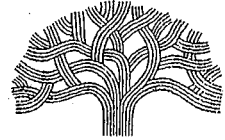


CITY OF OAKLAND



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Office of the City Administrator
Sabrina B. Landreth
City Administrator

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August 12, 2015

Harold P. Smith
Smith LLP
469 Ninth Street, Suite 240
Oakland, CA 94607

Re: Rotunda Building Loan Payoff

Dear Mr. Smith:

We write in response to your letter dated March 11, 2015 and subsequently-submitted draft Complaint for Reformation of Contract ("Draft Complaint") regarding that certain Promissory Note Secured by Deed of Trust dated October 20, 1999 ("Note") executed by your client, Rotunda Partners II ("Rotunda Partners") in favor of the Redevelopment Agency of the City of Oakland ("Redevelopment Agency"), predecessor in interest to the Oakland Redevelopment Successor Agency ("Successor Agency"). The Note is attached to this letter as Exhibit A. This letter is provided for settlement purposes only and solely for the purpose of compromising and settling matters in dispute. Neither this letter nor any action taken pursuant to this letter shall constitute any admission of any wrongdoing, fault, violation of law, or liability of any kind by the Redevelopment Agency, the Successor Agency or the City of Oakland.

In your letter and Draft Complaint you have argued that the language of the Note does not accurately reflect what your client asserts was the mutual intent of the parties that the Redevelopment Agency's loan be interest free for the first fifteen (15) years following execution of the Note, with interest payable at three percent (3%) for the subsequent five years, and the outstanding balance to be paid in full twenty (20) years following the execution date of the Note.

Specifically, as you have explained, Section 2 of the Note provides as follows: "Interest on the principal balance of this Note from time to time outstanding shall be computed at the rate of three percent (3%) per annum commencing on the earlier of (a) the first day of the fifteenth (15th) Note Year" The Note defines "Note Years" as "consecutive periods of twelve (12) full months each, the first (1st) Note Year commencing on the date of this Note." This Note's somewhat complicated language has the effect of providing for the Redevelopment Agency's loan to be interest free only for the first fourteen (14) years following execution of the Note, with interest payable at three percent (3%) for the remaining six years of the Loan term.

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After reviewing your letter and Draft Complaint and supporting documentation, as well as undertaking our own internal review of relevant documentary evidence and conducting interviews with staff who worked on the project at the time of negotiation of the original DDA, we have concluded that your description of the mutual intent of the parties regarding payment of interest is a reasonable one and that the language of the Note may inaccurately describe the parties' mutual intentions regarding payment of interest on the Redevelopment Agency Loan.

Had the Note accurately reflected the parties' intentions, as you describe it, Section 2 would have provided as follows ("Intended Payment Language"): "Interest on the principal balance of this Note from time to time outstanding shall be computed at the rate of three percent (3%) per annum commencing on the earlier of (a) the first day of the sixteenth (16th) Note Year"

Consistent with the actual language of the Note, however, Rotunda Partners commenced making interest payments to the Successor Agency in November 2013 for interest that, under the language of the Note, began to accrue on October 21st, 2013. Under the Intended Payment Language, Rotunda Partners would not have been obligated to make its first interest payment to the Successor Agency until November 2014 for interest that began to accrue on October 21st, 2014 ("Intended Interest Accrual Start Date"). Consequently, Rotunda Partners made Two Hundred Forty Thousand Dollars (\$240,000) in interest payments prior to the Intended Payment Start Date ("Early Interest Payments").

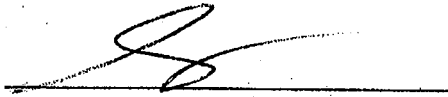
To resolve any outstanding ambiguity related to the mutual intention of the parties and fully resolve any claims Rotunda Partners may have against the Redevelopment Agency, the Successor Agency or the City arising from interest payments paid by Rotunda Partners and collected by the Successor Agency prior to the Intended Payment Start Date, the Successor Agency proposes the following ("Successor Agency Proposal"):

1. Rotunda Partners will make interest payments under the Note, and the Successor Agency will collect and credit such payments, based on the Intended Payment Language included in this letter rather than the interest payment language included in the Note.
2. The Successor Agency will credit Rotunda Partners for the Early Interest Payments made by Rotunda Partners for interest accrued prior to the Intended Interest Accrual Start Date, such that no interest on the Note shall accrue from August 21, 2015 through August 20, 2016. On September 1, 2015, Rotunda Partners shall make a payment to the Successor Agency in the amount of Thirteen Thousand Three Hundred Thirty Three and 0/100 Dollars (\$13,333.00) in satisfaction of its obligation to pay the Successor Agency interest accrued through August 20, 2015. On September 1, 2016, Rotunda Partners shall make a payment to the Successor Agency in the amount of Six Thousand Six Hundred Sixty Seven and 01/100 Dollars (\$6,667.00) in satisfaction of its obligation to pay the Successor Agency interest accrued between August 21, 2016 and August 31, 2016. Continuing on the first day of each succeeding month, Rotunda Partners shall make payments to the Successor Agency of accrued interest, in arrears, as provided in Section 3(a) of the Note.

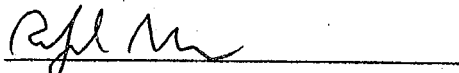
3. Rotunda Partners will waive and release the Redevelopment Agency, the Successor Agency and the City from any and all claims arising from interest payments paid by Rotunda Partners and collected by the Successor Agency prior to the Intended Payment Start Date.

If the above-described proposal is a satisfactory resolution, please execute the Agreement and Waiver of Claims below and return to Jens Hillmer at Economic & Workforce Development Department, Project Implementation Division, City of Oakland, 250 Frank H. Ogawa Plaza, Ste. 5313, Oakland, CA 94612 prior to August 21, 2015.

Sincerely,



Sabrina Landreth
City Administrator



Rafael Mandelman
Deputy City Attorney