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PARKING GARAGE STRUCTURE AND PUBLIC GROUNDS MAINTENANCE AGREEMENT BETWEEN THE CITY OF MYRTLE BEACH AND LUK-MB1, LLC

Pod 19 Romans

This Parking Garage and Public Grounds Maintenance Agreement (this "Agreement") is entered into and effective as of the 22 day of December, 2008, between the City of Myrtle Beach, South Carolina, a South Carolina municipal corporation (the "City"), and LUK-MB1, LLC, a Delaware limited liability company (the "Company").

RECITALS

- A. The Company is the owner of approximately 27.633 acres of land located in the City of Myrtle Beach, Horry County, South Carolina, commonly known as Phase 1 Market Common, which is legally described on Exhibit A attached hereto (the "Property").
- B. Pursuant to, among other things, the terms and provisions of (i) that certain Public Infrastructure Improvements Purchase Agreement (the "PIIPA") dated as of October 1, 2006 among the City, the Company and LUK-MB2, LLC, a Delaware limited liability company ("LUK-2"), (ii) that certain Tax Increment Financing Agreement (the "TIFA") dated September 29, 2006 among the City, the Myrtle Beach Air Force Base Redevelopment Authority, a body politic and corporate and an agency of the State of South Carolina, the Company, LUK-2 and LUK-MB5, LLC, a Delaware limited liability company, (iii) a Redevelopment Master Plan, The Market Common, Myrtle Beach, dated October 27, 2004, as revised and amended, and (iv) a Development Agreement dated as of July 25, 2006 (the "Development Agreement"), recorded in the Horry County Register of Deeds Office, the Company has developed on the portion of the Property legally described in Exhibit A-1 attached hereto (the "Public Parcels") certain public improvements described as the "Phase 1 Infrastructure Projects" in the PIIPA (collectively, the "Public Improvements").
- C. Pursuant to the terms and provisions of PIIPA, the Company has conveyed the Public Parcels to the City, together with the Public Improvements located thereon, on or before the date hereof.
- D. In Section 3.4 of the TIFA and pursuant to Article 6(E) of the Development Agreement, the City has agreed to repair, restore and maintain the Public Improvements in a manner consistent with other public improvements owned by the City of similar age, condition, scope and purpose (the "City Maintenance Standard") as more particularly described in, and subject to the conditions set forth in, Section 3.4 of the TIFA and subject to the provisions of section (h) of Article XI of the Bond Ordinance (as defined in the TIFA).
- E. The City desires to contract with the Company to provide for the maintenance of certain Public Improvements, and the Company has agreed to provide such services subject to the terms of this Agreement.

NOW THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the parties hereby agree as follows:

- 1. Parking Garages and Surface Parking Lots. The Company shall be responsible for all maintenance and repairs relating to the parking garages and the five (5) surface parking lots located on the Public Parcels (collectively, the "Parking Facilities"), including, but not limited to: (i) repairing, cleaning and painting of all walls, ceilings, stairwells, railings and exterior fences; (ii) sweeping and removing all trash and debris; (iii) replacing light fixtures and light bulbs; (iv) repairing, cleaning and painting of all safety posts; (v) repairing, cleaning and painting of all doors; and (vi) repairing and cleaning drain grates and cleaning areas outside of drain grates. All maintenance and repairs to the Parking Facilities shall be made by the Company at the Company's sole cost and expense.
- 2. <u>Streets</u>. The Company shall be responsible for routine and regular maintenance with respect to the portions of Reed Avenue, Deville Street, Howard Avenue, Nevers Street, Styers Way, Moser Drive, Blizzard Street and Lewis Street located within the Property, consisting solely of cleaning, weeding, sweeping, emptying trash receptacles, and removing trash and debris.
- 3. <u>Sidewalks</u>. The Company shall clean and sweep all sidewalks located within the area bounded by Farrow Parkway, Phillis Boulevard, Johnson Avenue and Hackler Street.
- 4. <u>Fountains</u>. The Company shall be responsible for the cleaning and painting of the two fountains located on the portion of Howard Street that is contiguous to the Property and the maintenance of the pumps, filters and other plumbing components of such fountains.
- 5. Landscaping. The Company shall be responsible for maintaining all landscaping and landscaping related items on the Public Parcels, which responsibility shall consist solely of (i) providing, maintaining and replacing seasonal plantings, (ii) maintaining the landscape irrigation systems located on the Public Parcels to the point of connection to the City's water pipes and lines, including repairing and replacing sprinkler heads, (iii) maintaining, repairing or replacing any containers, and (iv) mowing, mulching, fertilizing and pruning all landscaping, including, without limitation, fertilizing and pruning trees and shrubs. The Company, however, shall not be responsible for the cost of water used for irrigation in connection with its landscaping maintenance obligations on the Public Parcels pursuant to this Section 5.
- 6. Other Items. The Company shall be responsible for the cleaning of the gazebos, chess set, playground equipment, benches, tables, chairs, trash receptacles and dumpsters located on the Public Parcels, including all trash removal.

7. Insurance; Assumption of Risk; and Indemnification.

(a) With respect to all items for which the Company is responsible under this Agreement, the Company shall contract with one or more third party contractors (collectively, "Contractors") to be selected by the Company in its sole discretion. The Company shall cause each such Contractor to maintain general liability insurance in an amount equal to at least \$1,000,000 combined single limit (occurrence based) and shall indemnify, defend and hold the City harmless against all claims or actions of any nature arising from the actions or omissions of the Company or Contractor in regards to the maintenance obligations set forth herein. The City shall be provided with a certificate of insurance evidencing the required coverage, specifically

naming the City as an additional insured and including an agreement to provide at least thirty (30) days' prior written notice to the City of any policy termination, cancellation or modification. The Company shall cause to be maintained general liability insurance covering the Public Parcels, including bodily injury, property damage and personal injury coverage, with combined single limits of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate and an umbrella excess liability policy of not less than \$2,000,000. Such policy shall name the City as an additional insured.

- (b) The Company agrees to assume and fully to take on to itself all of the risks and responsibilities in any way arising from, or associated with this Agreement and the performance by the Company of its obligations hereunder and releases the City from any and all claims, demands, suits, judgments, damages, actions and liabilities of every name and nature whatsoever, including attorney's fees and costs, whenever occurring, whether known or unknown, contingent or fixed, at law or in equity, that the Company or anyone claiming through the Company or any successor in legal interest may suffer at any time arising from or in connection with this Agreement and the performance by the Company of its obligations hereunder, including any personal injury, commercial injury or harm or damage to any property or person, provided that the foregoing assumption and release shall not apply to (i) the City's payment obligations under this Agreement, and/or (ii) any claims, demands, suits, judgments, damages, actions and liabilities arising out of or resulting from the City's gross negligence or willful misconduct.
- Notwithstanding any other requirement herein, the Company shall protect, indemnify, defend and hold the City, and its agents, employees, volunteers, contractors, or those who act on its behalf in any authorized capacity, free and harmless from and against any and all losses, fines, penalties, damages, settlements, costs, charges, professional fees or other expenses and liabilities of every kind and character arising out of or relating to any and all damage models. claims, liens, demands, obligations, actions, proceedings, or causes of action of every kind in connection with or arising out of this Agreement and the performance by the Company of its obligations hereunder, including awards, costs and fees of any nature; provided, however that the foregoing indemnity, defense and hold harmless agreement shall not apply to any losses, fines, penalties, damages, settlements, costs, charges, professional fees or other expenses arising out of or resulting from the City's gross negligence or willful misconduct (to the extent that the foregoing indemnity, defense and hold harmless agreement does not apply as provided above, such event shall be referred to herein as an "Exclusion Event"). The Company further agrees to investigate, handle, respond to, provide defense for and defend the same at its sole expense and agrees to bear all other costs and expenses related thereto, provided that no Exclusion Event exists. In specific reference to the above, and provided that no Exclusion Event exists, the Company agrees to assume the legal defense, and vigorously defend upon actual notice of claim or suit, and, in doing so, provided that no Exclusion Event exists, completely indemnify and hold harmless the City from any loss including any damage model or attorneys' fees and cost, and hold harmless the City from and against any and all liabilities arising from or in connection with this Agreement and the performance by the Company of its obligations hereunder.
 - (i) In the event a claim or suit is made against the City or those who act on its behalf, arising from this Agreement and the Company's performance of its obligations hereunder, the same shall be transmitted by City immediately, and the Company has the

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immediate and absolute duty to defend the claim or suit, even if it is groundless, false or fraudulent, provided that no Exclusion Event exists, so that the City may not incur any attorney's fees and costs arising from the claim or suit. Should the City incur attorney's fees or cost, the Company shall make the City whole upon demand, provided that no Exclusion Event exists. This promise binds heirs, executors, administrators, legal representatives and assigns of the Company and survives this Agreement for the length of time necessary under the applicable statute of limitations relating to any claim, suit or cause of action.

- (ii) Within seven (7) days after the City receives notice of the commencement of any action or other proceeding in respect of which indemnification or reimbursement may be sought hereunder, but in no event later than seven (7) days prior to the last day as may be provided by law on which any answer or defense of any claim or proceeding must be filed, the City shall notify the Company. If any such action or other proceeding shall be brought against the City and be transmitted to the Company, the Company shall, within seven (7) days acknowledge in writing its receipt of such notice from the City, and shall acknowledge and confirm the Company's obligation to hold harmless, indemnify, and assume the defense, provided that no Exclusion Event exists, and it shall be obligated to assume the defense of such action or proceeding with counsel chosen by the Company, provided that no Exclusion Event exists. Notwithstanding the foregoing, the City shall have the right to employ separate counsel at the City's sole cost and expense and to control its own defense of such action or proceeding if, in the reasonable opinion of counsel to the City, (a) there are or may be legal defenses available to the City that are different from or additional to those available to the Company and which could not be adequately advanced by counsel chosen by the Company, or (b) a conflict or potential conflict exists between the Company and the City that would make such separate representation advisable.
- (iii) The Company shall not, without the prior written consent of the City, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding to which the City is a party unless such settlement, compromise or consent includes an unconditional release of the City from all liability arising from or by reason of such claim, action or proceeding.
- 8. <u>Compliance with Laws</u>. The Company and each Contractor shall be responsible for compliance with all applicable laws, rules and regulations in the performance of their duties and shall cause all work to be performed in a good and workmanlike manner, free from liens and defects, in accordance with all applicable laws, rules and regulations.
- 9. <u>No Superior Rights</u>. The Company acknowledges that this Agreement does not create any right superior to the public in regards to the Public Parcels, Public Improvements and rights of way, except as specifically required to perform the terms of the Agreement.
- 10. <u>Cooperation to Enforce Construction Warranties and Guaranties</u>. The City agrees that it will cooperate with the Company to enable the Company to enforce against contractors, subcontractors and material suppliers any construction and other similar warranties and guaranties issued for the benefit of the City in connection with the construction of the Public

Improvements, including without limitation, executing any notices, documents or instruments that may be necessary from time to time to enforce such warranties and guaranties.

- 11. Payment Obligations of the City. The City agrees that it shall pay to the Company for the maintenance and repair services set forth herein and work to be performed by the Company hereunder with respect to Public Improvements (excluding the Parking Facilities, the cost of which is the sole responsibility of the Company) the sum of \$49,293 per quarter (the "Quarterly Payment"), which amount shall be paid quarterly in advance on or before the first day of each calendar quarter, commencing on January 1, 2009, and continuing on the first day of each calendar quarter thereafter for the term of this Agreement. In addition, concurrently with the execution of this Agreement, the City shall pay to the Company an amount equal to the sum of (i) the prorated Quarterly Payment for the period commencing on the date hereof and ending on December 31, 2008, plus (ii) \$65,850, in respect of certain services performed by the Company in respect of the Public Improvements on property heretofore owned by the City during the period commenced April 3, 2008 and ending on the date hereof.
- 12. <u>Standards for Maintenance</u>. All maintenance and repairs to be provided by the Company hereunder shall be made in a good and workmanlike manner in accordance with the City Maintenance Standard and applicable Building and Property Maintenance Codes. The Company may maintain and repair the Public Improvements to a higher standard than the City Maintenance Standard at the Company's discretion, provided any and all expenses associated with any higher standard of maintenance and repair shall be the Company's sole responsibility.

13. Default.

- (a) In the event that the City determines that the Company is not performing its obligations hereunder in a manner consistent and in compliance with the standards described in this Agreement, the City shall have the right to provide the Company with a written notice specifying the nature of the non-compliance and the expected cure. In the event that the Company does not cure the non-compliance within thirty (30) days after receipt of the notice (any such non-compliance and the failure to cure the same within such thirty (30) day period shall be referred to herein as "Default"), the City shall have the right, in addition to all other rights and remedies available to it under applicable law, to terminate this Agreement. In addition, following a Default, the City may cause the non-compliance to be cured, and the Company shall be responsible to reimburse the City for all costs and expenses incurred thereby in connection with such cure within ten (10) business days after demand is made for payment.
- (b) If the City fails to make any Quarterly Payment hereunder within ten (10) business days of receipt of written notice from the Company with respect to such nonpayment, the Company may terminate this Agreement. Upon such termination for nonpayment, provided the Company is not then in Default, the Company shall be entitled to recover from the City any previously unpaid and outstanding Quarterly Payments then due and the portion of such Quarterly Payment for the quarter in which the termination date occurs, prorated as of the termination date.
- 14. <u>Term</u>. This Agreement shall be for a term commencing on the date hereof and ending on March 31, 2023. This Agreement shall renew automatically after the initial term for up to five

additional one year periods, unless the Company or the City provides the other with written notice of non-renewal more than seventy-five days prior to the expiration of the then applicable renewal period. It is the intent of the parties that this Agreement qualify for one of the safe harbors contained in Revenue Procedure 97-13. This section and the provisions of this Agreement shall be construed in a manner that complies with the applicable safe harbor contained in Revenue Procedure 97-13.

- 15. <u>Governing Law</u>. This Agreement shall be governed by the laws of the State of South Carolina.
- 16. <u>Notices</u>. All notices or other communications desired or required to be given hereunder shall be given in writing at the addresses set forth below by any one of the following means: (a) personal service; (b) facsimile; or (c) overnight courier. Notices given by personal service or facsimile shall be deemed given on the date delivered. Notices given by overnight courier shall be deemed given on the first business day following deposit with such overnight courier. Notices shall be delivered as follows:

To the City:

City of Myrtle Beach

City Hall 937 Broadway

Myrtle Beach, South Carolina 29577

Attention: City Manager Facsimile: (843) 918-1028

With a copy to:

City of Myrtle Beach

City Hall 937 Broadway

Myrtle Beach, South Carolina 29577

Attention: City Attorney Facsimile: (843) 918-1028

If to LUK:

LUK-MB1, LLC

875 North Michigan Avenue, Suite 1800

Chicago, Illinois 60611 Attention: Daniel McCaffery Facsimile: (312) 944-7107

With a copy to:

Leucadia National Corporation

315 Park Avenue South New York, New York 10010

Attention: Barbara Lowenthal and Thomas Mara

Facsimile: (212) 598-4869

With a copy to:

Leucadia International Corporation

1730 Rhode Island Avenue, NW, Suite 304

Washington, DC 20036 Attention: Luis Medeiros Facsimile: (202) 785-8022

Any party may change the address for notices to such party by written notice given to the other party in accordance with this Agreement.

- 17. <u>Headings</u>. The section headings contained herein are for convenience only and are not intended to limit, vary, define or expand the content thereof.
- 18. Entire Agreement, Amendments and Waivers. This Agreement contains the entire agreement and understanding of the parties with respect to the subject matter hereof, and the same may not be amended, modified or discharged nor may any of its terms be waived except by an instrument in writing signed by both parties.
- 19. <u>Binding Effect; Successors and Assigns</u>. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Nothing herein contained shall prohibit the alienation, sale or any other transfer of all or any portion of the Property or any rights, interests or obligations therein.
- 20. <u>No Third Party Beneficiary</u>. This Agreement is for the sole and exclusive benefit of the parties hereto and their respective successors and assigns. No other person or entity is an intended third party beneficiary or shall have any rights to enforce any of the provisions of this Agreement.
- 21. <u>Counterparts</u>. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same agreement.

[Signatures on following page]

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first written above.

CITY OF MYRTLE BEACH, SOUTH CAROLINA,

a South Carolina municipal corporation

By: / Mr Clark

Name: THOMAS E. LEATH

Title: CITY MANAGER

LUK-MB1, LLC, a Delaware limited liability company

By: LUK-MB1 Holdings, LLC, a Delaware limited liability company, its sole member

By: McMyrtle LLC, a Delaware limited liability company, its managing member

By: McCaffery Interests, Inc., an Illinois corporation, its manager

Name: Daniel T. McCaffer
Title: PRESIDENT

EXHIBIT A

Legal Description of Property

Parcels 101, 102, 102A, 102B, 102C, 102D, 102E, 102F, 102G, 102H, 102I, 102J, 102K, 102L, 103, 104, 105, 105A, 106, 107, 108, 109, 109A, 109B, 110, 111, 112, 113, 114, 114A, 114B, 114C, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 124A, 125, 126, 126A, 126B, 126C, 126D, 126E, 126F, 126G, 126H, 126I, 126J, 127, 128, 129, 129A, 130, 130A, 132, 133, 134 and 135, together with all improvements thereon, situated in Myrtle Beach, Horry County, South Carolina, as shown on Revised Final Subdivision Plat of Phase I Market Common, City of Myrtle Beach, Horry County, South Carolina prepared for LUK-MB1, LLC, by Thomas & Hutton Engineering Co. dated February 11, 2008, last revised December 17, 2008, recorded in the Office of the Register of Deeds for Horry County in Plat Book 241 at page 254 said Plat being incorporated herein by reference.

EXHIBIT A-1

Legal Description of Public Parcels

Parcels 102C, 102E, 102F, 102G, 102H, 102I, 102J, 102K, 102L, 106, 107, 110, 111, 112, 113, 114, 114A, 114B, 114C, 116, 124, 124A, 126, 126A, 126B, 126C, 126D, 126F, 126G, 126H, 126I, 132, 133 and 134, together with all improvements thereon, situated in Myrtle Beach, Horry County, South Carolina, as shown on Revised Final Subdivision Plat of Phase I Market Common, City of Myrtle Beach, Horry County, South Carolina prepared for LUK-MB1, LLC, by Thomas & Hutton Engineering Co. dated February 11, 2008, last revised December [1], 2008, recorded in the Office of the Register of Deeds for Horry County in Plat Book [24] at page [33] said Plat being incorporated herein by reference.

EXHIBIT B

Calculation of Quarterly Payment (Estimated)

<u>Service</u>		Amount (annual)
Trash Removal		\$74,820
Landscaping		\$44,820
Street Sweeping		\$ 77,532
	Total Annual Amount	\$197,172
	Total Initial Quarterly Payment	<u>\$49,293</u>



