REPORT OF MATERIAL PROVISIONS OF THE OLD POST OFFICE DEVELOPMENT AGREEMENT SUBMITTED PURSUANT TO OLD POST OFFICE BUILDING REDEVELOPMENT ACT OF 2008

Public Law 110-359

OLD POST OFFICE BUILDING
1100 PENNSYLVANIA AVENUE, NW
WASHINGTON, DC

I. Background

The U.S. General Services Administration (GSA) prepared this Report (Report) in response to the Old Post Office Building Redevelopment Act of 2008 (Act), Public Law 110-359, which directed the Administrator of General Services to proceed with the redevelopment of the Old Post Office Building and Annex Building (OPO) in accordance with existing authorities available to the Administrator and consistent with the redevelopment plan previously approved by the Committee on Transportation and Infrastructure of the House of Representatives and the Committees on Appropriations and Environment and Public Works of the Senate.

GSA and the Preferred Selected Developer (PSD), the Trump Organization (Trump), have concluded negotiations, and have arrived at mutually agreed upon terms and conditions of the redevelopment agreement (Lease).

II. The Old Post Office Building Redevelopment Act of 2008

The applicable portions of the Act state as follows:

Section 2. Old Post Office Building Defined
In this Act, the term ‘‘Old Post Office Building’’ means the land, including any improvements thereon and specifically including the Pavilion Annex, that is located at 1100 Pennsylvania Avenue, NW, in the District of Columbia, and under the jurisdiction, custody, and control of the General Services Administration.

Section 4. Redevelopment of Old Post Office Building
(a) In General- The Administrator of General Services is directed to proceed with redevelopment of the Old Post Office Building, in accordance with existing authorities available to the Administrator and consistent with the redevelopment plan previously approved by the Committee on Transportation and Infrastructure of the House of Representatives and the Committees on Appropriations and Environment and Public Works of the Senate.

Section 5. Reporting Requirement
(a) In General- The Administrator of General Services shall transmit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Environment and Public Works of the Senate a report on any proposed redevelopment agreement related to the Old Post Office Building.
(b) Contents- A report transmitted under this section shall include a summary of a cost-benefit analysis of the proposed development agreement and a description of the material provisions of the proposed agreement.
(c) Review by Congress- Any proposed development agreement related to the Old Post Office Building may not become effective until the end of a 30-day period of continuous session of Congress following the date of the transmittal of the report required under this section. For purposes of the preceding sentence, continuity of a session of Congress is

broken only by an adjournment sine die, and there shall be excluded from the computation of such 30-day period any day during which either House of Congress is not in session during an adjournment of more than 3 days to a day certain.

III. BUILDING DESCRIPTION

Constructed between 1892 and 1899, the Old Post Office Building was designed to house both the U.S. Post Office Department Headquarters and the city's main post office branch. As one of the tallest buildings in the nation's capital, the Old Post Office offers spectacular views of the city. Now a defining feature of the city's skyline, the massive Romanesque Revival structure spent much of the twentieth century slated for demolition. However, through the efforts of dedicated preservationists, the Old Post Office Building has weathered storms of controversy and remains one of Washington's favorite landmarks.

In 1928, not 30 years after its completion, the Old Post Office Building was first slated for demolition in an effort to clear the way for the development of harmonious neoclassical Federal office buildings. A product of the Beaux-Arts City Beautiful movement, the creation of the Federal Triangle transformed the area surrounding the Old Post Office. Only after seven other Federal Triangle buildings were completed did a lack of funding during the Great Depression save the Old Post Office from demolition. The building continued to serve as a home to various Government agencies over the next 30 years. In 1964, the President's Council on Pennsylvania Avenue recommended the demolition of all but the clock tower, in yet another attempt to create architectural harmony in the Federal Triangle. As a result, local citizens banded together and convinced Congress to reverse its decision.

A decade later, redevelopment plans for the Pennsylvania Avenue corridor included preservation of the Old Post Office which had been listed in the National Register of Historic Places in 1973. Renovation of the building began in 1977, including a mixed-use redevelopment with retail commercial spaces on the lower level and Federal offices on the upper levels.

In honor of our nation's Bicentennial celebration in 1976, the Ditchley Foundation of the United Kingdom presented a set of English change ringing bells to the U.S. Congress as a symbol of friendship. The bells, an exact replica of those found hanging in Westminster Abbey, were placed in the Old Post Office clock tower in 1983 and are still rung each year at the opening and closing of Congress and for national holidays.

IV. RFP & SELECTION OF PREFERRED SELECTED DEVELOPER

In March of 2011, GSA issued a Request for Proposals (RFP) for the redevelopment of the OPO detailing the unique opportunity for the private sector to collaborate with the public sector to redevelop federally-owned property through an unsubordinated, long-term lease using the authority under Section 111 of the National Historic Preservation Act (NHPA). While the RFP did not prescribe any specific use of the OPO, the RFP did set forth several, clearly stated goals including:

- leveraging the expertise of the real estate industry to reposition the OPO as a viable asset;
- preserving the historic integrity of this unique and important asset;
- putting the OPO to its highest and best use;
- providing a lucrative financial return to the Government;
- providing for public access; and
- contributing to the vitality of Pennsylvania Avenue, the Federal Triangle and the District of Columbia.

The RFP assigned certain financial responsibilities to the PSD including costs associated with the restoration, rehabilitation, preservation, adaptive use, and operations and management of the OPO. In addition, as a risk-shifting provision, the RFP clearly stated that the lease would be in an "AS IS, WHERE IS" condition. As outlined in the RFP, GSA's key roles and responsibilities related to the redevelopment included the continued ownership and custody of the OPO (specifically, ensuring continued public access to the clock tower in accordance with Public Law 98-1); compliance with the National Environmental Policy Act (NEPA); and, responsibilities associated with the National Historic Preservation Act (NHPA), the National Capital Planning Commission (NCPC), and the U.S. Commission of Fine Arts (CFA).

The RFP required potential offerors to submit proposals addressing the following four primary evaluation selection factors, which were equally divided (50% each) between qualitative (Factors 1 and 2) and quantitative factors (Factors 3 and 4):

Factor 1 - Experience and Past Performance of Developer and Developer's Key Personnel
- a. Developer Identification Information
- b. Developer Organizational Structure
- c. Experience of Developer and References
- d. Identification of Project Development Team
- e. Relevant Experience of Key Management Development Team

Factor 2 – Developer's Site Plan and Design Concept
- a. Concept Narrative
- b. Illustrative Plan

Factor 3 – Developer's Financial Capability and Capacity

Factor 4 – Developer's Financial Offer and Supporting Financial Information

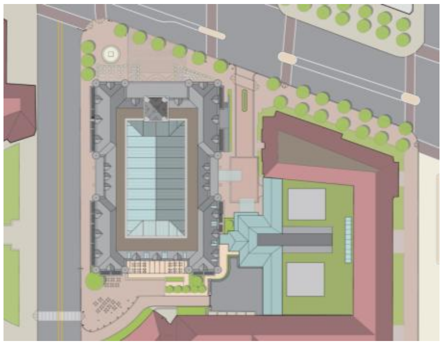
a. Financial Offer based on highest residual Land and Existing Buildings Value;
b. Financing Plan with Summary of Sources, Financing Mechanisms and Use of Funds;
c. Detailed Development Budget including Hard Cost for Building Renovation and fit-out and Soft costs with Developer Fee; and
d. 10 Year Cash Flow Pro Forma with assumed Sale in Year 11 to establish Lease value.

The private sector's robust and broad response consisted of various proposed uses; however, conversion into a hotel was the predominant one. After GSA conducted an evaluation and due diligence of the offerors, which included both Government and third party advisors, GSA selected the Trump Organization as the PSD.

Trump's Original Proposed Rendering, 2012

The Trump Organization proposes to invest $200 million to redevelop the OPO into a 263 key hotel that will include a Congress Bells Galley or museum, multiple restaurants, specialty retail spaces, a spa in the main OPO Building with a grand ballroom and meeting facilities planned for the adaptive re-use of the Annex. The redevelopment also seeks to revitalize and enhance the outdoor space along Pennsylvania Avenue and C Street to the south with proposed outdoor dining available to hotel guests and the general public. All four entrances to the main OPO Building would be opened or reopened to the public where currently closed, in the case of the east entrance. The south entrance will serve as the primary visitor entrance to the clock tower, which will remain operated by the National Park Service (NPS) through its agreement with GSA.

The Pennsylvania Avenue entrance will serve as the primary pedestrian entrance point to the hotel. The east entrance will serve as the primary vehicular drop-off to the hotel that will be serviced with a new dedicated private vehicular entrance off of Pennsylvania Avenue with the current lower level of the Annex serving as a valet only parking. While the Annex footprint will remain the same, Trump will reface the façade, incorporate a green roof, and establish an entrance from 10th Street through the IRS portico to provide for an additional access point to the Annex space for special events.



Trump Currently Proposed Site Plan

V. MATERIAL PROVISIONS OF THE PROPOSED LEASE

- Term: Ground Lease with a term of 60 years from the opening date of the hotel.

- Annual Rent: Trump will pay a minimum annual base rent of $3 million, escalated on an annual basis at the Consumer Price Index (CPI). The rent will not decrease during the term of the lease. Rent will start the earlier of eight months from start of construction or one year and eight months after lease execution.

- Percentage Rent Difference: Trump will also pay a percentage rent difference if the Percentage of Gross Revenues exceeds the minimum base rent payment in accordance with the following structure: Lease Years 1-10, three (3%) percent; during Lease Years 11-20, three and one half (3.5%) percent; during Lease Years 21-30, four (4%) percent; during Lease Years 31-40, four and one half (4.5%) percent; during Lease Years 41-50, five (5%) percent; and during Lease Years 51-60, five and one half (5.5%) percent.

- Proceeds from Sale or Refinance: If there are proceeds from a sale or refinancing by Trump, Trump first receives a 20% Internal Rate of Return on their equity. GSA would then receive 15% of any remaining proceeds beyond the initial Trump return. The deferred participation continues at every such event throughout the term of the lease for all such transactions, even if Trump (or a subsequent purchaser) were to sell its interest. If Trump sells the entire leasehold interest, the new lessee would only be entitled to a 12% return, in lieu of the Trump preferred return of 20%, with GSA receiving the same 15% of any remaining proceeds beyond the initial 12% return.

- Taxes: Trump shall be responsible for and pay directly all taxes arising out of or in connection with the Lease now in effect or in the future.

- Lease of Land and Improvements: GSA's fee interest in the land and its interests under the Lease shall remain superior to the interests of any other person and shall not be subordinated.

- Public Access: Trump shall permit access to the clock tower, which will continue to be operated by the National Park Service (NPS), by the public and by the Washington Ringing Society. In addition, Trump will provide public access to tour the historically and architecturally significant portions of the cortile as well as the newly designed Congress Bells Gallery and Exhibition Gallery. To the maximum extent possible, Trump will permit public access to the clock tower during construction, but, due to safety concerns, access will most likely be curtailed for some extended duration.

- Security Deposit: Upon execution of the Lease, Trump must deliver an unconditional, irrevocable letter of credit in the amount of $4 million. The letter of credit steps down to $2,096,308 in May 2014 (to coincide with granting Trump exclusive possession) if Permit Termination (described below) is not exercised and to $0 at hotel opening. The only circumstances under which the letter of credit is returned to Trump is if Trump exercises its termination right due to GSA's failure to delivery exclusive possession by October 2014 or if GSA chooses to terminate the lease if it is unable to deliver exclusive possession by October 2014.

- Equity Guaranty: Donald J. Trump will provide a personal $40 million guaranty at lease execution, which will become effective upon construction commencement. The $40 million guarantee will be reduced dollar-for-dollar as Trump contributes equity to the project and after the submission of supporting documentation to GSA. The guaranty is reduced by a maximum of $15 million from a pre-negotiated list of "soft costs" (*e.g.*, design and financing costs) and the remainder from a pre-negotiated list of "hard costs" (*e.g.*, masonry, structural steel, and plumbing) related to the redevelopment.

- Bad Acts Guaranty: In addition to the Equity Guaranty, at Lease execution, Donald J. Trump will provide what is commonly referred to as a "Bad Acts" Guaranty. Unlike the Equity Guaranty, the Bad Acts Guaranty is effective upon Lease execution. The Bad Acts Guaranty covers situations including fraud, willful misconduct, the failure to pay taxes, and the filing of a voluntary or involuntary petition in bankruptcy.

- Insolvency or Bankruptcy: The Lease contains extensive terms to address an event of default over the term, including but not limited to bankruptcy. In the event of a bankruptcy by Trump, the Lease contains terms and conditions to protect the interests of the Government through remedies available under the United States Bankruptcy Code, 11 U.S.C. §§101 *et seq.*, as may be amended from time to time, and if the Lease is rejected under the Bankruptcy Code, the Lease contains additional terms to address and protect the Government's interest.

- GSA's Right to Assign or Sell: GSA has the right at any time during the term of the Lease to assign or transfer through sale or otherwise dispose of its ownership interest in the OPO. Prior to GSA moving forward with its rights, however, Trump has a Right of First Offer (ROFO). If Trump elects not to purchase GSA's interest in accordance with the terms and conditions of the ROFO, then GSA may proceed with the sale.

- Lease Conditional on Programmatic Agreement: The lease is expressly conditional on the executed Programmatic Agreement (36 CFR Part 800).

- "AS IS, WHERE IS": Trump agrees to accept the OPO on the delivery date (synonymous with exclusive possession) in its "AS IS, WHERE IS" condition. GSA's liability in the event of damage to the OPO between the date of lease execution and the delivery of exclusive possession is capped at $500,000. If the damage exceeds the $500,000 cap, GSA may terminate the lease or Trump may choose to complete the repairs at Trump's cost, subject to GSA contributing an amount up to but not exceeding $500,000. Thus, for instance, if a severe storm were to cause $1,000,000 of water damage to the OPO during this period, GSA would only be liable to fund $500,000 of the repair costs.

- Delivery of Exclusive Possession: The Lease obligates GSA to deliver exclusive possession of the OPO to Trump in an "AS IS, WHERE IS" condition no later than May 31, 2014, to avoid any monetary liability (payable in the form of rent credits). The penalty for delaying the delivery of exclusive possession beyond May 31, 2014 escalates as the delay continues and ranges from 2 to 4 days' rent credit for each day of delay.

- Repairs and Maintenance: Upon the delivery of exclusive possession, Trump will have responsibility for all aspects for the redevelopment and asset management of the OPO, with limited exceptions described below in the GSA Responsibility section.

- Investment and Rehabilitation Tax Credit: Trump expects to utilize Historic Tax Credits as part of the funding for the project. GSA's fee interest in the property shall remain superior to any other interest in the property and not be subordinated in any capacity.

- Projected Hotel Opening: Trump is currently planning for a hotel opening in early calendar 2016.

- Initial Hotel Standard: For a period of five consecutive years after the hotel opens, Trump shall operate and maintain a world-class luxury standard consistent in all material respects with the operation and maintenance of the following hotels: The Hay-Adams, Washington, DC; Ritz-Carlton, Georgetown; The Willard InterContinental, Washington, DC; Four Seasons, Washington, DC; Mandarin Oriental, Washington, DC; and Ritz-Carlton, Washington DC.

- Minimum Operating Standard: At the conclusion of the 5-year period under the Initial Hotel Standard, Trump may (upon the occurrence of certain conditions, including changes in the hotel market and business-related factors) elect to operate and maintain at a lower standard than the Initial Hotel Standard, but still at a standard that meets certain minimum qualifications. The Minimum Operating Standard is tied to a pre-negotiated set of criterion (such as cleanliness, available amenities, etc.) as well as a benchmark of well-known, reputable hotel operators in Washington, DC, including Hilton, Wyndham, and Marriott.

- Minimum Hold Period: During a period of three consecutive years commencing on the opening date of the hotel, Trump has very limited rights to assign the Lease, such as an assignment to a leasehold mortgagee.

- Early Termination: In the event that certain conditions are not satisfied by March 3, 2014 (the Permit Termination Conditions), Trump may terminate the Lease. The Permit Termination Conditions are tied to Trump’s receipt of the required approvals to move forward with the redevelopment effort, including NCPC, CFA, NPS, and the District of Columbia Department of Transportation. Trump’s election to exercise its early termination right terminates the guaranties (see above). However, GSA may still immediately draw on the full amount of the letter of credit (which will be $4 million at the time that Trump can exercise the Early Termination right).

- Delivery Termination: In the event that GSA fails to deliver exclusive possession of the OPO by the outside date of October 14, 2014, Trump may terminate the Lease. Upon such an occurrence, the Lease requires GSA to pay Trump damages, which are capped at $21 million.

- Termination Right during Operation (Force Majeure): If a Force Majeure event prevents Trump from operating the hotel or a material portion for a period in excess of 12 consecutive months, then Trump shall have the option to terminate the Lease.

- Loan to Cost/Loan to Value: The loan to cost ratio with respect to the construction loan will not exceed 80%.

- Insurance: The Lease requires Trump to maintain certain insurance coverage, including umbrella liability insurance providing excess coverage over all commercial general liability, automobile liability, and employer's liability coverage on an occurrence basis with limits not less than $200 million. Insurance of the premises from a casualty perspective will also be a requirement of Trump with the initial amount being $150,000,000 at delivery of exclusive possession and an amount of $220,000,000 at substantial completion.

- Indemnification: Trump agrees to indemnify and hold harmless GSA for certain acts, including the negligence, misconduct, or any act or omission of Trump, its agents or employees.

- Assignment and Subletting: At the conclusion of the 3-year minimum hold period noted above, Trump may assign, transfer, or sell its leasehold interest. However, the new assignee must satisfy certain minimum standards and qualifications prior to Trump transferring any interest or any assignment held by Trump.

- Default Events: Events of default include monetary breach (*e.g.*, failure to pay rent); non-monetary breach (*e.g.*, failure to maintain insurance); and, insolvency (*e.g.*, Trump filing a voluntary petition under the bankruptcy code).

- Default Remedies: Potential remedies include: recovery of possession; expel and remove Trump; re-let the premises and seek unpaid rent in an amount equal to the difference in rent that would have been paid by Trump and the amount of the new tenant; and, seek damages in the amount of the net present value of the unpaid rent. The remedies include a provision for the acceleration of rent.

- Renewal: The Lease contains two, 20-year options to extend the term. These options may not become effective unless Trump returns a Percentage Rent Difference (see above) in eight of the last twenty years of the initial 60-year term. The new rental rate in the extension will be the greater of the fair market rental value or the amount of the base rental payment from the final preceding year of the original 60-year term.

VI. GSA RESPONSIBILITIES/OBLIGATIONS AND OTHER FEDERAL INTERESTS

GSA's continuing, material responsibilities associated with the Lease include:

- Clock Tower: Pursuant to Public Law 98-1, 97 Stat. 3, GSA maintains an Interagency Agreement with NPS to provide for the continued operation of the clock tower. As noted above, the clock tower will remain open to the public throughout the term of the Lease except for a period during the construction portion of the redevelopment. NPS will continue to manage and operate the clock tower and GSA will continue to fund the operating and maintenance costs for the NPS management and operation.

- Section 106: GSA will continue to comply with the NHPA and has completed the initial portion of the NHPA Section 106 Consultation process with the appropriate stakeholders. Various parties (Advisory Council on Historic Preservation (ACHP), DC Historic Preservation Office, NCPC, NPS, GSA, and Trump as signatories) have executed a Programmatic Agreement (PA) to document the public 106 consultation process. The Lease will expressly incorporate the terms and conditions of the PA as if fully set forth therein.

- NCPC/CFA: The Federal Government will remain as fee-simple owner of the land. Accordingly, GSA shall remain responsible for coordinating and being the applicant on Trump's behalf for any necessary review and approval processes with NCPC and CFA pursuant to those agencies statutes and regulations.

- NEPA: GSA must comply with the National Environmental Policy Act (NEPA). To date, GSA has completed an Environmental Assessment and issued a Finding of No Significant Impact (FONSI) based on Trump's proposed redevelopment plans.

- Relocating Existing Federal Tenants: The Lease obligates GSA to deliver exclusive possession of the OPO to Trump no later than May 31, 2014 (without incurring any monetary liability), and requires GSA to notify Trump of the expected delivery date by October 2013. Thus, delivery of exclusive possession requires GSA to relocate National Endowment for the Arts (NEA), National Endowment for the Humanities (NEH), and ACHP from the OPO. NEA and NEH are moving to a leased location at Constitution Center, located at 400 7th Street, SW, Washington, DC. ACHP is moving to the federally-owned Pension Building (a/k/a National Building Museum), located at 401 F Street, NW, Washington, DC. GSA expects to formally relocate all of the Federal tenants no later than March 2014.

- Code Compliance Review: As the fee interest will remain with United States Government, GSA will complete the review of the redevelopment effort by Trump as it does for all federally-owned projects. As such, GSA will rely on its Facilities Standards for the Public Buildings Service (P100) as the basis for establishing design guidelines for the redevelopment. GSA anticipates that the District of Columbia will accept a GSA-issued Certificate of Occupancy (COO) in lieu of a District of Columbia Office of Regulatory Affairs (DCRA) COO as part of the proper documentation needed to issue Trump certain business licenses (*e.g.*, liquor license) to operate the hotel.

VII. COST BENEFIT ANALYSIS

Alternatives Considered (30-year, present value cost analysis)

Alteration.. $201,400,000
Ground Lease.. $161,607,000

The 30 year, present value cost of ground lease is $39,793,000 less than the cost of alteration, an equivalent annual cost advantage of $1,326,000.