Tuesday, December 15, 2015

Mr Tim Burke
Director
The Movie Fund Investment Company LLC
8746 Sunset Blvd
Los Angeles, CA 90069

Re: Letter Of Intent
Yamashiro Acquisition and Hospitality Re-Development

Dear Tim,

Further to our most recent discussions this letter refines and reinforces the proposal for a strategic partnership between our two companies that would marry Character Capital Inc's (“Character”) real estate development, hospitality operations, merchant and investment banking experience with the hotel development opportunity at the historic Yamashiro property located in Hollywood, Los Angeles (“Yamashiro” or the “Property”) as identified by The Movie Fund Investment Company LLC (“Burke”). This letter of intent summarizes the basis upon which Character and Burke would finalize detailed definitive agreements regarding the strategic partnership.

PROPOSAL:

1. <u>Background</u>

Burke has identified a purchase opportunity for Yamashiro that with the support of Character may be redeveloped into a luxury hospitality and urban resort real estate opportunity. Character and Burke desire to enter into a strategic partnership which would leverage Character's expertise to attract:

- A significant increase in valuation of the property through the undertaking of an optimal, feasible development program given the restrictive heritage covenants that endow the Property

- Co-branding in association with a leading boutique hospitality operator such as Aman Resorts with whom Character through its affiliation with Cascadia Capital LLP (“Cascadia”) holds an ongoing direct advisory relationship

- Equity and debt financing for the acquisition, development and renovation of the property through Cascadia as a FINRA registered broker dealer complimenting seed funding secured by Burke to obtain a twelve (12) month Option to Purchase.

2. Character Contributions

Character will provide specific strategic advisory as to the phased redevelopment of Yamashiro, including, but not necessarily limited to, the following areas:

- Business Management considerations including:
  - General resort business and redevelopment management
  - Guidance in hospitality development program positioning and facility mix
  - Development strategies, finance, profit and cash flow considerations
  - Supervision of independent consultants through project valuations and pre-development/construction period
  - Risk and opportunity review with team
  - Project accounting and legal considerations
  - Project control meetings (Attendance by phone and in-person as required) PLUS formal Quarterly Strategic Leadership Team meetings

- Property Brand and Operations considerations including:
  - Review Aman's resort and hotel brand and operator requirements, terms of contract, etc.
  - Obtain Letter of Intent from Aman Resorts and subsequent management and brand agreements thereto
  - Co-ordination of Aman through design phase
  - Supervision of Aman through pre-opening and handover (hotel, villa rentals, etc.)
  - Review and advise as to pre-opening budget operating considerations and sales and marketing plans
  - Amenity management considerations
  - Transport considerations

- Resort programming and planning considerations in the management of operator (Aman) including:
  - Development of resort facility mix
  - Preliminary Redevelopment Master Plan
  - Development of hotel and properties held for sale room mix
  - Project programming and phased implementation strategies
  - Architectural design plans; Architectural space planning program
  - Interior design plans
  - F&B Concept review
  - Review of Kitchen & Laundry Plans
  - Review of Back of House planning
  - Retail and Commercial Mix, Programming, Planning, Design and Operations
  - Attractions and Recreational Amenities Mix, Programming, Planning, Design and Operations
  - Review of FF&E (Furniture Fixtures & Equipment) specs and budgets
  - Review of OS&E (Operating Supplies & Equipment) specs & budget

- Review of Operator systems and maintenance requirements
- Review of budgets on the above against overall resort development proforma

- Real Estate considerations including:
  - Establish development budgets and proforma returns; monitor sales and costs on an actual to budget basis
  - Assist legal counsel on entitlement rights, home owner services, etc
  - In progress reviews with operator and design team to maximize guest experience, operational effectiveness and efficiencies, integration with construction budgets, construction schedules, and proforma investment returns
  - Construction in progress reviews in terms of quality, completion, site refinements, shop drawings, samples, room mock-ups, change orders, progress payments, etc.
  - Construction considerations for financing, cash flow, profit, and risk management
  - General contractor selection, form of contract, and value engineering exercises to budgets where required
  - Review and provide strategic direction to real estate sales and marketing plans, reservations and payments within buyer programs, rental pool and interest upon construction, etc
  - Review of Working Capital requirements

- Resort Real Estate Marketing and Sales considerations including:
  - Review detailed Sales and Marketing Critical Path Program formulated by Agency
  - Review target market considerations and research to produce typical profiles of potential buyers; assess agencies ability to match potential buyers on a pre-qualified basis and identify, refine and build demand from a highly qualified buyer target list going into a sales launch.
  - Review agency list generation and database techniques to be employed against the buyer profile data to confirm qualified lists.
  - Finalize inventory mix strategy and design options for the final real estate products to be offered based on buyer demographic findings and input from Operator.
  - Review pricing model against buyer profiles and demand; review tactics to achieve maximum price and to include the number of units to be purchased and penetration rates to be applied to buyer lists to ensure sales volume and price maximization.
  - Assess sales launch process with agency so that maximum real estate inventory is sold within the shortest possible time and at the highest possible price. A typical successful sales launch by the agency should generate a 65% to 100% sell-out at premium prices, prior to the commencement of any construction
  - Review agency's detailed marketing budget that iteratively reviews key items to be produced to support the sales launch process together with all other advertising agency and media production / collateral requirements
  - Assist in reviewing pre-qualifications of third party brokers who may aid and supplement the agency core sales team and widen the distribution network into pre-qualified buyers.

- Liaise with agency on final design of all marketing collateral, within the framework of the approved budget and required delivery times including:
  - Selection of each individual project name and an accompanying logo
  - Master Plan Vision Document
  - Fulfillment Brochure for each individual project
  - Audio / Video Presentations
  - Direct Mail collateral
  - On-line marketing initiatives, including but not limited to a web-site
  - A structured media advertising campaign
  - PR and sales initiatives in select cities including a carefully choreographed "road-show" of unveilings, showcasing the resort in chosen cities.
- Provide input to legal requirements and contractual documentation as to homeowner services, fees, rental pool, etc. so that all are clearly understood by purchasers.

▪ Project organizational development:
- Organization chart and team approach; staged implementation pursuant to financing and status of project as development proceeds
- Development of detailed resort management, resort real estate, finance and accounting and employee staffing
- Review of compensation & benefits requirements including staff accommodations together with operator
- Assistance in approval of Resort Management Team with Operator
- Consultant recommendations and advice for performance of development and operating scope including but not necessarily limited to market feasibility, master planning and design, engineering and geotechnical services, project management, construction, real estate sales and marketing, resort operations sales and marketing, resort management.

▪ Project Financing
- Prepare master structure and financing program tied to development proformas
- Prepare project plan in readiness for investment outreach
- Development of capital requirements with the aim of maximizing value for equity participation relative to mezzanine and construction financing needs
- Prepare finance positioning and structuring
- Preparation of project summaries and Confidential Information Memoranda for staged capital raising, as necessary
- Gain access to global network of institutional and high net worth investor partners
- Review, lead and negotiate all interactions with financial counter-parties to always ensure maximum value is retained by the Owners

3. <u>Burke Contributions</u>

For its part, Burke will:

- Facilitate not less that [$1,000,000] in seed capital to be utilized for obtaining a twelve month option to purchase Yamashiro by Yamashiro NewCo (as defined below)
- Use of such above funds shall be for:
  - Option to Purchase Amount: [$250,000]
  - Third Party Valuation and Feasibility 35,000
  - Master Redevelopment Plan 35,000
  - Character Pre-Development Commitment[1] 120,000
- Co-ordinate and facilitate due diligence information as Character may reasonably require

4. Formation of Yamashiro NewCo

Burke shall establish Yamashiro NewCo (a limited liability company to be formed in the State of California) to develop the Property. The capital structure of Yamashiro NewCo shall be:

Shareholder	Class of Share	Ownership
Burke	Non Voting B Shares	70%
Character	Preferred Voting Convertible A Shares	30%
		100%

The above share classes will be subject to "pooled" founders' dilution provisions that may be incurred by new equity on a pari pasu basis.

6. Governance

Character will be appointed as the Developer of the Property responsible for the redevelopment scope as before noted. To undertake such role and as holder of the Preferred Voting Convertible A Shares Character shall have the sole right to approve all major business and development decisions of Yamashiro NewCo including the assumption and acceptance of any equity or debt.

7. Developer Compensation

Character's development compensation would be awarded upon completion of new equity being placed that would facilitate the option to purchase to move to Closing and would consist of:

- Monthly engagement fee of $150,000 (One Hundred and Fifty Thousand US Dollars) per month for a period ending on that date which is the earlier of re-opening of the Property following completion of renovation or 36 months from the Closing Date.

[1] Character will be paid a nominal and reduced Pre-Development Commitment fee (the "PDC Fee") of $120,000 to prepare program and above activities and documentation to support facilitation of equity and debt for the purchase and redevelopment of the Property. The PDC Fee shall be paid in three equal payments of $40,000 upon execution of Yamashiro NewCo Shareholder's Agreement; $40,000 at end of month 1; and $40,000 at end of month 2.

- 3.0% of gross real estate sales from the Property paid quarterly
- 3.0% of gross operating revenue from the Property paid quarterly
- Full conversion of all Preferred Voting Convertible A Shares to Voting Common A Shares for $1.00 at anytime within 7 years following Closing after which dividends would be due and payable. *For avoidance of doubt NO DIVIDEND would be paid to Character prior to conversion.*

8. Investment Banking Compensation

Yamashiro NewCo will appoint Cascadia as its investment bank to facilitate all equity and debt for the Company. Financing compensation to Cascadia Capital LLC as a FINRA registered broker dealer shall be:

- 4% on equity raised
- 3% on mezzanine and subordinated debt
- 2% on senior, construction or take out debt
- Reduced fee of 1.5% related to any funding source initially identified by Burke

9. Due Diligence

Character will undertake confirmatory due diligence with Burke to be complete by a date to be determined with the owners ("the Due Diligence Period").

10. Definitive Agreements

The strategic partnership will be accomplished pursuant to the terms of definitive agreements. Upon execution of this letter of intent, Burke will prepare the first draft of the definitive agreements to comprise the company formation and a shareholders agreement. It is the intention of the parties to execute the definitive agreements by no later than January 20, 2015 so as to facilitate a Letter of Interest from Aman Resorts and to meet with Owners to negotiate and arrange an Option to Purchase Agreement.

12. Non-Disclosure

The parties agree to continue to be bound by the terms of their existing non-disclosure agreement executed November 5, 2015 and the non-circumvention provisions therein applicable to Character.

13. Exclusive Dealing and Break Fee

Upon execution of this letter of intent, Burke's shareholders, associates and affiliates, either directly and indirectly, hereby agree to work exclusively with Character in respect of the Property. The

Exclusive Dealing Period may be terminated upon Burke paying to Character a Break Fee of $2,500,000 at anytime that is prior to the Option to Purchase being executed. The Break Fee shall be due and payable immediately upon notification to Character by Burke of Burke's intention to terminate the Exclusive Dealing Period. Prior to such Break Fee being paid, Burke shall not permit its shareholders, managers, principals, officers, employees and agents to work either directly or indirectly with anyone other than Character in respect to the purchase or redevelopment of the Property.

14. Expenses of the Transaction

Each of the parties will be responsible for all its own costs and expenses (including, but not limited to, legal fees and expenses) incurred at any time in connection with pursuing or consummating the transaction, including expenses of its advisors, agents and other representatives.

15. No-Broker

The parties represent and warrant to one another that no one introduced them or brought about the proposed transaction and each party agrees to defend and indemnify the other party against any claim for compensation by any person on the basis of alleged obligations incurred by him or them. Each party further represents and warrants that no person, other than the parties hereto, has an interest in and to any right being offered or possesses any claim that could, in any way, interfere with the envisioned transaction. The parties shall each bear their own expenses during the negotiation, creation, delivery, and execution of the definitive agreements or any other agreements between the parties.

16. Legal Effect

Other than the obligations set forth in paragraphs 12 and 13 above, the parties are not obligated in any manner with respect to the transaction contemplated hereby unless and until the parties execute the definitive agreements.

Yours truly,

Graham Kwan
Chief Executive Officer
Character Capital Inc.