Faith. The City and the Developer agree that for the period set forth in Section 2 herein they will negotiate diligently and in good faith to prepare and enter into a Purchase Agreement consistent with the provisions of this Agreement for the development of an boutique hotel on the Site specified herein. The development will be subject to all rules, regulations, standards, and criteria set forth in the City's General Plan, applicable specific plans and zoning regulations, as may be amended from time to time, and with this Agreement. This Agreement is solely an exclusive right to negotiate and is not a final

not a final agreement. The Parties do not intend this Agreement to be a purchase agreement, option, or similar contract or to be bound in any way by this Agreement, other than to establish a period of exclusive negotiations during which time each Party shall negotiate with the other in good faith and the City shall not market the Site to other interested parties. The Parties agree to negotiate diligently and in good faith and exclusively with each other and to work together to negotiate the details of a term sheet upon which the terms and conditions of the Purchase Agreement will be based (the "**Term Sheet**").

B. Site. The Project shall be located upon the Site. t.

C. Initial Submittals for the Project. On or before October 1, 2012, the Developer shall generate the necessary analysis, plans, and studies to be able to fully describe the material aspects of the proposed Development on the Site. This information will include a "**Site Plan**," a "**Project Description**," and "**Feasibility Analysis**" The submittal shall be in sufficient detail to reasonably enable the Parties to be able to evaluate and determine the feasibility of the Project and to assure the Parties that the Development Planning Process can be completed and that the Term Sheet can be negotiated.

D. Financial Provisions. The Developer is responsible for the acquisition of the Site, and the financing and construction of all improvements upon the Site. The identification and scope of public improvements for the Development shall be based upon the results of the CEQA analysis for the Project. Without assistance from the City, Developer shall pay for all such public improvements and shall also pay all fees of the City of Palm Springs and any other government entity with review authority over the Project. . Upon the successful negotiation of the Purchase Agreement, the Site owned by the City shall be conveyed to the Developer at fair market value based on an MAI appraisal in accordance with the requirements of the California Government Code Section that pertains to the City disposition of land. The City shall commission such appraisal, the cost of which shall be paid from Deposit described in Section _____

E. Schedule. A schedule for the completion of the Developer's and City's respective obligations pursuant to this Agreement (the "**Schedule**") is attached to this Agreement as Exhibit B. During the Period of Negotiation, the City and Developer shall agree on an itemized schedule for the Development process. City and Developer shall meet semi-monthly in order to review Developer's and City's progress and to allow the parties to comment upon the parties' respective efforts. City and Developer agree to reasonably consider adjustments to the Schedule and the Period of Negotiation for delays caused by factors beyond the control of City and the Developer. In this regard, it is agreed and acknowledged that as of the date of this Agreement the precise scope of the Project is subject to numerous factors beyond the control of the parties, including, without limitation, the ability of Developer to acquire one or more legal parcels consisting of the Adjacent Property and the ability to provide a precise description of the Project for purposes of the required CEQA analysis; however, the deadlines for the submittal as described in Section 1.C above will ensure that a Project Description will be completed and full processing of the required CEQA analysis will be able to be commenced no later than June 1, 2012, or as soon thereafter as is reasonably practicable.

F. Use and Transfer Restrictions. The Purchase and Sale Agreement will generally be subject to restrictions on use and transfer during construction and for a specified period thereafter through recorded restrictions (i) to assure that the use will be consistent with and promote the Project, (ii) to prevent speculation, (iii) to assure that any transferee has the resources, capability and experience to successfully develop the Project, and (iv) to assure long-term maintenance of the Project in an attractive first class condition.

G. Exclusivity. The City agrees for the period set forth in Section 2 that it will not negotiate with or enter into any agreement with any other entity for development or sale of the Site, and the Developer agrees not to negotiate with any other person or entity regarding the development of a boutique hotel within the Coachella Valley.

H. CEQA. The intent of this Agreement is for the parties to proceed with the drafting of the Purchase and Sale Agreement, which shall require a CEQA action by the City. An Initial Study for CEQA purposes shall be undertaken for the purpose of determining the appropriate CEQA action. Once the appropriate CEQA action is determined, a more precise environmental timeline shall be developed.

I. Payment of the Purchase Price for the Site. It is hereby agreed and acknowledged that the City and the Developer may agree to a Schedule of Performance in the DA which may call for the conveyance of the Site to the Developer, within a brief period of time following the approval of the Purchase Agreement, and any and all necessary "Entitlements" for the development of the Project. The Purchase Agreement shall contain the payment terms agreed to by the parties.

J. Agreement to Negotiate. The Parties acknowledge that the Developer's Proposal and this Agreement do not establish the essential terms of the transfer of property or the development of the Project and that although they have set forth in this Agreement a framework for negotiation of the essential terms: (a) they have not set forth herein nor agreed upon all essential terms, including, e.g., price, terms, and timing of the transfer of property; (b) they do not intend the Developer's Proposal or this Agreement to be a statement of all of the essential terms; and (c) the essential terms of any transaction, if agreed to by the Parties, shall be set forth, if at all, in the Purchase Agreement approved and executed by authorized representatives of each of the Parties. The Purchase Agreement shall not exist and shall not be binding unless and until it is fully executed by both Parties, approved by counsel to each Party as to form and approved by the City Council of the City and by the authorized members or managing member of the Developer.

Each Party assumes the risk that, notwithstanding this Agreement and good faith negotiations, the Parties may not enter into a Purchase Agreement due to the Parties' failure to agree upon essential terms of a transaction.

K. Developer's Representations, Warranties, and Covenants.

1. The Developer represents that it has the necessary expertise, experience, and financial capability to undertake the Project contemplated herein, including expertise and experience in developing and financing multiple land uses

including, but not limited to, office, retail, hotel, and residential uses of a similar size, quality, and design of the Development contemplated in the the Developer's Proposal.

2. The Developer represents and agrees that its intended acquisition of the Site and and its other intended undertakings pursuant to this Agreement shall be used only for the timely development of the Site and, and not for speculation in any manner.

3. The Developer shall only negotiate with the City's negotiating team as defined in writing by the City Manager of the City (the "City Manager") and with no other persons unless expressly authorized to do so by the City Manager. Nothing in this Agreement shall restrict the Developer from responding to inquiries from the City Council or communicating with the City Council as requested by the City. During the period of negotiations, neither the Developer nor the City's negotiating team shall make any statements to the media about the proposed Development without the approval of the other Party, which approval shall not be unreasonably denied.

4. The Developer acknowledges and agrees that prior to issuance of any certificate of occupancy for the Project, the Project shall include (a) certain restrictions upon assignment, sale, encumbrance, and use of the Site and/or any improvements thereon without approval of the City and (b) restrictions on transfer of control of the Developer.

5. The Developer agrees to make oral and/or written reports at least monthly (or at such other times as information is requested by the City Manager) advising the City Manager of all matters and studies being made.

6. The Developer shall, within fifteen (15) days following the Effective Date, to the extent not submitted with the Developer's Proposal, make full disclosure in writing to the City of the names of the Developer's agents, authorized negotiators, employees or other associates of the Developer who may be participants in planning, negotiation, and development of the Project and other relevant information concerning the above, such as addresses, telephone numbers, employers.

L. As-Is. The Developer acknowledges and agrees that all property conveyed, if at all, by the City pursuant to the DA shall be conveyed, on an "AS-IS, WHERE-IS AND WITH ALL FAULTS" basis, and the Developer shall be obligated to release, as applicable, with respect to its acquisition and development of the Site and the condition of the Site, including any and all land use and environmental conditions of the Site.

1. Effective as of the date of execution of this Agreement by the City, the City hereby grants to the Developer and its representatives and agents a revocable license during the Period of Negotiations to enter upon the Site for purposes of conducting the Developer's due diligence inspections and necessary inspections for

the purposes of developing the Development Plan Package, provided that prior to such access the Developer shall: (a) deliver to the City Manager written evidence that the Developer has procured the insurance required under Section 1.L.2; (b) give the City Manager twenty-four (24) hours telephonic or written notice of any intended access which involves work on the Site or which may result in any impairment of the use of any portion of the Site; (c) access the Site in a safe manner; (d) conduct no invasive testing or boring without the written consent of the City Manager; (e) allow no dangerous or hazardous condition created by the Developer or the Developer's agents; (f) comply with all laws and obtain all permits required in connection with such access; and (g) conduct inspections and testing, subject to the rights of existing occupants and contractors, if any, and only after obtaining the City Manager's consent, which shall not be unreasonably withheld. The limited license granted herein is revocable by the City and may be revoked during the continuation of any breach of this Agreement by the Developer and shall be automatically revoked and terminated, without further action of the City, upon the termination of this Agreement or any period of exclusive negotiation hereunder.

2. The Developer shall obtain at Developer's sole cost and expense prior to commencement of any investigative activities on the Site, a policy of commercial general liability insurance covering any and all liability of the Developer and its contractors and consultants arising out of any investigative activities and listing the City and the officers, officials, employees and contractors of each as additional insureds thereunder, in an amount approved by the City Manager. Such insurance shall be provided by insurer(s) licensed to do business in, and in good standing in, the State of California, with a Best's Key Rating of at least A VII and satisfactory to the City Manager and City Attorney. Such policy of insurance shall be kept and maintained in force at all times during the term of this Agreement and so long thereafter as necessary to cover any claims of damages suffered by persons or property resulting from any acts or omissions of the Developer, the Developer's employees, agents, contractors, suppliers, consultants or other related parties. The City's Insurance Endorsement Form must be executed by the applicable insurance underwriters and delivered to the City.

3. The Developer hereby agrees to protect, indemnify, defend and hold the City and the officials, employees, agents, representatives, consultants and contractors of the City free and harmless from and against any and all claims, costs, expenses, losses, damages, liabilities, fees, fines and penalties resulting from the Developer's access to the Site or its exercise of its rights under this license, including any inspections, surveys, tests or studies performed by the Developer or its employees, consultants or contractors, save and except where such claims result solely from the gross negligence or willful misconduct of the City or its agents, employees or representatives. The Developer shall keep the Site free and clear of mechanics' liens and materialmen's liens related to the Developer's inspection of the Site. The indemnification by the Developer set forth in this Section 1.L.3 shall survive the termination of this Agreement, the execution of the DDA, and the closing and transfer of the Site to the Developer and shall not merge into any deed granted pursuant to the DDA.

SECTION 2. PERIOD OF NEGOTIATIONS.

A. The term of this Agreement shall be a period of nine (9) months (the "**Period of Negotiation**") from the date this Agreement is signed by the City (the "**Effective Date**") and it is the intent of the Parties to negotiate and prepare definitive documentation reflecting the transaction for execution and delivery within such Period of Negotiation. This Agreement shall automatically terminate at the end of the Period of Negotiation unless the Developer and City Manager have agreed upon a form of Purchase Agreement acceptable to each as of said date, unless terminated earlier as provided in this Section 2, or unless extended as follows:

1. For sixty (60) days if a DDA has been prepared by the City and executed by the Developer, and has been submitted to the City but has not yet been approved by the City Council; or

2. For thirty (30) days if the major business terms have been agreed to and the City Manager determines that further negotiations are likely to result in a written agreement; or

3. By mutual agreement of the parties.

B. Developer understands and acknowledges that if negotiations culminate in a Purchase Agreement, such agreement shall be effective only after and if the Agreement has been considered and approved by the City Council after public hearing thereon as required by law.

C. Notwithstanding the Period of Negotiation established by this Agreement and in addition to the termination rights set forth in this Section 2 if the City determines in its reasonable discretion and notifies the Developer in writing (1) at any time that the Developer is not negotiating diligently or in good faith; or (2) that the Parties have failed to make substantial progress toward the negotiation of the Purchase Agreement in accordance with the Schedule; or (3) the Developer does not comply with the provisions of Section 1.C, then subject to the provisions of Section 6.D the City may terminate this Agreement at any time thereafter upon five (5) days written notice to the Developer and such termination shall be binding upon each of the Parties.

D. Notwithstanding the Period of Negotiation established by this Agreement, the Developer may terminate this Agreement in the event that during the course of its investigations and evaluation of the Project, the Developer determines in good faith that the Project is not feasible for any reason, including, without limitation, the geotechnical and/or environmental condition of the Site or is not able to be reasonably financed.

E. Upon the City's negotiating team being prepared to recommend a Purchase Agreement acceptable to the Developer to the City Council for approval, the Developer shall execute said Agreement and the City's staff shall submit the form Purchase Agreement to the City Council for approval. The Developer acknowledges that any Purchase Agreement shall require approval of the City and hereby agrees that, upon

submittal by the Developer to the City of its fully executed Purchase Agreement , the Developer shall not withdraw such offer for a period of sixty (60) days following such submittal (provided there shall have been no material adverse changes to the Project, including applicable land use regulations, title, the geotechnical condition of the Site and the status of the Letter of Commitment). During said sixty (60) day period the City shall (a) determine whether it desires to enter into such Purchase Agreement , and (b) if it does so desire, take all actions necessary to authorize the execution of and execute the Purchase Agreement . If the City has not approved the Purchase Agreement by the end of such sixty (60) day period, this Agreement shall automatically terminate.

F. In the event this Agreement is terminated as provided in this Section 2, no Party shall have any liability hereunder following such termination except as otherwise expressly set forth in this Agreement. In the event of such termination of this Agreement, unused portions of the Deposit shall be allocated as provided in Section 3.A.4. In the event of such termination of this Agreement the provisions of this Section and Section 1.L.3 shall not terminate, and such Sections shall survive and be binding upon the Parties notwithstanding such termination.

H. The City Manager shall review and preliminarily approve the plans and all other appropriate documents at each milestone as identified in the Schedule, prior to, and as a condition precedent to, proceeding to each following milestone.

SECTION 3. DEVELOPER'S RESPONSIBILITIES.

A. During the Period of Negotiation, Developer will prepare such studies, reports, and analysis as shall be reasonably necessary to determine the feasibility of the Project. The Developer shall fully cooperate with the City in the development of the Project design and financing plan, subject to the terms of Section 1.C. above. During the Period of Negotiation and as requested by the City, the Developer shall submit to the City the following:

1. Full disclosure of Developer's principals, partners, joint venturers, negotiators, or other associates of the Developer who are participants or principals of the Project.

2. Statement of financial condition in sufficient detail to demonstrate Developer's financial capabilities, and where applicable, those of its principals, partners, or joint venturers, to satisfy the commitments necessitated by the Project.

3. The Developer shall negotiate exclusively with the City's negotiating team and with no other persons, including the members of the City Council, unless expressly authorized to do so by the City Manager in writing. During the Period of Negotiation, Developer and City shall coordinate community and neighborhood outreach efforts. No statements will be made by the Developer or the City's negotiating team to the media without the approval of the other party. No prepared statements shall be released to the media without the mutual consent of the respective negotiating teams. The Developer shall also cooperate with City, which

will manage the environmental review of the Project, as well as the Project planning contract through the City's Focused Entitlement Process.

4.

5. The Developer understands and agrees that the City's negotiating team reserves the right at any time to reasonably request from the Developer additional information, including information, data, and commitments to ascertain the depth of the Developer's capability to develop the Project expeditiously. The City's negotiating team shall provide a reasonable time in which the Developer may obtain and submit to the City such additional information. The Developer agrees to submit such additional information in a timely manner.

B. The Developer acknowledges and agrees that, as the Developer:

1. It shall design and construct the Project and all required Project infrastructure at its own cost and expense.

2. It shall collaborate with the City to design and develop a mutually satisfactory Development Plan for the Project.

3. It shall make all oral and/or written reports as provided in this Agreement or at such other times as information is requested by the City Manager.

4. It shall have a continuing obligation to demonstrate, to the City, after written request, the financial capacity of Developer and its capital partners and members, the willingness of each to make adequate funding available and the capability of Developer to perform its obligations under this Agreement and the proposed Purchase Agreement until the completion of the Project.

C. The Developer acknowledges that the selection of the Developer as the developer is based in large part on the experience, qualifications, and financial capacity of the Developer and the constituent members of the Developer's development team. Accordingly, the principals of the Developer and the members of the development team, all as described in the Developer's Proposal, shall remain substantially as set forth therein throughout the Period of Negotiation. The Developer shall notify the City in writing of any proposed change in the Developer's ownership, directors, or officers, and any change in the development team, including consultants, as described in the Developer's Proposal.

D. The Developer will be required to make and maintain full disclosure to the City of the methods of financing and the material terms of any Project financing obtained by Developer for the acquisition and/or development of the Project.

SECTION 4. CITY'S RESPONSIBILITIES.

A. Negotiate Exclusively. The City agrees that, during the Period of Negotiation and provided that the Developer is not in default of its obligations under this Agreement, the City shall negotiate exclusively and in good faith with Developer with respect to the

Purchase Agreement. During the Period of Negotiation, the City shall not solicit or entertain offers or proposals from other parties concerning the Site. Developer acknowledges, however, that the City may, from time to time, be contacted by other developers respecting the Site and that such contact is expressly permitted so long as the City does not initiate such contacts and the City indicates to such other developers that the City has executed this Agreement with Developer and that the City is unable to discuss anything concerning these negotiations with Developer, disclose any information other than any Project related information that is a disclosable public record, entertain any offer or proposal, or negotiate with any other developer regarding the Site until the Period of Negotiation expires or this Agreement is terminated, as provided in this Agreement.

B. Preparation of Agreement. If agreement is reached on the business terms for inclusion in the Purchase Agreement, the City shall prepare such Purchase Agreement for consideration by the Developer. City's outside legal, appraisal, and financial consultant expenses shall be chargeable against the Deposit as provided in Section 3.A.4 of this Agreement. City shall notify Developer of the amount of the appraiser and financial consultant contracts and provide monthly notification of the legal costs of preparing the Purchase Agreement.

C. Planning Approvals. To the extent allowed by Law, the City will undertake all acts necessary to assist Developer in securing necessary permits as may be necessary to permit the development at the Site.

D. Contract Authority. The City Manager is authorized to enter into contracts on behalf of the City for the purposes of planning, environmental review, appraisals, and such other services identified in Section 3.A of this Agreement in any amount, provided such contracts have been funded by Developer and the contract amount has been deposited with City by Developer under the same terms and conditions described in Section 3.A above.

E. Reserved. F. Confidentiality. The Developer acknowledges that all documents submitted to the City are public records; however, Developer and City agree that certain documents may not be required to be disclosed. Prior to delivering any information to the City which the Developer deems to be confidential or proprietary, and non-disclosable under law, the Developer shall identify such information. The City Manager shall review the Developer's position and if the City Manager concurs with such position, the Developer shall deliver the information to the City and the City shall maintain the non-disclosable status of the information. If the City determines that the information is a disclosable public record, the City Manager shall so advise the Developer and the Developer can decide to submit the information as initially described or the Developer shall meet with the City Manager and review or formulate alternative forms or content of submissions. In the event the Developer fails or refuses to deliver the information, either Party shall have the right to terminate this Agreement. The Parties shall mutually cooperate in the defense of any legal challenge of a determination of the City Manager pursuant to this section that any such record is non-disclosable.

SECTION 5. GOOD FAITH DEPOSIT.

Concurrently with the execution of this Agreement, Developer shall submit to the City a initial good faith deposit in the sum of Ten Thousand Dollars (\$10,000.00) (the "**Good Faith Deposit**") in the form of a cash deposit, cashiers' check, irrevocable letter of credit, or other form of security acceptable to the City to ensure that the Developer will proceed diligently and in good faith to negotiate and perform all of the Developer's obligations under this Agreement. If the Good Faith Deposit is in cash or a certified cashiers' check, it shall be deposited with the City consistent with City practices. Interest, if any, shall be added to the Good Faith Deposit and held as additional security for the Developer's obligations hereunder.

SECTION 6. MISCELLANEOUS.

A Brokerage Commission. City and Developer hereby represent and acknowledge that the Developer has engaged a broker to represent them in connection with this Agreement. The City and Developer hereby indemnify and hold the other free and harmless from and against any and all costs and liabilities including, without limitation attorneys' fees, for causes of action or proceedings which may be instituted by any broker, agent or finder, licensed or otherwise, claiming through, under or by reason of the conduct of the indemnifying party in connection with this Agreement. The foregoing representation and indemnity shall survive the termination of this Agreement.

B. Successors and Assigns. This Agreement shall be binding upon and enforceable by the respective successors and assigns of the City and the Developer. Without the prior written consent of the City, Developer may not assign its rights or delegate its obligations hereunder; provided, however, Developer shall have the right to assign its rights in and to this Agreement and the Purchase Agreement to any entity in which Developer, or any "**Affiliate**" of Developer holds a direct or indirect interest and maintains an active role in the management of the affairs of such entity.

C. Notices. Any notice, consent, approval or disapproval to be given or other document to be delivered by any party to the other or others hereunder, and any payments from Builder to Company, may be delivered in person to an officer of any party, or may be delivered by Federal Express, other private commercial delivery or courier service for next business day delivery, or may be deposited in the United States mail, duly certified or registered, return receipt requested, with postage prepaid, and addressed to the party for whom intended, as follows:

If to Developer: Savoy Group, Inc.

Attn: Robert Gray

If to City:

The City of Palm Springs
3200 E. Tahquitz Canyon Way
Palm Springs, CA, 92263
Attn: City Manager
Phone No.: (760) 323-8350
Fax No.: (760) 323-8207

Notice may also be given by facsimile transmission ("Fax") to any party at the respective Fax number given above and marked "RUSH - PLEASE DELIVER IMMEDIATELY," provided receipt of such transmission shall be confirmed by follow-up notice within seventy-two (72) hours by another method authorized above. Any party hereto may from time to time, by written notice to the other, designate a different address which shall be substituted for the one above specified. Any notice shall be deemed served or delivered upon actual receipt or first attempted delivery (as shown by the records of the U.S. Postal Service or private delivery service) at the address listed above.

D. Default. Neither City nor Developer shall be deemed to be in default of its respective obligations under this Agreement unless the non-defaulting party shall deliver written notice of any alleged default which the defaulting party fails to cure within thirty (30) days after delivery of such notice, and if such breach is capable of cure, but cannot reasonably be cured within such thirty (30) day period, then within such longer period (not to exceed ninety (90) days from the delivery of the original notice), provided that the defaulting party promptly undertakes to cure within the initial thirty (30) day period and thereafter diligently prosecutes such cure to completion.

E. Ownership of Documents. In the event the Period of Negotiation expires without execution of the Purchase Agreement, Developer shall, at the request of the City and in consideration for the actual, out-of-pocket cost incurred by Developer therefor, transfer to City copies of any non-privileged and/or proprietary reports, studies, analysis, site plan layouts, development cost estimates, engineering studies, regarding the proposed development and prepared during the Period of Negotiation, which copies shall become the property of City. Such transfer shall be made without any representation or warranty by the Developer as to the accuracy or sufficiency of the contents of such documents and shall be made subject to the rights of the preparers of such documents including, without limitation, the copyright (if any) associated with such documents.

F. Purpose of Contract. It is expressly understood and agreed by the parties hereto that this is an Agreement regarding the conduct of contract negotiations only and does not convey any interest in the property whatsoever. It is further agreed and understood that this Agreement does not imply any obligation on the part of the City or Developer to enter into any agreement that may result in negotiations contemplated herein. Nevertheless, the City would not have entered the Agreement if the Developer's proposal did not fulfill City's objectives and have merit, as represented.

G. Amendment. This Agreement may only be amended by a document in writing signed by the parties hereto.

H. Acceptance. This Agreement, when executed by the Developer and delivered to the City, shall constitute a binding Agreement and the Parties acknowledge the City has authorized the City Manager to execute an Exclusive Negotiating Agreement at its meeting of March 21, 2012.

I. Corporate Authority. The persons executing this Agreement on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said party, (iii) by so executing this Agreement, such party is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other Agreement to which said party is bound.

J. Governing Law; Dispute Resolution. The Agreement shall be interpreted in accordance with California law, without giving effect to choice of law provisions. The Parties agree that in the event of litigation, exclusive venue shall be in Riverside County, California. In the event of any dispute, controversy, or claim arising between the City and the Developer in connection with or relating to this Agreement, the Parties shall make good faith efforts to resolve such dispute through negotiation and, if the Parties so elect, non-binding mediation, prior to initiating any judicial proceeding to enforce the terms of this Agreement. The Parties shall bear their costs, including attorneys' fees, in the dispute resolution process, including any judicial proceedings.

K. Superseded by Purchase and Sale Agreement. Following mutual execution by the Parties of a Purchase and Sale Agreement (Purchase Agreement), this Agreement shall be of no further force or effect, except that the indemnity set forth in Section 1.L.3 and the representations and warranties set forth in Sections 1.K shall remain in effect with respect to claims arising during the term of this Agreement. In the event of any conflict between the provisions of this Agreement and any Purchase Agreement approved and executed by the Parties, the provisions of the Purchase Agreement shall for all purposes prevail.

L. No Duty. Notwithstanding any other provision of this Agreement, the City shall not have any obligation or duty under this Agreement or any liability whatsoever in the event the Parties fail to execute a Purchase Agreement.

M. Non-liability of City Officials and Employees. No member, official, representative, director, staff member, attorney or employee of either of the City shall be personally liable to the Developer or any successor in interest in the event of any default or breach by the City or for any amount which may become due to the Developer or to its successor with respect to this Agreement, the Project or the Site.

N. Purchase Agreement Approval. If the negotiations hereunder culminate in a Purchase Agreement, such Purchase Agreement will be considered for approval by the City Council only after all required public hearings have been held and after compliance with all applicable laws and ordinances. The concurrence of the City with the terms and provisions of a proposed Purchase Agreement under any provisions of this Agreement shall not be construed or interpreted as the City approving or accepting such terms. Such

concurrence shall be viewed as nothing more than the willingness of the City negotiators to recommend to the City Council that the City negotiators recommend approval of such terms. A Purchase Agreement shall only become effective after it has been considered and approved by the City Council after notice and, if required by law or requested by members of the City Council, the conduct of a public hearing.

O. Definitions.

In construing the provisions of this Agreement, the following definitions shall apply:

"Affiliate" means any person or entity in control of, under the control of, or in common control with the Developer.

"City" means the City of Palm Springs, a governmental City organized under the laws of the State of California.

"Agreement" means this Exclusive Agreement to Negotiate between the City and the Developer.

"Developer" means the Savoy Group, In.c, a Nevada corporation.

"Developer's Proposal" means the Developer's submittal dated _____, 2011,.

"Evidence" means documentation in the form of recorded deeds of trust, contracts of sale, or other instruments of conveyance demonstrating to the reasonable satisfaction of the City Manager and City Attorney that Developer has acquired or is under contract to acquire one or more of the parcels that make up the Adjacent Property (subject to any commercially reasonable conditions, including the City's sale of the Site to Developer).

"Feasibility Analysis" means the identification of a hotel development program that analyzes the number of hotel rooms, project amenities, meeting rooms, restaurant and retail space, based on the Project Description; and a preliminary project budget based on those assumptions.

"Project" means the hotel, bistro, amenities, and public improvements to be developed by Developer on the Site and any additional public improvements.

"Project Description" means an accurate written description of the development of the site or the Extended site, including the number, type, and size of hotel rooms; the number and size of condominium units; the size, extent, description, and intensity of the amenities (including, but not limited to swimming pools and other recreational facilities, spa, health club, commercial retail space, meeting rooms, and restaurants, and any other uses or facilities that the developer desires to include in the Project; and the number of parking spaces and related facilities.

"Schedule" means the schedule attached to this Agreement as Exhibit "B" for the completion of the Developer's and City's respective obligations pursuant to this Agreement.

"Site" means the approximately seventy five thousand (75,000) square feet, currently vacant, generally located at the northeast corner of North Palm Canyon Drive and Stevens Road, commonly referred to as the O'Donnell Reservoir and Casa Del Camino Parcels, and more specifically described and depicted on Exhibits "A1" and "A2" to this Agreement.

"Site Plan" means a plan, prepared to scale, showing accurately and with complete dimensioning, all of the buildings, structures, uses and the manner of development proposed for the Site, including mass, height, and conceptual elevations , location of amenities and related facilities consistent with the Project Description, and the location of parking and related facilities.

"Term Sheet" means a non-exhaustive narrative description of the essential terms and conditions that will be incorporated into the Purchase Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day first above written.

"CITY"

THE CITY OF PALM SPRINGS, a Charter City
and municipal corporation

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

[SIGNATURES CONTINUED ON NEXT PAGE]

"DEVELOPER"

SAVOY GROUP, INC., a Nevada Corporation

(Check One: individual, partnership,
 corporation)

[NOTARIZED]

Signature
Print Name: _____
Print Title: _____

[NOTARIZED]

Signature
Print Name: _____
Print Title: _____
Mailing Address:

(Corporations require two signatures; **one from each** of the following: (A) Chairman of Board, President, any Vice President; **AND** (B) Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, or Chief Financial Officer.)

[END OF SIGNATURES / NOTARY JURAT(S) FOLLOW]

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

ON _____, before me, _____, Notary Public, personally appeared _____ personally known to me (or 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.

Witness my hand and official seal.

[SEAL]

Signature

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

ON _____, before me, _____, Notary Public, personally appeared _____ personally known to me (or 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.

Witness my hand and official seal.

[SEAL]

Signature

EXHIBIT "A1"
TO EXCLUSIVE AGREEMENT TO NEGOTIATE
LEGAL DESCRIPTION OF THE PROPERTY

The parcel is located in the City of Palm Springs, County of Riverside, bearing APN Numbers.

EXHIBIT "A2"
TO EXCLUSIVE AGREEMENT TO NEGOTIATE

MAP OF THE PROPERTY
(Including the Site and the Adjacent Property)