

ECONOMIC DEVELOPMENT AGREEMENT BETWEEN THE CITY OF COLORADO SPRINGS AND MINING EXCHANGE GROUP, LLC

This Economic Development Agreement is entered into between the City of Colorado Springs, Colorado, a Colorado Home Rule City and municipal corporation (hereinafter called the "City") and Mining Exchange Group, LLC (hereinafter called the "Company"), under authority of City Council-approved Resolution No. 59-10, dated April 27, 2010. The City and the Company are hereinafter sometimes collectively referred to as the "Parties."

I. GENERAL TERMS OF AGREEMENT

The Parties agree as follows:

1. The Company agrees to renovate four existing commercial buildings located in downtown Colorado Springs and to convert them to boutique lodging facility and related uses (hereinafter called the Hotel Property). The buildings are comprised of approximately 64,400 improved square feet situated on approximately 1.07 acres. The Hotel Property is more specifically described as follows:

Common Building Name	Commonly Known Address (Colorado Springs, CO)
Mining Exchange Building	8 South Nevada Avenue
Independence Building	121 East Pikes Peak
Freeman Telegraph Building	117 East Pikes Peak
(Former) Utilities Building	18 South Nevada Avenue

2. The City agrees to provide an economic development Incentive to the Company, measured by a portion of the City's 2% general fund sales tax. The Incentive shall be equal to fifty percent (50%) of the general fund sales tax actually collected by the City from the Hotel and related business operations conducted on the above described Hotel Property. Related business operations may be conducted by the Company or by any third party occupant of the Hotel Property in accordance with any lease or similar agreement. The Incentive shall be paid to the Company annually approximately ninety (90) days following the end of the City's fiscal year. Incentive payments shall be made to the Company for a period not to exceed seventeen (17) years. In no event shall the total Incentive payments to the Company over the Term of this agreement exceed \$3,000,000.00. If at any time during the Term of this Agreement the total of the Incentive payments to the Company reach \$3,000,000.00, this Agreement shall terminate and no further Incentive payments shall be made to the Company.

As of the date of this Agreement, the business commonly known as LaBaguette Restaurant is an existing business operation and the Parties agree that the general fund sales tax collected from LaBaguette restaurant shall be excluded from this agreement and shall not be included in calculating any Incentive to be paid to the Company.

3. The Term of this Agreement shall be for a period of seventeen (17) years, beginning on January 1, 2011 and ending on December 31, 2027 subject to earlier termination as provided in Paragraph I.2 above.

II. DEFINITIONS

The following terms have the meanings specified:

1. *Sales tax*, as defined by City of Colorado Springs Tax Code 2.7.103.
2. *Condition(s) for incentive* means the Company actively proceeds to fulfill the provisions as noted in the attached City Council-approved Resolution.
3. *Incentive* means the amount paid by the City to the Company.
4. *Term* means the span of consecutive years specified in this Agreement.

II. CONDITION(S) FOR INCENTIVE AND PROCEDURAL REQUIREMENTS FOR COMPANY TO RECEIVE INCENTIVE

A. General Conditions for All Incentives:

1. The Company agrees to renovate four existing commercial buildings located in downtown Colorado Springs and to convert them to boutique lodging facility and related uses (the Hotel Property).
2. In accordance with City Council Resolution No. 59-10, the City will pay to the Company the appropriate Incentive amount specified by and in accordance with the terms of this Agreement.
3. For each year of this Agreement, the Company will need to provide the City confidential taxpayer information to the City's satisfaction that allows the City the ability to verify and determine Incentive amounts.
4. All Incentives provided under this Agreement are related solely to the Company's Hotel and related business operations conducted on the Hotel Property described in Paragraphs I.1. and I.2.
5. For each year of this Agreement, the Company will need to provide the City authorization to share confidential taxpayer information to allow the City to issue the Company its Incentive.
6. The Incentive amount will be incorporated into the annual budget for City Council consideration and approval.
7. All Incentives are subject to annual appropriation by the City Council of the City of Colorado Springs.

III. RETURN OF INCENTIVE TO CITY

Company will return to the City any portion or all Incentives received under this Agreement to which Company was not entitled. The return must be made within thirty (30) days after receipt of written notice from the City that an excess payment was made. If the Company becomes aware that an excess payment was made and has not received written notice from the City of the excess payment, the Company must return the funds not later than thirty (30) days after it becomes aware of the excess payment.

IV. QUALIFIED ADDRESSES

On the effective date of this agreement, only the Company's Hotel Property described in Paragraph I.1. is included in this Agreement. If the Company acquires additional facilities in Colorado Springs, it is the Company's responsibility to notify the City. At its discretion, the City will entertain the possibility of extending this Agreement to include those sites, dependent upon City Council direction.

V. CHOICE OF LAW

This Agreement is subject to and will be interpreted under the law of the State of Colorado and the Charter, City Code, Ordinances, Resolutions, Rules and Regulations of the City of Colorado Springs, Colorado, a Colorado Home Rule City. Court jurisdiction shall exclusively be in the District Court for El Paso County, Colorado.

VI. INCENTIVES DISPUTES

Any dispute as to the amount of the Incentive will be resolved by the City Manager or designee, and the decision will be final and conclusive.

VII. MISCELLANEOUS

The City Charter dictates that all rebates are subject to annual appropriation by the City Council. This Agreement is not assignable without the written approval of the City. It may be amended only by a writing signed by the Parties.

All notices under this Agreement will be provided in writing to the other Party and will be effective when received by the addresses below, or to any other addresses as either Party may from time to time designate:

A) If intended for Company:
Mining Exchange Group, LLC
Attn. Perry Sanders
219 W. Colorado Ave., Suite 110
Colorado Springs, CO 80903

B) If intended for the City:
City Manager
City of Colorado Springs
P.O. Box 1575, MC 610
Colorado Springs, CO 80901-1575

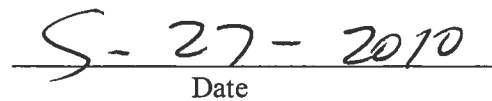
By their signatures below, the parties accept this Agreement.

For the Company:

By:


Perry R. Sanders, Jr.


Manager


Date

For the City: [Signature]
By: _____
Interim City Manager

7 JUN 10
Date

Approved as to Form:

By: [Signature] 6-4-2010
Office of the City Attorney Date