FINAL AND CONCLUSIVE DETERMINATION REQUEST FORM

Instructions: Please fill out this form in its entirety to request Finance to provide a final and conclusive determination on an approved enforceable obligation. Additional supporting documents may be included with the submittal of this form as justification related to the enforceable obligation, including documents that may have been previously submitted. Upon completion, email a PDF version of this document (including any attachments) to:

Redevelopment_Administration@dof.ca.gov

The subject line should state "[Agency Name] Final and Conclusive Determination Request". Finance will contact the requesting agency upon receipt for any additional information that may be necessary. Questions related to the final and conclusive determination process should be directed to (916) 445-1546 or by email to Redevelopment_Administration@dof.ca.gov.

Health and Safety Code (HSC) section 34177.5 (i), allows a Successor Agency to request the Department of Finance (Finance) to provide written confirmation that its determination of such enforceable obligation as approved in a Recognized Obligation Payment Schedule (ROPS) is final and conclusive, and reflects Finance's approval of subsequent payments made pursuant to the enforceable obligation.

GENERAL INFORMATION:

Agency Name**: Victor Valley Economic Development Authority**

ROPS Period**:** ROPS 13-14B (January 2014 to June 2014)

Date of Finance's Determination/Approval Letter: November 14, 2013

DETAIL OF REQUEST

Summary of Enforceable Obligation:

ROPS Line Numbers:

ROPS 13-14B Line Items 1 through 6

Project Name:

Joint Powers Authority Agreement

Contract/Agreement Execution and Termination Date:

Execution Date: May 24, 2000 (4th Amended)
Termination Date: No termination date in contract.

Payees:

ROPS Line Item	Payee
1	Southern California Logistics Airport Authority (SCLAA)
2	City of Victorville
3	City of Hesperia
4	County of San Bernardino
5	Town of Apple Valley
6	City of Adelanto

Funding Source:

Redevelopment Property Tax Trust Fund (RPTTF) [Non-Administration]

Total Outstanding Debt or Obligation:

As of ROPS 13-14B submittal, the total outstanding debt or obligation for Line Items 1 through 6 is $1,740,539,911.

Total Due During Fiscal Year:

ROPS Line Items 1 through 6 for FY 2013/14 is listed as the following:

- ROPS III (July 2013 to Dec 2013) = $14,244,708
- ROPS 13-14B (January 2014 to June 2014) = $11,196,321

Total amount due during the fiscal year is $25,441,029.

Six Month Total:
The ROPS 13-14B six month total for Line Items 1 through 6 is $11,196,321.

SUMMARY OF REQUEST

- Background/History (Provide relevant background/history, if applicable)

The Victor Valley Economic Development Agency (VVEDA) was formed in 1989 pursuant to a Joint Exercise of Powers Agreement (JPA) under government code section 6500 to provide a regional agency response for the reuse of George Air Force Base (GAFB), now known as the Southern California Logistics Airport (SCLA). The JPA governing VVEDA has been amended four times with the last amendment taking place on May 20th, 2000. VVEDA was established in response to the Federal Base Closure and Realignment Act (BCRA) and became designated by the Federal government as the "Local Reuse Agency" for the purposes of causing the civilian reuse of GAFB. Accordingly, the JPA provides for the coordination of long range planning for the reuse of GAFB through various means, including but not limited to the reliance on redevelopment through the established Victor Valley Redevelopment Project Area (Project Area). The JPA also involves the financing of such projects including but not limited to obtaining grants, the issuance of bonds, notes, warrants and other evidence of indebtedness, needed to effectuate its goals and responsibilities in causing the reuse of the former GAFB.

VVEDA is comprised of the Cities of Adelanto, Hesperia, Victorville, the Town of Apple Valley and County of San Bernardino (Member Jurisdictions). Each JPA member has portions of its territory within the Project Area which comprises the former GAFB and certain designated areas within an eight mile radius of GAFB. As such, VVEDA generated tax increment revenue from the Project Area that was divided among the Member Jurisdictions, including amounts specifically identified to ensure the successful reuse at SCLA.

The adoption of ABx1 26 has created uncertainty for VVEDA, both in terms of its ability to continue to exist as an entity and its ability to satisfy obligations imposed upon it by federal agencies, including the US Air Force, the Environmental Protection Agency (EPA) and the Federal Aviation Administration (FAA). VVEDA has filed a complaint in California Superior Court in attempt to bring clarity as to the applicability of ABX1 26. The complaint is currently on appeal, with the appeal having been initiated by VVEDA. VVEDA believes that an opportunity may exist to help bring resolution to the litigation if the DOF would consider a Final and Conclusive Determination that effectively preserves "pass-though" obligations that are established in the VVEDA JPA, recognizes VVEDA as an entity not being subjected to dissolution and recognizes that only the continuance of VVEDA's ability to exercise its redevelopment powers is what is being eliminated by application of ABX1 26.

- Justification for Request (Provide additional attachments to this form, as necessary)

The VVEDA JPA specifically delegates authority and obligates Victorville and the Southern California Logistics Airport Authority (SCLAA) to manage and develop the former GAFB. Similarly, the VVEDA JPA delegates the responsibility to each of the member jurisdictions as it relates to redevelopment activities occurring within their respective jurisdictional boundaries not comprising SCLA. To facilitate the delegation of responsibilities to the VVEDA Member Jurisdictions, the VVEDA JPA requires the tax increment revenues generated in the Project Area be distributed to the redevelopment agencies of the Member Jurisdictions in an amount that is equivalent to the amounts actually generated in the respective jurisdictional territories of the Project Area. Notwithstanding those amounts generated by the respective Member Jurisdictions, all of the Member Jurisdictions contractually agreed to pledge 50% of their share of tax increments to SCLA for the purpose of enabling it to satisfy its obligations to the Air Force, EPA and FAA, and to enable it to satisfy its obligations to VVEDA in operating, maintaining, developing and ensuring the reuse of the former GAFB. The JPA further permitted each of the Member Jurisdictions redevelopment agencies to encumber or obligate its share of tax increment so long as the encumbrance or obligation was made for the benefit of the Project Area. These provisions have effectively made VVEDA operate as a pass-through entity to its Member Jurisdictions when administering tax increment. Operative provisions of the JPA (Exhibit "A") that are supportive of this summary include Sections 8, 31, 34 & 51.

VVEDA has prepared this request for a Final and Conclusive Determination to accomplish the following:

1. Conclude that the VVEDA JPA is an enforceable obligation.

    A. VVEDA will prepare semi-annual Recognizable Obligation Payment Schedules (ROPS) identifying its taxing entities, namely the Member Jurisdictions, including SCLAA, as beneficiaries to the enforceable obligation. Amounts estimated as payable under ROPS shall be calculated consistent with Section 8 & 34 of Exhibit A and using the same methodology as has been applied by VVEDA and accepted by the Department of Finance since the 1999-2000 fiscal year.

    B. Upon receipt of RPTTF, VVEDA will distribute funds to the taxing entities, the Successor Agencies of the respective Member Jurisdictions and to SCLAA.

    C. Upon receipt of RPTTF money from VVEDA, Successor Agencies of the respective Member Jurisdictions shall identify the VVEDA distribution as "Other Income" on their respective ROPS forms and available to satisfy enforceable obligations of the respective Member Jurisdiction (Steps B & C are currently being followed to satisfy DOF).

    D. The delegation of power and authority provided for in the JPA and the assumption of obligations by SCLAA, including the obligations required to be performed by SCLAA on behalf of VVEDA for the implementation of BCRA, shall survive (Section 4 & 8, respectively, attached hereto as Exhibit A). The delegation of authority to SCLAA shall include, among other things:

        i. Operational and management authority affecting the GAFB Parcels.

ii. Victorville and SCLAA to shall continue to assume rights, liabilities and obligations from the US Air Force Public Benefit Transfer (PBT, Exhibit A-1) and Economic Development Conveyance (EDC, Exhibit A-2) documents previously undertaken by VVEDA.

iii. Victorville and SCLAA shall continue to comply with the directives of the EPA and FAA in connection with the reuse of GAFB.

iv. The indemnities provided by Victorville and SCLAA shall continue to the benefit of VVEDA and the Member Jurisdictions as provided for in the JPA.

2. Conclude that VVEDA can continue to exist as a Joint Exercise of Powers Authority among its Member Jurisdictions, but that for the purposes of Assembly Bill AB 1x26 and Assembly Bill 1484, VVEDA will act as a Successor Agency in accordance with the provisions of Section 34173.

As of this request, the Successor Agency has listed the JPA obligation on five ROPS which the Oversight Board approved and which were submitted to the Department of Finance (DOF). A list of the ROPS reviewed by the DOF is listed below:

A. ROPS I (January to June 2012 Period) – Exhibit "B"

- Joint Powers Authority Agreement obligation listed as Line Items 1 through 6 on Form A
- DOF Determination Letter Date: July 5, 2012
- DOF Review: "The Agency submitted a revised ROPS on July 3, 2012 for the period of January through June 2012, and this letter supersedes our letter dated May 25, 2012. Based on our review, Finance has approved all of the items listed in your revised ROPS for both periods at this time."

B. ROPS II (July to December 2012 Period) – Exhibit "C"

- Joint Powers Authority Agreement obligation listed as Line Items 1 through 6
- DOF Determination Letter Date: May 25, 2012
- DOF Review: "July through December ROPS…Based on our review, we are approving all of the items listed on your revised ROPS at this time."

C. ROPS III (January to June 2013 Period) – Exhibit "D"

- Joint Powers Authority Agreement obligation listed as Line Items 1 through 6
- DOF Determination Letter Date: October 8, 2012
- DOF Review: "Finance has completed its review of your ROPS III….based on our review, we are approving all of the items listed on your ROPS III at this time."

D. ROPS 13-14A (July to December 2013 Period) – Exhibit "E"

- Joint Powers Authority Agreement obligation listed as Line Items 1 through 6
- DOF Determination Letter Date: April 13, 2013
- DOF Review: "Claimed administrative costs for Items Nos. 1 through 6 totaling $225,096 are disallowed. HSC section 34171(b) limits administrative expenses to three percent of property tax allocated to the successor agency or $250,000, whichever is greater. It is our understanding that the requested administrative allowance for these items is intended to be passed to each Joint Powers Authority (JPA) successor agency to supplement those agencies' administrative allowances. Because JPA members receive their own administrative allowance pursuant to HSC Section 34171(b), the request to pass through additional administrative expenses is not allowed. Therefore the approved administrative allowance has been adjusted to $110,480." DOF's review refers to costs in Line Items 1 through 6 pertained to the Admin Allowance funding source and not the RPTTF funding source as its been approved in prior ROPS. In addition, the DOF review states, "Except for

portions of items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A."

E. ROPS 13-14B (January to June 2014 Period) – Exhibit "F"

- Joint Powers Authority Agreement obligation listed as Line Items 1 through 6
- DOF Determination Letter Date: November 14, 2013
- DOF Review: Approved all of the items listed on ROPS 13-14B at this time. However, DOF noted, "…although the administrative costs claimed are within the fiscal year administrative cap pursuant to HSC Section 34171(d), the oversight board has approved an amount that appears excessive given the number and nature of the other obligations listed on the ROPS…" in reference to Line Item 7, Successor Agency administration costs.

In conclusion and based on the foregoing, the Successor Agency requests pursuant to Health and Safety Code Section 34177.5(i), the DOF make a final and conclusive determination that the Joint Powers Authority Agreement is an enforceable obligation and approves any subsequent payments made pursuant to the JPA. In further consideration of settlement of the litigation referenced herein, this Final and Conclusive Determination by DOF shall be deemed binding and conclusive on all subsequent Oversight Board proceedings, as would otherwise be required pursuant to Health and Safety code Section 34180, et seq.

Agency Contact Information

Name:	Keith Metzler	Name:	Lesyenia Marin
Title:	Executive Director	Title:	Management Specialist
Phone:	760-955-5029	Phone:	760-243-4823
Email:	Kmetzler@victorvilleca.gov	Email:	Lmarin@victorvilleca.gov
Date:	1/16/2014	Date:	1/16/2014

Department of Finance Local Government Unit Use Only

DETERMINATION OF FINAL AND CONCLUSIVE STATUS: ☐ APPROVED ☐ DENIED

APPROVED/DENIED BY: _____ DATE: _____

APROVAL OR DENIAL LETTER PROVIDED: ☐ YES DATE AGENCY NOTIFIED: _____

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EXHIBIT "A"

Fourth Amended and Restated
Joint Exercise of Powers Agreement (JPA)

FOURTH AMENDED AND RESTATED JOINT EXERCISE OF POWERS AGREEMENT
CREATING
VICTOR VALLEY ECONOMIC DEVELOPMENT AUTHORITY

THIS FOURTH AMENDED AND RESTATED JOINT EXERCISE OF POWERS AGREEMENT (the "Fourth Amendment") is made and entered into among the Town of Apple Valley ("Apple Valley"), the City of Hesperia ("Hesperia"), the City of Victorville ("Victorville"), the City of Adelanto ("Adelanto") and the County of San Bernardino ("County"), each duly organized and existing under the laws of the State of California (sometimes referred to herein individually as "Member" or "Member of the Authority" and collectively as "Members" or "Members of the Authority"):

R E C I T A L S

WHEREAS, each of the parties hereto is a public agency authorized and empowered to contract for the joint exercise of powers under Article 1, Chapter 5, Division 7, Title 1 (Sections 6500, et seq.) of the Government Code of the State of California; and

WHEREAS, Apple Valley, Hesperia, Victorville and the County (the "Original Members") have previously approved and executed an original joint powers agreement entitled "Joint

Exercise of Powers Agreement Creating Victor Valley Economic Development Authority" (the "Original Agreement") and subsequent thereto approved and executed a First Amended Joint Powers Agreement entitled "First Amended Joint Exercise of Powers Agreement Creating Victor Valley Economic Development Authority" (the "First Amendment"), a second amendment entitled "Second Amended and Restated Joint Exercise of Powers Agreement creating the Victor Valley Economic Development Authority" (the "Second Amendment") and a third amendment entitled "Third Amended and Restated Joint Exercise of Powers Agreement creating the Victor Valley Economic Development Authority (the "Third Amendment"). The Original Agreement, the First Amendment, the Second Amendment and the Third Amendment may hereinafter be collectively referred to as the "Prior Agreements" and the Prior Agreements and this Fourth Amendment may hereafter be referred to as the "Agreement"; and

WHEREAS, the Members have deemed it desirable to cause the execution of this Fourth Amendment in order to provide for the addition of Adelanto, as a new member of the Authority, in connection with the successful completion of the adoption of an amendment to the Redevelopment Plan, as hereinafter described, adding Adelanto territory to the existing redevelopment project area; and

WHEREAS, each of the Members has the authority and power to plan for the use and reuse of former George Air Force Base (GAFB) which has been closed pursuant to Federal law, and to create, maintain and operate an airport; and

WHEREAS, pursuant to the Prior Agreements the parties hereto recognized the necessity for planning for the closure of GAFB, and the need to utilize the GAFB facility after closure in a manner which would attract business, create jobs and improve the quality of life for the citizens of the Victor Valley; and

WHEREAS, each of the Members of the Victor Valley Economic Development Authority (the "Authority") is authorized to establish redevelopment agencies to undertake redevelopment projects under the California Community Redevelopment Law (Health and Safety Code Section 33000, et seq.), for the purposes of causing the redevelopment of areas in the interests of health, safety and general welfare and all Members of the Authority are cities or counties with territory either within, adjacent to or in proximity to GAFB; and

WHEREAS, Health and Safety Code Section 33492.40 (previously numbered Health and Safety Code Section 33320.5) authorized the Members to form a joint powers authority for the

purposes of causing the redevelopment of certain property which was previously operated as a military facility or installation and which was closed pursuant to Public Law 100-526 in addition to certain land which is adjacent or in proximity to the military facility or installation and which land was deemed necessary for the effective redevelopment thereof; and

WHEREAS, the Members deem it desirable to participate together in order to jointly exercise their power in connection with causing the reuse of GAFB, and in accordance therewith, the Original Members have caused the adoption of a redevelopment plan (the "Redevelopment Plan") pertaining to GAFB and areas in proximity thereto; and

WHEREAS, subject to the provisions of this Agreement, each of the Original Members previously agreed to have certain territory, which would otherwise be within the jurisdiction of, and subject to redevelopment by, each of the Original Members included within this redevelopment project area established by the Authority (the "Project Area"); and

WHEREAS, Adelanto has agreed to include certain territory within its municipal boundaries as part of the Project Area upon

completion of an Amendment to the Redevelopment Plan (the "Plan Amendment"); and

WHEREAS, for the purposes of the establishment of the Project Area, the territory of the County was deemed to include only the unincorporated territory within the jurisdiction of the County; and

WHEREAS, in addition to its other powers, pursuant to Health and Safety Code Section 33492.40 the Authority has and shall exclusively exercise powers of a redevelopment agency within the Project Area and has the ability to act as the redevelopment agency, legislative body and planning commission with respect to all approvals and actions required in connection with the adoption of the Redevelopment Plan, the Plan Amendment, or with any other amendment of the Redevelopment Plan.

COVENANTS

NOW, THEREFORE, IN CONSIDERATION of the mutual promises and covenants herein contained, the parties hereto agree as follows:

A. GENERAL

1. Creation of Authority. Pursuant to the Prior Agreements, a public agency known as the "Victor Valley Economic Development Authority," was created. The Authority was formed pursuant to the Prior Agreements in accordance with the provisions of Article 1, Chapter 5, Division 7, Title 1 (Sections 6500, et seq.) of the Government Code of the State of California relating to the joint exercise of powers common to public agencies (hereinafter referred to as the "Act"). For the purposes of this Agreement, the Authority is a public agency separate from the parties hereto.

2. Territorial Boundaries. The jurisdiction of the Authority is the unincorporated territory within the County and the territory within city boundaries of the Member cities. Pursuant to Health and Safety Code Section 33492.40, and notwithstanding the general powers of the Authority or any of its Members, the Authority has the ability to exercise its redevelopment powers

within the territory comprising GAFB and within certain designated areas in proximity to GAFB which areas are within an eight (8) mile radius of GAFB, providing the areas within said eight (8) mile radius are not included in any existing redevelopment project area of the Member and/or are not under the jurisdiction of a city which is not a party to this Agreement or which is not proposing to become a Member. Within such eight (8) mile radius of GAFB and including GAFB, the Authority has formed the Project Area pursuant to Health and Safety Code Section 33492.40 and as of the date of this Fourth Amendment is considering the Plan Amendment in order to add territory to the Project Area. The boundaries of the Project Area, as amended, were selected and approved by a majority vote of the Commissioners; provided, however, that no territory was included within the Project Area until its inclusion was approved by all Members of the Authority. To the extent provided by law, the Authority may exercise redevelopment powers outside of the Project Area if and when the appropriate findings and determinations are made.

The boundaries of the Project Area may only be changed pursuant to an amendment to the Redevelopment Plan. Any amendment to add territory to the Project Area requires the consent of all Members of the Authority. It is currently proposed that the Project Area will be amended in order to provide for the inclusion

of certain territory within the jurisdictional boundaries of Adelanto.

3. Purpose. The purpose of this Agreement is to provide for the coordination of long range planning of the territory of GAFB and surrounding areas, the interaction with the federal government, the acquisition, through public benefit transfer and economic development conveyance and administration and management of an airport or other public facilities at GAFB, the redevelopment of GAFB and surrounding areas, and the financing, including but not limited to obtaining grants and issuing bonds, notes, warrants and other evidences of indebtedness, needed to effectuate such planning, interaction, airport, public facilities and redevelopment activities, which are needed to ensure the health, safety and general welfare of the area in connection with the closure of GAFB.

4. Powers. (i) Subject to the limitations contained in this Agreement, the Authority shall have the power, in its own name, to do any and all of the following in order to effectuate the purposes set forth above:

(a) To make and enter contracts including, but not limited to, those which pertain to the use and reuse of GAFB for redevelopment purposes;

(b) To employ agents and employees;

(c) To acquire, construct, manage, maintain and operate any buildings, works or improvements;

(d) To acquire, hold or dispose of property;

(e) To incur debts, liabilities or obligations;

(f) To issue bonds, notes, warrants and other evidences of indebtedness to finance costs and expenses incidental to the projects of the Authority;

(g) To apply for, receive and utilize grants and loans from Federal or State government or from any other source available;

(h) To sue and be sued in its own name, provided that the Authority shall not commence or intervene in any lawsuit without the formal approval of the

governing board of the Authority and provided further that the Authority shall not commence or intervene in any lawsuit concerning property without the consent of the Member or Members in whose territorial jurisdiction the property is situated;

(i) To exercise jointly the common power of the parties hereto set forth herein;

(j) To enter agreements with the United States of America, or any agency or department thereof, for the purpose of determining the disposition of GAFB property or for redevelopment purposes;

(k) To have such other powers as are now or may hereafter be conferred by law upon joint powers authorities, in general and as approved by the Authority;

(l) To redevelop GAFB and those surrounding areas which are included in the Project Area in accordance with Health and Safety Code Section 33492.40 (formerly Health and Safety Code Section 33020.5);

(m) To improve land and building sites through the acquisition, installation and improvement of on-site or off-site public improvements;

(n) To donate land to private or public persons or entities;

(o) To acquire, construct, manage, maintain, lease and operate buildings, works or improvements both public and private as may be permitted by the laws of the State;

(p) To acquire, rehabilitate and dispose of buildings or structures;

(q) To provide relocation assistance; and

(r) To assist in the development of housing for the benefit of low-and moderate-income households and to permit subsidies in connection therewith.

The powers of the Authority herein enumerated shall be exercised, to the extent not otherwise provided for in Section 8 hereof, in the manner and according to the methods otherwise

exercised by the County in accordance with Government Code Section 6509.

(ii) In addition to the powers of the Authority as hereinabove set forth, Victorville shall have the power, in its own name or through the Southern California Logistics Airport Authority, to do any and all of the following in order to effectuate the purposes set forth above and to implement the provisions of Section 8 hereof:

(a) To make and enter contracts including, but not limited to, those which pertain to the use and reuse of GAFB for redevelopment purposes;

(b) To employ agents and employees;

(c) To acquire, construct, manage, maintain and operate any buildings, works or improvements on the properties comprising GAFB (the "GAFB Parcels");

(d) To negotiate transactions on behalf of the Authority for the acquisition, lease, retention or disposal of property;

(e) To incur debts, liabilities or obligations with respect to the GAFB Parcels;

(f) To issue bonds, notes, warrants and other evidences of indebtedness to finance costs and expenses incidental to the operation and management of the GAFB Parcels;

(g) To apply for, receive and utilize grants and loans from Federal or State government or from any other source available;

(h) To sue and be sued in its own name;

(i) To enter agreements with the United States of America, or any agency or department thereof, for the purpose of determining the disposition of GAFB property or for redevelopment purposes;

(j) To redevelop GAFB in accordance with Health and Safety Code Section 33490.40;

(k) To improve land and building sites through the acquisition, installation and improvement of

on-site or off-site public improvements on the GAFB Parcels;

(l) To acquire, construct, manage, maintain, lease and operate buildings, works or improvements both public and private as may be permitted by the laws of the State;

(m) To acquire, rehabilitate and dispose of buildings or structures;

(n) To provide relocation assistance; and

(o) To assist in the development of housing for the benefit of low-and moderate-income households and to permit subsidies in connection therewith.

Except for the power to award contracts which shall be exercised in the manner as otherwise exercised by the County, the exercise of all other powers relative to the acquisition, reuse and development of the GAFB Parcels shall be exercised in the manner and according to the methods otherwise exercised by Victorville.

With respect to the power of eminent domain on the GAFB Parcels, which is provided for in the Redevelopment Plan, the Authority shall agree to exercise such powers at the request of Victorville, provided that such exercise can and shall be exercised in a manner consistent with California law and provided further that Victorville shall pay any and all costs associated with such exercise of eminent domain power and shall further indemnify, hold harmless and defend the Authority with respect to any obligations and/or liabilities that may arise as a result of or in connection with the exercise of such eminent domain powers.

With respect to the power of eminent domain with respect to those portions of the Project Area to which it is applicable as provided in the Redevelopment Plan, the Authority shall agree to exercise such powers at the request of the Member within whose jurisdiction the territory is located, provided that such exercise can and shall be exercised in a manner consistent with California law and provided that the applicable Member shall pay any and all costs associated with such exercise of eminent domain power and shall further indemnify, hold harmless and defend the Authority with respect to any obligations and/or liabilities that may arise as a result of or in connection with such exercise of eminent domain powers.

5. Restrictions on Exercise of Powers. The powers of the Authority shall be exercised in the manner provided by this Agreement and the Act; provided, however, that the redevelopment powers of the Authority shall be exercised only within the areas and in the manner as provided in Health and Safety Code Section 33492.40 unless otherwise provided under the California Community Redevelopment Law. No territory has been or shall be included in a Project Area without the consent of all Members of the Authority.

6. Effective Date. This Fourth Amendment shall become effective when the governing bodies of all of the parties to this Fourth Amendment shall have authorized execution of this Fourth Amendment and the same has been executed by all parties. The Original Agreement, the First Amendment, the Second Amendment and the Third Amendment shall be superseded by this Fourth Amendment upon its effective date.

7. Governing Body. This Agreement and the Authority created hereby shall be administered by the governing body of the Authority which shall be known as the "Commission for the Victor Valley Economic Development Authority," herein called "Commission." Subject to the reserved powers of the Members of the Authority as expressly set forth herein and the delegation of authority to the

City Council of Victorville as otherwise set forth herein, the powers and functions of the Authority shall be exercised by and through the Commission. The Commission shall be composed of Commissioners selected pursuant to Section 14 of this Agreement.

8. Delegation of Authority. In order to facilitate the efficient management and operation of the GAFB Parcels, the Members hereby agree that they shall each delegate and assign their voting rights with respect to all issues directly affecting the GAFB Parcels to the Victorville City Council which shall act on behalf of the Commission on all such matters. The Victorville City Council, with the consent of the Members, has delegated such voting rights to a joint powers authority designated as the Southern California Logistics Airport Authority and has agreed that notwithstanding such delegation, (i) the City of Victorville shall be directly liable to the Authority in connection with the terms of this Agreement (ii) that the governing board of the Southern California Logistics Airport Authority shall be comprised of the same persons who sit as the Victorville City Council and (iii) that the meetings of the Southern California Logistics Airport Authority shall be held in accordance with the provisions of the Ralph M. Brown Act. Such issues to be delegated to Victorville and the Southern California Logistics Airport Authority shall include, without limitation, all budgeting authority, all redevelopment

authority and all operational and management authority affecting the GAFB Parcels, and the operation of the airport facility thereon. In the exercise of such authority, Victorville and the Southern California Logistics Airport Authority shall have all of the powers afforded to the Authority by this Agreement, as well as the powers inherent to Victorville as a municipality and Southern California Logistics Airport Authority as a joint powers authority.

Subject to the provisions of Sections 34, 38 and 45 hereof, the Authority shall reserve unto itself, the authority and power to make decisions relating to its redevelopment powers which concern all portions of the existing Redevelopment Project Area, except for the land contained within the boundaries of the GAFB Parcels. The exercise of such powers by the Authority shall be subject to, and not inconsistent with, the allocation of tax increment revenues in accordance with Section 34 of this Agreement.

In connection with the decision making process for all issues concerning the GAFB Parcels, the Victorville City Council sitting as the Southern California Logistics Airport Authority will exercise its powers in accordance with the provisions of the Redevelopment Plan as previously adopted by the Commission.

Victorville hereby agrees to assume all the rights, liabilities and obligations of the Authority with respect to the GAFB Parcels including, but not limited to, the obligations of the Authority under the Public Benefit Transfer documents and the Economic Development Conveyance documents and the lease revenue bond issue financings previously undertaken by the Authority. The Authority has provided notice of the delegation contained herein to the United States Air Force.

All tax increment revenues attributable solely to the GAFB Parcels which shall be calculated based upon the applicable tax rate areas which cover the GAFB Parcels, shall be disbursed and used at the discretion of the Victorville City Council or the Board of the Southern California Logistics Airport Authority, provided, however, that all such revenues can only be expended on the GAFB Parcels or for improvements adjacent to and directly benefitting the GAFB Parcels and must be expended for the purposes of causing the acquisition, reuse and redevelopment of GAFB in a manner consistent with the Redevelopment Plan.

In consideration of the delegation of authority to the Victorville City Council by the Original Members, Victorville agrees to and shall defend, indemnify, and save harmless the Authority, its Original Member agencies and the elected and

appointed officials, officers, and employees thereof from all liability from loss, damages or injury to persons or property, including the payment by Victorville of any and all legal costs and attorney's fees, in any manner arising out of the acts and/or omissions of Victorville pursuant to the delegation of authority specified herein, including, but not limited to, all consequential damages, to the maximum extent permitted by law. The parties hereto specifically agree, in further consideration of the delegation of authority hereunder, that the defense, indemnity and save harmless provisions hereof shall extend to all claims, asserted either in law or in equity, including, but not limited to, tort, contract, constitutional tort and inverse condemnation which arise as a result of the acts and/or omissions of Victorville and the same shall survive the expiration or sooner termination of this Agreement as to all matters occurring prior to such expiration or sooner termination.

Victorville further agrees to, defend, indemnify and hold harmless the Original Members, and the elected and appointed officials, officers and employees thereof from and against any and claims, losses, liabilities, damages, demands, actions, judgments, causes of action, assessments, penalties, costs and expenses (including without limitation, the reasonable fees and disbursements of legal counsel, expert witnesses and accountants),

and all foreseeable and unforeseeable consequential damages which might arise or be asserted against the Original Members, and the elected and appointed officials, officers and employees thereof as a result of a claimed violation by Victorville of any and all present and future federal, state, and local laws (whether under common law, statute, rule, regulation or otherwise), including, but not limited to, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), 42 U.S.C. §§9601 through 9657, inclusive; Transportation of Hazardous Materials and Wastes (HMTA), 49 U.S.C. App. §§1801 through 1813, inclusive; the Federal Resource Conservation and recovery Act (RCRA), 42 U.S.C. §§6901 through 6992, inclusive; 40 C.F.R. Parts 260 through 271, inclusive; the California Hazardous Substance Account Act (HSAA), California Health and Safety Code §§25300 through 25395, inclusive; the California Hazardous Waste Control ACT (HWCA), California Health and Safety Code §25100 through 25249, inclusive; the Porter-Cologne Water Quality Control Act, California Water Code §§ 13000 through 13999.16, inclusive; and the Underground Storage Tank Act (USTA), California Health and Safety Code §§24280 through 24299.7, inclusive, all as the same may be amended from time to time, relating to environmental conditions or to any hazardous substance, activity or material connected with the condition of any and all property now owned or as may hereunder be owned by the Authority which was directly or indirectly caused by Victorville. This

environmental indemnity shall survive the expiration or termination of this Agreement as to activities taking place or occurring prior to such expiration or termination.

SAID WAIVER IS SPECIFICALLY AGREED TO BY THE CITY OF VICTORVILLE.

By: _____

The City of Victorville agrees to act in good faith and use prudent business techniques in connection with the acquisition, reuse, development and disposition of the GAFB Parcels.

B. MEMBERSHIP

9. Reserve Power of Members of the Authority. Except as otherwise provided herein and except as to the allocation of tax increment revenues, each Member of the Authority expressly possesses and reserves to itself final and absolute discretion to approve or disapprove prior to commitment, any and all expenditures or other financial obligations incurred by the Authority which are proposed to be chargeable against such Member of the Authority. Subject to the provisions of Section 34 hereof, tax increment funds allocable solely to the Authority pursuant to the Redevelopment Plan and which are not attributable to the GAFB Parcels may be

expended or committed in a manner consistent with Section 45 of this Agreement and the Redevelopment Plan.

10. Expansion of Membership. The membership of the Authority may be expanded to admit any new member (the "New Member") after the final adoption of the Redevelopment Plan for the Project Area pursuant to Health and Safety Code Section 33365 by processing an amendment to the Redevelopment Plan pursuant to Health and Safety Code Section 33492.40, to include the territory of any proposed New Member. The Members agreed that Adelanto shall, as of the date of this Fourth Amendment, be deemed a voting member of the Authority; provided, however, that in the event that an Amendment to the Redevelopment Plan including Adelanto territory is not completed prior to December 31, 2000, then Adelanto shall relinquish its position as a full voting Member of the Authority along with all of the rights and privileges afforded to Members hereunder. In such event, Adelanto shall become a non voting ad hoc Member until such time as an amendment to the Redevelopment Plan to include Adelanto territory is completed. The expansion of the membership of the Authority to admit any new voting member shall require the unanimous vote of the Commission.

11. Withdrawal of Membership. Any Member of the Authority shall have the right to withdraw its membership at any

time prior to the introduction and first reading of the Ordinance providing for the final adoption of the Redevelopment Plan upon serving written notice of intention thereof on all other Members of the Authority; provided, however, that no such withdrawal shall relieve the withdrawing public agency from any financial obligations incurred by it while a party to this Agreement. The Authority shall not include any portion of the territory of a withdrawing Member unless such withdrawing member shall consent in writing to the inclusion of its territory within the Project Area.

12. Mandatory Participation. No Member who has territory included within the boundaries of the Project Area shall be able to voluntarily withdraw from the Authority membership for the duration of the Redevelopment Plan, except with the unanimous consent of all of the Members and on such terms as the Members may agree upon. Upon the adoption of an Ordinance amending the Redevelopment Plan to add territory to the Project Area by a New Member, such New Member who has territory to be included pursuant to the proposed amendment shall be unable to voluntarily withdraw from Authority membership for the duration of the Redevelopment Plan, as amended.

13. Vote or Assent of Members. The vote, assent, consent or approval of each of the Members of the Authority in any

matter requiring such vote, assent or approval hereunder shall be evidenced by a certified copy of the resolution or minute order of the governing body of such Member of the Authority, filed with the Authority.

14. Designation of Commissioners. Each Member of the Authority shall designate and appoint one member of its governing body to act as its Commissioner on the Commission and one individual to act as its alternate Commissioner. To the extent deemed necessary, any Member may, by formal action of its governing body, designate a second or third alternate Commissioner. During any absence of the Commissioner, an alternate Commissioner shall act in his or her place. Commissioners and alternate Commissioners shall serve at the pleasure of the governing body of the appointing Member of the Authority.

C. COMMISSION

15. Meetings. Regular meetings of the Commission shall be held as determined by the Commission. The Commission shall provide by Resolution for the time and place of holding its regular meetings. Special meetings may be called at the request of the Chairman or of a majority of the Commissioners or as otherwise provided in accordance with the provisions of the Ralph M. Brown

Act. Notice of all regular meetings and all special meetings shall be furnished in accordance with the Ralph M. Brown Act, as it may be amended from time to time.

16. Quorum. A majority of the appointed Commissioners shall constitute a quorum for purposes of transacting business related to redevelopment issues pertaining to the Project Area exclusive of the GAFB Parcels. A majority of the sitting City Council Members of the City of Victorville will constitute a quorum for purposes of transacting business pertaining to the property contained within the GAFB Parcels.

17. Majority Vote. Except as otherwise provided herein, all actions of the Authority shall be passed upon the affirmative vote of a majority of the total number of Commissioners. Each existing Commissioner shall have one (1) equal vote, to be exercised by the Commissioner (or alternate as the case may be); provided, however, that as to any development project or other development activity, which would directly affect real property (or portion thereof) that is within the territorial jurisdiction of any Member (except for those activities located entirely within the GAFB Parcels which are addressed in Section 8 hereof) such Member shall have a number of votes (exercisable by its Commissioner) equal to the total number of Members, and the remaining Members

shall each have one (1) vote. In such event the quorum shall still be determined in accordance with Section 16 hereof.

Whenever this Agreement provides for a certain number of votes, or certain portion of the Members of the Commission, it shall be deemed to refer to a proportion of all of the votes exercisable by all of the Commission Members (including new Members) at the time of taking such vote.

18. Minutes. The Secretary of the Authority shall cause to be kept minutes of the regular, adjourned regular, special and adjourned special meetings of the Commission and shall cause a copy of said minutes to be forwarded to each Commissioner of the Authority.

19. Compensation. Each Commissioner and alternate Commissioner may, if approved by Resolution of the Commission, receive compensation in an amount not to exceed Fifty Dollars ($50.00) for each meeting of the Commission attended by him or her, which amount shall be fixed from time to time by the Commission, but shall not exceed the amount allowed by law for such a commission. No Commissioner or alternate Commissioner shall receive compensation for more than two (2) meetings in any calendar month. If allowed by the Commission, a Commissioner or alternate

Commissioner shall also receive traveling and other expenses incurred by him or her on Authority business at the request of the Commission.

20. Public Meetings. All meetings of the Commission shall be open to the public and shall be called, noticed, held and conducted in accordance with the provisions of this Agreement and the Ralph M. Brown Act, being Sections 54950, et seq., of the Government Code, as it may be amended from time to time. All meetings of the Victorville City Council or the Southern California Logistics Airport Authority pertaining to issues of relevance to the GAFB Parcels shall also be open to the public and shall be called, noticed, held and conducted in accordance with the provisions of this Agreement and the Ralph M. Brown Act.

21. Rules. The Commission may adopt from time to time such rules and regulations for the conduct of its affairs as may be required.

22. Committees. Committees, comprised of Commissioners, or a Commissioner and others, may be formed for any purpose by appointment by majority vote of all Commissioners, on terms as prescribed by the Authority. Alternate Commissioners shall serve

in place of Commissioners in the same manner as provided herein for Commission business.

23. Powers and Limitations. Except as otherwise provided herein, all of the power and authority of the Authority pertaining to the Redevelopment Project Area, exclusive of the GAFB Parcels, shall be exercised by the Commission. All of the power and authority of the Authority with respect to the GAFB Parcels shall be exercised by the Victorville City Council sitting as the Southern California Logistics Airport Authority and such staff as Victorville may designate subject to the provisions of this Agreement.

D. OFFICERS

24. Officers. There shall be selected from the membership of the Commission a chairman and a vice-chairman who shall stand for election by the Commission annually at the first regular meeting of each new fiscal year.

The Authority has selected Victorville to be the treasurer of the Authority (the "Treasurer"), to be the depositary and have custody of all money of the Authority from whatever source; provided, that the Commission may at any time select

another treasurer by Resolution of the Commission. The Commission shall also select a controller, who shall draw all warrants to pay demands against the Authority approved by the Commission. As deemed necessary by the Authority, at each regular meeting of the Commission, the Treasurer shall provide detailed accounts of each receipt and expenditure occurring after the previous regular meeting and of the Authority's financial position.

The Authority shall approve the employment of a certified public accountant or firm of certified public accountants for the annual audit of all accounts and financial records of the Authority.

25. Additional Officers and Employees. The Commission shall have the power to appoint such additional officers and to employ such additional employees and assistants as may be appropriate, including, but not limited to, counsel and secretary for the Authority.

26. Duties of Officers and Employees. Each and all of said officers, employees and assistants shall serve under rules established by the Commission and shall perform such duties and shall have such powers as the Commission may determine.

27. Bonds. The public officers or persons who have charge of, handle or have access to any property of the Authority shall, if deemed necessary, file an official bond in an amount to be fixed by the Authority.

E. BUDGET PROCEDURES

28. General Budget. Annually at a meeting of the Commission during the month of June, a general budget shall be adopted for the ensuing fiscal year (the "Authority Budget"). The Authority Budget shall be prepared in sufficient detail to constitute an operating outline for the source and amount of funds available to the Authority and expenditures to be made during the ensuing fiscal year for those administrative and study matters and for the general projects involving the Authority. Said Authority Budget shall be adopted by a majority of all the Commissioners provided, however, that to the extent the Authority Budget requires the contribution of funds, other than tax increment revenues, from any Members of the Authority, then in such event the Authority Budget shall also be approved by the Member or Members which are to make the contribution. The Authority Budget shall address those financial matters which pertain to the lands within the Project Area exclusive of the GAFB Parcels. In addition to the Authority Budget, the City Council of Victorville sitting as the Southern

California Logistics Airport Authority shall adopt a budget (the "SCLAA Budget") pertaining to the properties comprising the GAFB Parcels. Upon adoption of the SCLAA Budget pertaining to the GAFB Parcels, the Victorville City Council shall distribute the SCLAA Budget to the Authority for its information and its non-binding recommendations, if any. The SCLAA Budget will provide that all revenues generated from the GAFB Parcels along with the tax increment revenues as described in Section 34 hereof shall be used for the operation, reuse, redevelopment and disposition, as appropriate at GAFB.

29. Approval and Amendment of Authority Budget. Subject to the provisions of Section 28 hereof, each Authority Budget adopted by the Commission must be approved and shall be deemed effective upon the affirmative vote of a majority of the Commissioners and any Authority Budget may be amended by a majority of the Commissioners.

30. Expenditures Within Approved Authority Budgets. Unless otherwise agreed to by the Commission and except with respect to the GAFB Parcels, no expenditures shall be made except in the amount(s) and for the purpose(s) identified in the approved or amended Authority Budget. All expenditures within the designations and limitations of approved general project budgets

shall be made on the authorization of the Executive Director of the Authority or his or her designee.

F. SOURCES OF AUTHORITY FUNDS

31. Sources of Funds. The anticipated sources of funds available to the Authority shall be derived solely from the properties and activities in the Project Area exclusive of the GAFB Parcels, which are as follows:

(a) Grants and loans received by the Authority;

(b) tax increment revenues;

(c) Funds obtained by issuing bonds, notes, warrants and other evidences of indebtedness payable from tax increment revenues and/or other Authority revenues to finance costs and expenses incidental to the Authority projects;

(d) Profits, income, sales proceeds, interest earnings from leases and land sales, tax increment revenues and funds from any other source derived.

The Authority shall arrange for its receipt of such funds from the above sources as are available to it and are necessary for the conduct of current Authority affairs. All funds available to the Authority shall be utilized for Authority projects and purposes in accordance with the terms of this Agreement.

To the extent permitted by law and in accordance with the delegation of authority as provided in Section 8 hereof, the Authority shall use best efforts to pursue and obtain any and all grant funds or loan funds which may be available in connection with the reuse and development of the GAFB Parcels and shall allocate such funds for use by Victorville or the Southern California Logistics Airport Authority, provided, however, that all obligations with respect thereto, shall be assumed by the City of Victorville in accordance with Section 8 hereof.

The primary source of Authority funds is anticipated to be tax increment revenues attributable to the Project Area, exclusive of the GAFB Parcels, in accordance with Health and Safety Code Section 33670(b) and received by the Authority pursuant to this Agreement and the Redevelopment Plan (the "Participating Jurisdictions Tax Increment Revenues"). The parties agree that the allocation and distribution of Participating Jurisdictions Tax Increment Revenues attributable to the Project Area exclusive of

the GAFB Parcels is specifically addressed and incorporated as part of the Redevelopment Plan adopted for the Project Area and Participating Jurisdictions Tax Increment Revenues can only be used in a manner consistent with California Community Redevelopment Law. Moreover, the tax increment revenues attributable solely to the GAFB Parcels (the "GAFB Tax Increment Revenues") are addressed and incorporated as part of the Redevelopment Plan and may only be used in a manner consistent with the Redevelopment Plan and for the benefit of the acquisition, reuse and development of the GAFB Parcels.

The Members agree that all GAFB Tax Increment Revenues, sales tax revenues and other revenues generated from activities on GAFB shall be used solely for the purposes of the reuse, operation, provision of services and development of GAFB.

32. Authority Costs. With respect to the funding of any items contained within an approved Authority Budget which require revenues other than those generated as Participating Jurisdictions Tax Increment Revenues, GAFB Tax Increment Revenues or revenues generated by or attributable solely to the Authority, the Members agree that the cost of funding any such items shall be borne by the Members of the Authority in the percentages indicated provided, however, that each Member's governing board has approved

the amount to be charged against it prior to any commitment of funds:

Member	Percent of Cost
The Town of Apple Valley, California	20%
The City of Hesperia, California	20%
The City of Victorville, California	20%
The County of San Bernardino, California	20%
The City of Adelanto	20%

Any member who, after the effective date of this Fourth Amendment contributes more than its percentage share toward approved expenditures of the Authority either by direct payment of funds or by the provision of in kind services as approved by the Authority (hereinafter referred to as a "Member Contribution"), shall, subject to the provisions of Section 34 hereof, be entitled to reimbursement from that portion of available Participating Jurisdictions Tax Increment Revenues which is allocated for reimbursement.

The Parties acknowledge that the Original Members have each made prior contributions of cash which are to be reimbursed (the "Prior Contributions") from a portion of the revenues to be generated from the issuance by the Authority of its $7,000,000 Victor Valley Economic Development Authority Taxable Lease Revenue

Notes (Southern California International Airport Project) Series 1996 (the "1996 Bonds"). In connection with the approval of the Third Amendment, the Parties previously agreed that each Original Member shall receive a cash reimbursement of their Prior Contributions equal to Three Hundred and Fifty Thousand Dollars ($350,000) from the proceeds of the 1996 Bonds. Thereafter, the remaining balance of each Original Member's Prior Contributions shall be reimbursed in accordance with Section 34 hereof. The amount of said remaining balance shall be the amount as set forth in Exhibit "A" attached hereto and incorporated herein by this reference.

With respect to the funding of any items on the GAFB Parcels after the date of this Fourth Amendment, Victorville either on its own or through the Southern California Logistics Airport Authority shall be solely responsible for such funding subject to the prior commitment of a portion of the Participating Jurisdictions Tax Increment Revenues from each Member's portion of the Project Area, GAFB Tax Increment Revenues and the other revenues to be allocated for use by Victorville as described in Sections 31 and 34 hereof and the ability to use all other revenues generated from the GAFB Parcels.

33. Unexpended Funds. Any assets and any unexpended funds on deposit with the Authority and any direct or indirect moneys received or earned by the Authority shall, upon termination of this Agreement or upon the dissolution of the Authority, be distributed to the respective Members in proportion to outstanding balance of the amount that each Member's Contribution and/or Prior Contribution bears to the total allocation of revenues to the Authority up to the time of such termination or dissolution.

34. Tax Increment Agreement/Member Reimbursements. The Members hereby agree that the Authority shall not receive or use any property tax moneys, other than tax increment revenues as described in the Community Redevelopment Law and as provided in the Redevelopment Plan, which would have been received by any Member had the Redevelopment Plan not been adopted.

The Members further agree that for fiscal year 1997-98 and fiscal year 1998-99 all Participating Jurisdictions Tax Increment Revenues and GAFB Tax Increment Revenues received during such period, shall be allocated solely for use on property comprising the GAFB Parcels. Of said amount, twenty percent shall be set aside for low and moderate income housing purposes in accordance with the California Redevelopment Law. Thereafter, all GAFB Tax Increment Revenues will continue to be allocated for use

on GAFB with the understanding that Victorville shall set aside twenty percent thereof for low and moderate income housing purposes.

Commencing with the 1999-2000 fiscal year, the Participating Jurisdictions Tax Increment Revenues will be divided and allocated as follows: First, twenty percent (20%) of the Participating Jurisdictions Tax Increment Revenues shall be set aside for low and moderate income housing purposes and will be allocated to each Member for use by each Member in its own portion of the Project Area.

The remaining balance of Participating Jurisdictions Tax Increment Revenues, after the twenty percent set aside amounts, shall hereinafter be referred to as the "Net Revenues".

With respect to the Original Members, forty percent (40%) of the Net Revenues attributable to any Original Member's Territory, exclusive of the GAFB Parcels, shall be allocated for use in such Original Member's Territory and forty percent (40%) attributable to such Original Member's Territory shall be allocated solely for use on the GAFB Parcels.

The remaining balance equal to twenty percent (20%) of the Net Revenues attributable to each Original Member's portion of the Project Area, exclusive of the GAFB Parcel's, shall be placed into a separate reimbursement fund of the Authority and shall be paid out annually at the commencement of each fiscal year for eligible reimbursements to each Member in proportion to the outstanding balance of any Prior Contributions. After such reimbursements are made, such moneys may be used to reimburse Member Contributions.

Upon full reimbursement to each Original Member of their Prior Contributions and Original Member Contributions, the twenty percent (20%) portion of tax increment otherwise allocated for reimbursement shall be split such that fifty percent (50%) thereof shall be allocated for use in each Members territory with the remaining fifty percent (50%) to be allocated solely for use on GAFB.

With respect to the portion of the Project Area that lies within the boundaries of Adelanto, the Parties agree that (i) fifty per cent (50%) of the Net Revenues attributable to such area shall be allocated for use solely on GAFB, (ii) twenty-five percent (25%) of such Net Revenues shall be allocated for use in Adelanto's territory, and (iii) twenty-five percent (25%) shall be allocated

to reimburse the Authority for the administrative and start-up expenses and costs associated with the establishment of the Authority and the original Project Area as shown on Exhibit "B" attached hereto and incorporated herein by this reference until such time as said amount is paid in full, at which time said twenty-five percent (25%) portion shall thereafter be allocated for use by Adelanto in its portion of the Project Area.

Said reimbursement obligations of the Authority may, by a unanimous vote of all Commissioners, be subordinated to any bond financing or similar indebtedness as agreed to by the Authority.

The Parties further agree that there shall be no amendment of the Redevelopment Plan which would alter the allocation of tax increment revenues as provided in this Section 34 without the prior formal approval of each Member of the Authority.

G. ACCOUNTING AND AUDITS

35. Fiscal Year. The fiscal year of the Authority shall be from July 1, to and including June 30, following.

36. Accounting Procedures. Full books and accounts shall be maintained for the Authority in accordance with generally

accepted accounting practices established by or consistent with those utilized by the Controller designated by the Authority. In particular, the Controller and Treasurer of the Authority shall comply strictly with the requirements of the statutes governing joint powers agencies, Chapter 5, Division 7, Title 1, of the Government Code, commencing with Section 6500.

37. Audit. The records and accounts of the Authority shall be audited annually by an independent certified public accountant and copies of such audit report shall be filed with the County Auditor, State Controller, and each Member of the Authority no later than fifteen (15) days after receipt of said audit by the Commission.

H. FINANCING

38. Financing. The Authority shall have the power and authority to issue bonds and/or notes or similar forms of indebtedness in accordance with the procedures and requirements specified as follows:

(a) Article 2, Chapter 5, Title 1, Division 7, of the Government Code commencing with Section 6540;

(b) Chapter 6, Title 5, Division 2, of the Government Code commencing with Section 54300;

(c) Health and Safety Code Section 33640;

(d) Any other provision of law, now in existence or hereafter enacted, applicable to the Authority.

The foregoing bonds may be issued for any purpose specified in paragraph 3 herein.

The Authority shall also have the power to utilize any other financing mechanism which is legally authorized for any Members of the Authority, or for a redevelopment agency.

In connection with the issuance of any bonds or similar forms of indebtedness which are to be secured by a pledge of lease revenues or sales tax revenues attributable solely to activities on or at GAFB, any such issuance may be undertaken and authorized solely by Victorville or the Southern California Logistics Airport Authority without the consent of the other Members; provided, however, that the proceeds of any such debt issuance shall be used

to cause the development and redevelopment of GAFB and shall not be used for activities outside of the boundaries of GAFB.

In connection with the issuance of any bonds or similar forms of indebtedness to be issued by the Authority which are to be secured by a pledge of Participating Jurisdictions Tax Increment Revenues, the Members agree that the Authority shall only issue such bonds or indebtedness to the extent the Authority receives the consent of all Members and the pledge by all Members of that portion of each Participating Member's Tax Increment Revenues which would otherwise be allocated for use by such Member in its own territory pursuant to Section 34 hereof.

Notwithstanding the foregoing, each of the Members or their respective Redevelopment Agencies may, individually or jointly with other Members or their respective Redevelopment Agencies, undertake the issuance of tax increment bonds or similar forms of indebtedness secured by tax increment revenues by pledging that portion of the Participating Members' Tax Increment Revenues which is attributable to such Participating Member's jurisdiction and which would otherwise be allocated for use by such Member(s) pursuant to Section 34 hereof and which is not otherwise earmarked for use in connection with the development and redevelopment of

GAFB. Any such issuance shall not require the official authorization of the Authority.

The Members further agree that Victorville, the Victorville Redevelopment Agency or the Southern California Logistics Airport Authority may pledge that portion of Participating Member's Tax Increment Revenues which, pursuant to Section 34 of this Agreement, is to be allocated to GAFB, along with any GAFB Tax Increment Revenues, to secure the issuance of tax increment bonds or similar indebtedness, provided, however, that the proceeds of any such debt issuance shall only be used for the purposes of causing the redevelopment and development of GAFB. Any such issuance by Victorville, the Victorville Redevelopment Agency or the Southern California Logistics Airport Authority shall not require the official authorization of the Authority.

39. Fiscal Review. The Authority in accordance with Health and Safety Code Section 33492.40 previously caused the formation of a fiscal advisory committee (the "Fiscal Advisory Committee") for the purpose of advising the Authority of the fiscal impacts suffered, or to be suffered, by any taxing agencies with territory located within the Project Area which fiscal impacts are caused by, or attributable to, the adoption of the Redevelopment Plan, or an amendment thereto. Each Member shall, during any

amendment process if necessary, commit the services of its fiscal officer or treasurer to participate on the Fiscal Advisory Committee, if deemed necessary, for the purposes set forth herein. Said Fiscal Advisory Committee shall meet as and to the extent required by the applicable provisions of the California Community Redevelopment Law.

40. Technical Advisory Committee. Each of the Members shall commit the services of its city manager, chief executive officer, redevelopment director, assistant director, or such other person as it may designate to serve on a technical advisory committee (the "Technical Advisory Committee") to be formed by the Authority. The Technical Advisory Committee shall meet regularly with the staffs of each of the Members to informally discuss issues and concerns regarding the redevelopment plan implementation process and redevelopment plan amendment process, if applicable and other matters of concern to the Authority.

I. PROPERTY RIGHTS AND LIABILITIES

41. Property Rights. Except as provided herein, the assets acquired by the Authority during the course of its operations under the terms of this Agreement shall be the assets of the Authority alone, and not of the Members of the Authority. The

Authority may return all or any part of its assets not needed for its budgeted purposes to the Members of the Authority in proportion to the Members contribution to the Authority Budget as set forth in Section 32 of this Agreement.

42. Liabilities. Notwithstanding any provisions of this Agreement to the contrary, the debts, liabilities, and obligations of the Authority shall be the debts, liabilities, and obligations of the Authority alone, and not of any or all of the parties to this Agreement. No liability that may arise as a result of the Authority's control, operation and/or ownership of GAFB shall extend to any Member of the Authority. This section shall not be construed or interpreted to diminish in any manner or to any extent the indemnification given by Victorville to the other Original Members of the Authority in Section 8 of this Agreement.

J. RESCISSION OR TERMINATION

43. Term. The Authority shall continue in perpetuity unless this Agreement is rescinded, terminated, or amended as herein provided.

44. Rescission or Termination. This Agreement may be rescinded and the Authority terminated by written consent of all of

the Members of the Authority evidenced by a certified copy of a resolution of their governing bodies; provided, however, that no such termination shall relieve the Authority from any financial obligations theretofore incurred by it while operating under this Agreement, and provided further that no termination may occur while any bonds or other evidence of indebtedness remains outstanding.

K. MISCELLANEOUS

45. Redevelopment Project Priorities. With respect to the GAFB Parcels, Victorville shall determine the priority as to which projects should be undertaken on the GAFB Parcels provided that such projects will be consistent with the provisions of the Redevelopment Plan and the intent of this Agreement. With respect to the remainder of the Project Area, each Member shall determine the priority as to which projects shall be undertaken first within their respective portions of the Project Area provided, however, that such determination shall be guided by the criteria to undertake projects that result in job creation and blight elimination and provided further that to the extent a project is to be funded solely with funds attributable from a Member's portion of the Project Area that Member may independently undertake such project so long as it is consistent with the intent of the Redevelopment Plan.

The implementation of any project shall be subject to ordinary and customary development conditions and criteria, exactions and imposition of mitigation measures as may be determined in the sole discretion of the Member's planning commission, the city council or board of supervisors, as appropriate, and any other advisory boards or commissions of the Member within whose territorial jurisdiction such project is proposed to be located.

The Redevelopment Plan contains provisions to the effect that at such time or times as the general plan land use designations may be changed by the legislative body of a Member, the Redevelopment Plan shall be deemed to be automatically modified so that the Redevelopment Plan will at all times be in conformity with the local land use designations of each Member. It is the intent of this Agreement that local rules shall prevail over the Redevelopment Plan with respect to the development of projects provided; however, that with respect to property within GAFB, the Redevelopment Plan shall prevail over local rules in the event of any conflict with such local rules. No Authority project shall be undertaken unless it conforms to existing local zoning and General Plan provisions.

46. Validation Action. The Authority may authorize the filing of a validation action as permitted by Health and Safety Code Section 33500, et seq., for the purpose of determining the legality and validity of all proceedings taken for or in any way connected with the establishment of the Authority and its authority to transact business and to exercise its powers.

47. Notices. All notices, statements, demands, requests, consents, approvals, authorizations, agreements, appointments or designations hereunder shall be given in writing and addressed to the principal office of each Member of the Authority.

48. Validity. If any one or more of the terms, provisions, promises, covenants or conditions of this Agreement shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the Members shall negotiate in good faith to enact provisions which, as far as practicable, achieve the purposes of the invalid provision, and each and all of the remaining terms, provisions, promises, covenants, and conditions of this Agreement shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

49. Amendment. This Agreement shall contain all of the terms and conditions made between the parties hereto and shall not be amended except by an agreement in writing signed by all parties.

50. Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors of the parties hereto.

51. Assignment. The parties hereto shall not assign any rights or obligations under this Agreement without the written consent of all other parties. Notwithstanding the foregoing, the Members hereby assign their respective rights to receive, expend and encumber Participating Jurisdiction Tax Increment Revenues and GAFB Tax Increment Revenues under this Agreement, to their respective redevelopment agencies which have been formed in accordance with the California Community Redevelopment Law. Each Member's redevelopment agency hereby accepts such assignment through its execution of this Agreement.

52. Additional Documents. The parties hereto agree upon request to execute, acknowledge and deliver all additional papers and documents necessary or desirable to carry out the intent of this Agreement.

53. Law Governing. This Agreement is made in the State of California under the Constitution and Laws of such State and is to be so construed.

54. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year hereinafter indicated.

THE TOWN OF APPLE VALLEY, CALIFORNIA

By _____
Mayor

(SEAL)

DATED: June 21, 2000 By _____
Town Clerk

THE CITY OF HESPERIA, CALIFORNIA

By _____
Mayor

(SEAL)

DATED: June 15, 2000 By _____
(Deputy) City Clerk

THE CITY OF VICTORVILLE, CALIFORNIA

By _____
Mayor

(SEAL)

DATED: _____ By _____
City Clerk

COUNTY OF SAN BERNARDINO, CALIFORNIA

(SEAL)

DATED: MAY 2 3 2000 By _____
Chairman of the Board of Supervisors

ATTEST:

Clerk of the Board of Supervisors

_____
Deputy

CITY OF ADELANTO

By _____
Mayor

By _____
City Clerk

Acceptance of Assignment Pursuant To
Section 51 Hereof

Each of the undersigned Redevelopment Agencies hereby accepts the assignment as set forth in Section 51 of this Agreement.

REDEVELOPMENT AGENCY OF THE TOWN OF
APPLE VALLEY, CALIFORNIA

By _____
Chairman

(SEAL)

DATED: June 21, 2000 By _____
Secretary

REDEVELOPMENT AGENCY OF THE CITY OF
HESPERIA, CALIFORNIA

Hesperia Community Redevelopment Agency
Established November 17 1988

By _____
Chairman

(SEAL)

DATED: June 15 2000 By _____
Secretary

VICTORVILLE REDEVELOPMENT AGENCY,
CALIFORNIA

By _____
Chairman

(SEAL)

By _____
Secretary

DATED: _____

REDEVELOPMENT AGENCY OF THE CITY OF ADELANTO, CALIFORNIA

By _____
Chairman

By _____
Secretary

REDEVELOPMENT AGENCY OF THE COUNTY OF SAN BERNARDINO, CALIFORNIA

By _____
Chairman

By _____
Secretary

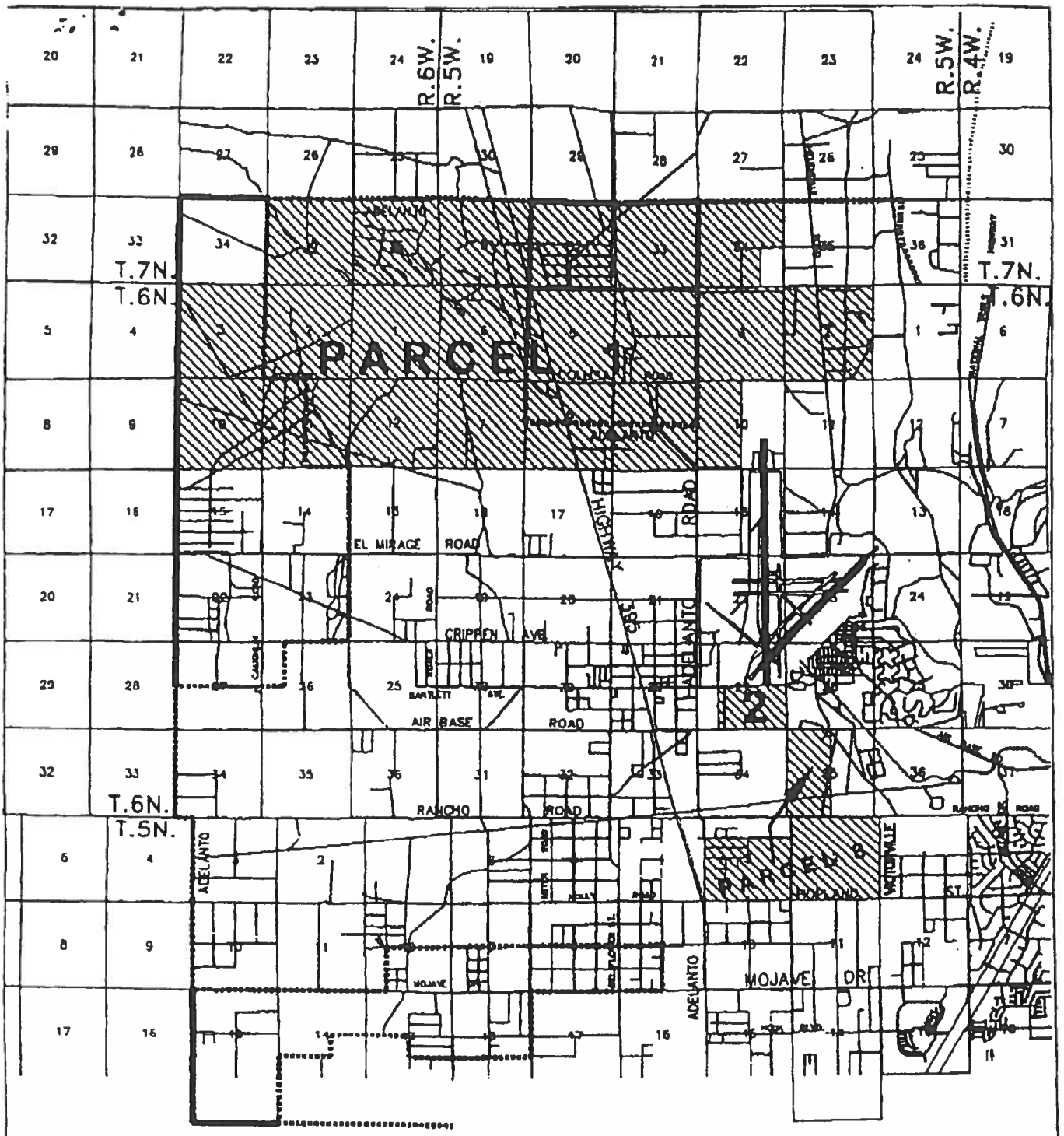
VVDA/0001/DOC/415.3
5/5/00 1240 ew

Summary of Cash Contributions

Amount reported by VVEDA member agencies

Period	Apple Valley	Hesperia	Victorville		SB County	Total By Year
Pre 9/11/89					39,903.00	$39,903.00
09/11/89 - 6/30/90	0.00	50,000.00	50,000.00		6,212.25	$106,212.25
FY ended 6/30/91	103,543.00	80,314.00	80,313.93		(29,864.48)	$234,306.45
FY ended 6/30/92	134,695.00	122,224.00	107,924.00		563,005.26	$927,848.26
FY ended 6/30/93	191,771.00	296,345.00	501,998.69		(42,803.34)	$947,311.35
FY ended 6/30/94	362,964.00	239,979.00	239,978.00	*	217,065.41	$1,059,986.41
FY ended 6/30/95	0.00	0.00	1,962,164.59	**	112,633.19	$2,074,797.78
FY ended 6/30/96	0.00	0.00	158,066.00	*	0.00	$158,066.00
Total By Agency	$792,973.00	$788,862.00	$3,100,445.21		$866,151.29	$5,548,431.50

* Litigation expenditures paid by Victorville.
** This figure has been adjusted to remove SBCO. vs Adelanto RDA costs. The suit was subsized by Victorville in the amount of $1,174,000 of which $971,405.41 was previously included in the $3,091,636 total.



- Victorville City Limit
- Victorville Sphere Limit
- Adelanto City Limit
- Adelanto Sphere Limit
- Apple Valley City Limit
- Apple Valley Sphere Limit
- Hesperia City Limit
- Hesperia Sphere Limit

NORTH
N. T. S.

LEGEND

- Proposed 4th Admendment to VVEDA Plan
- 8-Mile Buffer Boundary From GAFB

VICTOR VALLEY ECONOMIC DEVELOPMENT AUTHORITY

GEORGE AIR FORCE BASE REUSE PROJECT

UPDATED BY: CITY OF VICTORVILLE ENGINEERING DEPARTMENT 6-30-00

EXHIBIT "A-1"

US Air Force Public Benefit Transfer (PBT)

PLEASE COMPLETE THIS INFORMATION

RECORDING REQUESTED BY:

AND WHEN RECORDED MAIL TO:

Victor Valley Economic Development Authority
13246 Eagle St.
Victorville, Ca. 92394

San Bernardino, Errol J. Mackzum, Recorder

No Fee

Doc No. 19950237779
1:10pm 07/12/95

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NON ST	LN	SVY	CIT-CO	TRANS TAX		NO FEE	CHRG	EXAM

SPACE ABOVE FOR RECORDER'S USE ONLY

Lease

Title of Document

THIS AREA FOR RECORDER'S USE ONLY

THIS PAGE ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING INFORMATION
($3.00 Additional Recording Fee Applies)

Rev. 11/94)dwr

(s:\rec\forms\p\suppl.pg)

Lease No. GEO-94-0001

DEPARTMENT OF THE AIR FORCE

LEASE FOR AIRFIELD PROPERTY

ON GEORGE AIR FORCE BASE, CALIFORNIA

RECEIVED JUN 3 1994 VVEDA

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DEPARTMENT OF THE AIR FORCE

LEASE FOR AIRFIELD PROPERTY

ON GEORGE AIR FORCE BASE, CALIFORNIA

THIS LEASE ("Lease") is made between the Secretary of the Air Force, on behalf of the United States of America ("Government" or "Air Force"), and the Victor Valley Economic Development Authority ("VVEDA" or "Lessee"), a joint powers authority established under California Government Code § 6500 et seq., with a place of business at Building 388, Eagle Street, George Air Force Base, California, 92394. The Government and the Lessee may be referred to jointly as the "Parties," and each separately may be referred to as a "Party."

RECITALS

A. VVEDA desires to establish a civil airport facility on a portion of land and facilities located at George Air Force Base ("George AFB" or "Base"), California, and has applied to the Air Force for a public benefit transfer of such lands with improvements thereon, together with certain personal property, under Section 13(g) of the Surplus Property Act of 1944 ("SPA"), as amended (50 U.S.C. app. § 1622(g)).

B. The Administrator of the Federal Aviation Administration ("FAA") has determined, in accordance with Section 13(g)(1) of the SPA (50 U.S.C. app. § 1622(g)(1)), that the property identified in the VVEDA Application for Airport Public Benefit Transfer ("Application") is essential, suitable, or desirable for a public airport and has reviewed and supports the VVEDA Application.

C. The Air Force has determined that the property identified in the VVEDA Application is excess. The Air Force has screened the property with Federal agencies and eligible public bodies and has declared the Leased Premises surplus to the Federal Government. Pursuant to its authority under the Defense Authorization Amendments and Base Closure and Realignment Act. P.L. 100-526 ("BCRA"), the Air Force has decided to dispose of a portion of the real property and certain personal property located at George AFB to VVEDA, and has accepted the VVEDA Application.

D. Upon its compliance with the requirements of Section 120 of the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") of 1980, as amended (42 U.S.C. § 9620), the Government intends to make final disposition of the property identified in the VVEDA Application, dated April __, 1994, subject to certain reservations, restrictions, conditions and exceptions, by quitclaim deed to VVEDA for the purpose of developing a civil airport facility.

E. Pending such final disposition by deed of the property identified in the VVEDA Application, VVEDA desires to enter into an agreement for immediate possession of such property to use, operate and maintain it, subject to and in accordance with all of the terms and conditions set out in its Application and this Lease.

F. The Secretary of the Air Force has determined, in accordance with the authority contained in 10 U.S.C. § 2667, that immediate possession of the property hereby leased would facilitate State and local economic readjustment efforts and leasing such property pending its final disposition will be advantageous to the United States and in the public interest.

G. The Secretary of the Air Force is entering into this Lease under the authority contained in 10 U.S.C. § 2667, and the general authority contained in 50 U.S.C. app. § 1622(g), to transfer a portion of the lands located at George AFB to establish a civil airport.

H. VVEDA is entering into this Lease under the authority of California Government Code § 6500 et seq., the provisions contained in the joint exercise of powers agreement creating VVEDA and Government Code § 25351.

I. Prior to the implementation of this Lease, VVEDA will complete an environmental analysis in accordance with the California Environmental Quality Act ("CEQA"). VVEDA shall diligently complete all steps necessary to comply with CEQA. VVEDA anticipates that such actions will be completed by September 1, 1994. VVEDA may elect to terminate its obligations under this Lease if the environmental analysis reflects unacceptable adverse environmental effects. If VVEDA has not satisfied CEQA requirements necessary to implement this Lease within one (1) year of lease execution, this Lease will automatically terminate unless it is otherwise extended by prior written agreement of the Parties.

LEASED PREMISES

NOW, THEREFORE, the Secretary of the Air Force, by virtue of the authority conferred by law, for the consideration set out below, hereby leases to VVEDA the premises and property consisting of certain lands with improvements thereon, together with certain personal property, located at George AFB, and more particularly described in Exhibit A and shown on Exhibit B hereto (collectively, "Airport" or "Leased Premises") for use pending its final disposition pursuant to the BCRA. A full metes and bounds survey of the property is to be provided by the Lessee within thirty (30) days of occupation of the Leased Premises.

Certain Government-owned personal property is included in the Leased Premises and identified in Exhibit A. That personal property is considered attached to and included in the leasehold established herein. That personal property may only be used by the Lessee in connection with Lessee's use of the Leased Premises. That leased personal property may not be sold, transferred, donated or otherwise disposed of by the Lessee, nor may it be removed from the Leased Premises for use by the Lessee elsewhere, without the prior written consent of the Air Force. An inspection and report of the condition of personal property shall be added to the inspection and Physical Condition Report ("PCR") mandated in Condition 3.2.a. Upon termination of this Lease pursuant to Condition 7, that leased personal property shall be returned to the Government in the condition it had at the inception of the Lease, fair wear and tear excepted.

THIS LEASE is granted subject to the following conditions:

CONDITION 1

TERM

1.1. This Lease shall be for a term of years, beginning upon the execution of this Lease by the Parties ("Term Beginning Date") and ending upon the conveyance and delivery of the deed (or deeds) for the Leased Premises to VVEDA or at midnight (12:00 p.m.) on the day which is twenty-five (25) years from the Term Beginning Date, whichever first occurs, unless sooner terminated in accordance with the provisions of this Lease. VVEDA shall have the right to extend this Lease for a like term as to any part of the Leased Premises for which a deed has not been executed by the expiration date of the primary term of this Lease.

CONDITION 2

EASEMENTS AND RIGHTS-OF-WAY

2.1. This Lease is subject to all outstanding easements and rights-of-way for any purpose with respect to the Leased Premises. (See Exhibit A.) The holders of such easements and rights-of-way ("outgrants") shall have reasonable rights of ingress and egress over the Leased Premises, consistent with Lessee's right to quiet enjoyment of them under this Lease, in order to carry out the purpose of the outgrant. These rights may also be exercised by workers engaged in the construction, installation, maintenance, operation, repair or replacement of facilities located on the outgrants and by any Federal, State or local official engaged in the official inspection thereof.

2.2. The United States and any successor or successors in interest in or to any property owned or controlled by the Government and not included in the Leased Premises shall have the right of access to and from such property or any portion thereof to the nearest public road or public way along the Airport roadways open to public use and the use of the roadways described in Exhibit A. in common with other users of the leased premises and all necessary and convenient rights of access to such roadways from contiguous parcels upon such reasonable terms and conditions as the Lessee may impose.

CONDITION 3

CONDITION OF LEASED PREMISES

3.1. The Lessee has inspected, knows and accepts the condition and state of repair of the Leased Premises. It is understood and agreed that they are leased in an "as is, where is" condition without any representation or warranty by the Government concerning their condition and without obligation on the part of the Government to make any alterations, repairs or additions. The Government shall not be liable for any latent or patent defects in the Leased Premises. The Lessee acknowledges that the Government has made no representation or warranty concerning the condition and state of repair of the Leased Premises nor any agreement or promise to alter, improve, adapt, or repair them which has not been fully set forth in this Lease.

3.2. Prior to the Term Beginning Date the following reports will be prepared by the Government and attached as exhibits and made a part of this Lease:

a. A Physical Condition Report ("PCR") of the Leased Premises signed by representatives of the Government and the Lessee, an inspection and report of the condition of personal property, and a videotaped report of the Leased Premises will be attached as Exhibit C. The written and videotaped reports document the condition of the Leased Premises with respect to physical appearance and condition on the Term Beginning Date as determined from the joint inspection of the Leased Premises by the Parties.

b. An Environmental Condition Report ("ECR") signed by representatives of the Government and the Lessee will be attached as Exhibit D. The report sets forth the agreed

condition of the Leased Premises with respect to environmental matters on the Term Beginning Date as determined from the joint environmental inspection.

CONDITION 4

RENTAL

4.1. The Lessee shall pay to the United States nominal cash rent in the amount of ONE DOLLAR ($1.00), the receipt of which is hereby acknowledged, for the term of this Lease.

4.2. The Lessee shall pay to the Government on demand any sum which may have to be expended after the termination of this Lease in restoring the Leased Premises to the condition required by Condition 9. Compensation in such case shall be made payable to the Treasurer of the United States and forwarded by the Lessee directly to:

AFDW/FMAO
6001 Air Force Pentagon, Room 5E1016
Washington, DC 20330-6001

A copy of the payment instrument or letter of transmittal for the payment instrument will be provided to the Site Manager ("SM").

4.3. The Lessee also shall provide protection and maintenance and assume sole operating responsibility for the Leased Premises in accordance with the provisions of this Lease, subject to Condition 4.4 below.

4.4. The Parties specifically understand and agree that:

a. Except as otherwise provided in this Lease, the Government will not provide any services, functions, protection or maintenance to any portions of or any buildings, facilities or other improvements on the Leased Premises that are occupied or used by VVEDA or its sublessees, licensees or assignees under or pursuant to this Lease or any prior lease entered into between the Parties.

b. The Government shall have the exclusive right to continue using, at no rental cost to the Government, those facilities identified in Exhibit E (Phasing of Responsibility for Functions and Services). The Government will continue to maintain and will retain responsibility for the listed facilities until they are turned over to the Lessee as indicated in Exhibit E.

c. The Air Force and the Lessee shall have joint use of the fire station, Building 724. The Lessee shall take responsibility for crash, fire and rescue activities, including fire prevention and response, associated with its airfield operations as well as responsibility for structural fires on the Leased Premises for those facilities on the Leased Premises. The Air Force will retain fire responsibility for the remainder of the base property. The Lessee will be responsible for and pay an equal share of the fire station building maintenance and utility expenses. The Lessee will be solely responsible for and pay all of Lessee's operational and equipment maintenance costs. The Air Force will retain its control of the fire station until such time as it has disposed of all remaining Air Force property or otherwise arranged for the protection of remaining Air Force property.

CONDITION 5

OTHER AGREEMENTS

5.1. The Lessee has submitted to the Government an Application for Airport Public Benefit Transfer ("Application"). The FAA has reviewed and supports the Application and the Air Force executed acceptance of the Application ("Acceptance"). The Application and Acceptance are both attached hereto as Exhibit F and incorporated in this Lease by reference.

a. In the event of any inconsistency between the provisions of the Application and Acceptance and any provisions of this Lease, the provisions of the Application will control.

b. The Operating Agreement attached hereto as Exhibit H is incorporated into this Lease by reference. The Operating Agreement may be modified in writing from time to time, by mutual agreement of the Parties to this Lease. The SM, AFBCA OL-S, is delegated authority to enter into, amend, or modify the Operating Agreement on behalf of the Air Force. In the event of amendment or modification, the modified form of the Operating Agreement will be deemed to be incorporated into this Lease in lieu of the current version. In the event of any inconsistency between the provisions of this Lease and of the Operating Agreement, as it presently exists or as may be amended in the future, the provisions of this Lease will control.

CONDITION 6

USE OF LEASED PREMISES

6.1. The Leased Premises shall be used only for public airport purposes, for the use and benefit of the public, subject to and in accordance with all of the terms and conditions set out in the Application and Acceptance identified in Condition 5 above of this Lease. The term "airport purposes" as used in this Condition 6.1 shall have the same meaning as that ascribed to such term under 14 C.F.R. § 154.1(d) and shall include the use of property to produce sources of revenue from nonaviation business at the Airport and all uses in connection with airport purposes contemplated within the scope of the Final Environmental Impact Statement, Disposal and Reuse of George AFB, California (March 1992) ("FEIS"), the Record of Decision dated January 14, 1993, and Supplemental Record of Decision dated September 1993 (including attachments thereto) ("ROD").

6.2. The Lessee acknowledges that it has read the FEIS and the ROD and understands that the operations described in the FEIS and ROD are the only ones that have been assessed in compliance with the National Environmental Policy Act of 1969 ("NEPA") and, subject to the provisions of Condition 6.1, are the only ones that constitute permitted uses under this Lease. The Lessee agrees that, during the term of this Lease, any operation, type and quantity of chemicals used or emissions caused by employees, vehicle trips,aircraft activity, or any other parameters contained in the FEIS and ROD (collectively, "FEIS/ROD parameters") which might have environmental impact or are regulated by Federal or State environmental laws shall not be exceeded without the prior written consent of the Government and such other approvals as required by law. The FEIS and ROD are on file at George AFB. The SM will make copies available, on request.

6.3. The Lessee acknowledges that environmental conditions on portions of the Leased Premises require that certain restrictions be imposed on the use of such portions and agrees that the use of the Leased Premises is subject to the restrictions contained in Conditions 10, 17, and 26 below.

CONDITION 7

DEFAULT AND TERMINATION

7.1. With the exception of the provisions in Condition 23.2.n, the Lessee shall be in default if there is a failure by the Lessee to comply with any provision of this Lease, as to all or any portion of the Leased Premises, where such failure to comply continues for thirty (30) days after delivery of written notice thereof by the Government to the Lessee specifying with sufficient detail those facts and circumstances giving rise to the assertion by the Government that a default and breach of this Lease has occurred. However, if the time required to return to compliance exceeds the thirty (30) day period, the Lessee shall not be deemed to be in default if the Lessee, within such thirty (30) day period, shall commence the actions necessary to bring it into compliance with this Lease by the submittal of a compliance schedule reasonably acceptable to the Government and by diligently pursuing such actions to completion in accordance with such compliance schedule.

7.2. This Lease may be terminated, as to all or any portion of the Leased Premises, by the Deputy Assistant Secretary of the Air Force for Installations at any time, after the expiration of the cure period provided for in Condition 7.1, upon written notice of termination delivered by the Government to the Lessee in the event any such default and breach of this Lease by the Lessee has not been cured within the applicable period of time or cure has not commenced as set forth above. Such written notice of termination shall be effective as of a day to be specified

therein which shall be at least thirty (30) days after receipt by the Lessee if all breaches have not been cured to the satisfaction of the Government prior to the effective date of such termination.

7.3. No default or breach shall be deemed to have occurred for any period of time during which the Parties are attempting to resolve a dispute, pursuant to the procedures provided for in Condition 19, in relation to the actions or inactions which are the subject of the alleged default or breach. If pursuant to dispute resolution, the default or breach is determined to have occurred, the Lessee's period for cure shall not begin until the day after the final decision on the dispute is issued.

CONDITION 8

TAXES

8.1. The Lessee shall pay to the proper authority, when and as the same become due and payable, all taxes, assessments, and similar charges which, at any time during the term of this Lease may be imposed upon the Lessee and any sublessee with respect to all or any portion of the Leased Premises. Title 10 U.S.C. § 2667(e) contains the consent of Congress to the taxation of the Lessee's and sublessee's interest in the Leased Premises, whether or not the Leased Premises are in an area of exclusive Federal jurisdiction. Should Congress consent to taxation of the Government's interest in the property, this Lease will be renegotiated to place responsibility on the Lessee for the payment of such taxes.

8.2. The Lessee, or if applicable, any sublessee, shall have the right at any time delinquency occurs to contest or object to the amount or validity of any such tax, assessment and similar charges by appropriate legal proceedings. This right shall not be deemed or construed in any way as relieving, modifying or extending Lessee's or any sublessee's agreement to pay any

such tax, assessment and similar charges unless Lessee or any sublessee shall have obtained a stay of such proceedings. The Government shall not be required to join in or assist the Lessee or any sublessee in any such proceedings.

CONDITION 9

SURRENDER OF LEASED PREMISES

9.1. The Lessee shall vacate and surrender the Leased Premises to the Government upon termination of this Lease pursuant to Condition 7 above. In the event the Lessee is obligated to vacate and surrender the Leased Premises in accordance with the preceding sentence, the Lessee shall, if required by the Government, vacate the Leased Premises, remove its property from the Leased Premises and restore the land, improvements, facilities, and equipment included herein, to as good condition on such date of termination as when received ordinary wear and tear excepted, subject to Conditions 15 and 17. If the Lessee shall fail or neglect to remove its property and to restore the land, improvements, facilities and equipment included herein, then, at the option of the Government, said property shall either become the property of the United States without compensation therefor, or the Government may cause it to be removed and the Leased Premises to be restored, subject to the exceptions set forth above, at the expense of the Lessee, and no claim for damages against the United States or its officers, employee, or agents shall be created by or made on account of such removal and restoration.

CONDITION 10

ENVIRONMENTAL PROTECTION

10.1. The Lessee and any sublessee or licensee shall at all times promptly observe and comply, at its sole cost and expense, with all applicable Federal, State, interstate, and local environmental laws and regulations, and all other Federal, State, interstate, and local laws, regulations, and standards that may become applicable to Lessee's activities on the Leased Premises.

10.2. The Lessee and any sublessee or licensee shall be solely responsible for obtaining at its cost and expense any environmental permits required for its operations under this Lease, independent of any existing George AFB permits.

10.3. The Lessee and any sublessee or licensee shall, to the extent permitted under State law, save, indemnify and hold harmless the Government from any damage, costs, expenses, liabilities, fines, or penalties resulting from discharges, emissions, spills, storage, disposal, or any other acts or omissions by the Lessee, its officers, agents, employees, contractors or sublessees, or the invitees of any of them, giving rise to Government liability, civil or criminal, or responsibility under Federal, State, interstate, or local environmental law. This Condition 10.3 shall survive the expiration or termination of this Lease, and the Lessee's and any sublessee's or licensee's obligations hereunder shall apply whenever the Government incurs costs or liabilities for the Lessee's or any sublessee's or licensee's actions giving rise to liability under this Condition 10.3.

10.4. The Government's rights under this Lease specifically include the right for Government officials to inspect upon reasonable notice the Leased Premises for compliance with

environmental, safety, and occupational health laws and regulations, whether or not the Government is responsible for enforcing them. Such inspections are without prejudice to the right of duly constituted enforcement officials to make such inspections. The Government normally will give the Lessee or sublessee twenty-four (24) hours prior notice of its intention to enter the Leased Premises unless it determines the entry is required for safety, environmental, operations, or security purposes. The Lessee shall have no claim on account of any entries against the United States or any officer, agent, employee, or contractor thereof.

10.5. Except as provided in Condition 10.6 below, the Government is not responsible for any removal or containment of asbestos. If the Lessee and any sublessee or licensee intends to make any improvements or repairs that require the removal of asbestos, an appropriate asbestos disposal plan must be incorporated in the plans and specifications and submitted to the SM. The asbestos disposal plan will identify the proposed disposal site for the asbestos, or in the event the site has not been identified, will provide for disposal at a licensed facility authorized to receive it.

10.6. The Government shall be responsible for the removal or containment of asbestos or asbestos containing material (collectively, "ACM") existing in the Leased Premises on the Term Beginning Date as identified in the ECR attached hereto as Exhibit D, when such ACM is damaged or deteriorated. The Government agrees to abate all such existing damaged or deteriorated ACM as provided in this Condition 10.6 and Condition 10.7 below. The Government may choose the most economical means of abating any damaged or deteriorated ACM, which may include removal or containment, or a combination of removal and containment. The foregoing Government obligation does not apply to ACM which is not damaged or deteriorated to the extent that it creates a potential source of airborne fibers at the time Lessee takes possession of the Leased Premises and which may become damaged or deteriorated by the Lessee's or sublessee's activities. ACM which later during the period of this

Lease becomes damaged or deteriorated through the passage of time, or as a consequence of the Lessee's or any sublessee's activities under this Lease, including but not limited to any emergency, will be abated by the Lessee at its sole cost and expense. Notwithstanding Condition 10.5 above, in an emergency, the Lessee will notify the Government as soon as practicable of its emergency ACM responses. The Lessee shall be responsible for monitoring the condition of existing ACM on the Leased Premises for deterioration or damage and accomplishing repairs pursuant to the applicable conditions of this Lease.

10.7. Notwithstanding any other provision of this Lease, the Lessee and its sublessees and licensees do not assume any liability or responsibility for environmental impacts and damage caused by the use by the Government, including any agency or agent thereof, of toxic substances, or hazardous waste, hazardous substances, or hazardous materials, or oil, or petroleum products, as such terms are defined by applicable law, on any portion of George AFB, prior to the Term Beginning Date. The Lessee and its sublessees and licensees have no obligation under this Lease to undertake the defense of any claim or action, whether in existence now or brought in the future, solely arising out of the use of or release from, any portion of George AFB, including any portion of or any building, facility or other improvement on the Leased Premises, of any toxic substances, or hazardous wastes, hazardous substances, or hazardous materials prior to the earlier of the first day of Lessee's occupancy or use of each such portion of such building, facility or other improvement on the Leased Premises under any instrument entered into between the Parties or the Term Beginning Date. Appendix C, Tables C-1 and C-2 of the Environmental Baseline Survey ("EBS") which is attached to Exhibit F, identifies the locations where hazardous substances were stored, released, or disposed of. "Occupancy" or "use" shall mean any activity or presence (including preparation and construction) in or upon such portion of, or such building, facility or other improvement on the Leased Premises. This Condition 10.7 shall survive the expiration or termination of this Lease and does not relieve the Lessee and its sublessees and

licensees of any obligation or liability they might have or acquire with regard to third parties or regulatory authorities by operation of law.

10.8. The Government acknowledges that George AFB has been identified as a National Priorities List site under the CERCLA. The Lessee acknowledges that the Government has provided it with a copy of the George AFB FFA entered into by Region IX of the Environmental Protection Agency ("EPA"), the State of California, and the Air Force on October 11, 1990, and will provide the Lessee with a copy of any amendments thereto. The Lessee agrees that should any conflict arise between the terms of FFA, as it presently exists or may be amended and the provisions of this Lease, the terms of the FFA will take precedence (see Condition 3.3). The Lessee further agrees that notwithstanding any other provision of this Lease, the Government assumes no liability to the Lessee or its sublessees or licensees should implementation of the FFA interfere with the Lessee's or any sublessee's or licensee's use of the Leased Premises. The Government agrees to minimize, to the extent possible, any disruption to the Lessee or its sublessees or licensees use of the Leased Premises and where practicable, will consult with the Lessee as to activities which may affect Lessee's operation. The Lessee however, shall have no claim on account of any such interference against the United States or any officer, agent, employee or contractor thereof.

10.9. The Air Force, the EPA and the California Environmental Protection Agency ("Cal/EPA") and their officers, agents, employees, contractors, and subcontractors have the right, upon reasonable notice to the Lessee and any sublessee or licensee, to enter upon the Leased Premises for the purposes enumerated in this subparagraph and for such other purposes consistent with any provision of the FFA:

a. To conduct investigations and surveys, including, where necessary, drilling, testpitting, testing soil borings and other activities related to the George AFB Installation Restoration Program ("George AFB IRP") or the FFA;

b. To inspect field activities of the Air Force and its contractors and subcontractors in implementing the George AFB IRP or the FFA;

c. To conduct any test or survey required by the EPA or Cal/EPA relating to the implementation of the FFA or environmental conditions at the Leased Premises or to verify any data submitted to the EPA or Cal/EPA by the Air Force relating to such conditions;

d. To construct, operate, maintain or undertake any other response or remedial action as required or necessary under the George AFB IRP or the FFA, including, but not limited to monitoring wells, pumping wells and treatment facilities.

10.10. The Lessee agrees to comply with the provisions of any health or safety plan in effect under the IRP or the FFA during the course of any of the above-described response or remedial actions. Any inspection, survey, investigation, or other response or remedial action will, to the extent practicable, be coordinated with representatives designated by the Lessee and any sublessee or licensee. The Lessee and any sublessees or licensees shall have no claim as a result of such entries against the United States or any officer, agent, employee, contractor, or subcontractor thereof.

10.11. The Lessee further agrees that in the event of any assignment, sublease or license of the Leased Premises, pursuant to Condition 21 of this Lease, it shall provide to the EPA and Cal/EPA by certified mail a copy of the agreement of assignment, sublease or license of the Leased Premises (as the case may be) within fourteen (14) days after the effective date of such

transaction. The Lessee may delete the financial terms and any other proprietary information from the copy of any agreement of assignment, sublease or license furnished pursuant to this Condition.

10.12. The Lessee shall strictly comply with the hazardous waste permit requirements under the Resource Conservation and Recovery Act ("RCRA"), and any applicable California equivalent. The Lessee must provide at its own expense such hazardous waste facilities, complying with all laws and regulations, as it may need for storage. Government hazardous waste storage facilities, whether formerly or presently in use, will not be available to the Lessee.

10.13. Government accumulation points for hazardous and other wastes will not be available to the Lessee. Neither will the Lessee or sublessee permit its hazardous wastes to be commingled with hazardous waste of the Air Force.

10.14. The Lessee shall have a completed and approved plan for responding to hazardous waste, fuel, and other chemical spills prior to commencement of operations on the Leased Premises. Such plan shall comply with all applicable requirements, will be representative of the activities to be conducted by the Lessee on the Leased Premises and shall be updated from time to time as operations increase or are altered or as may be required to comply with changes in site conditions or applicable requirements and shall be approved by all agencies having regulatory jurisdiction over such plan. Such plan shall be independent of any similar plan of the Air Force as may then be in effect for George AFB. The Lessee shall not rely on use of Base personnel or equipment in the execution of its plan. The Lessee shall file a copy of the approved plan and approved amendments thereto with the SM within fifteen (15) days of approval. Notwithstanding the foregoing, should the Government provide any personnel or equipment, whether for initial fire response and/or spill containment, on request of the Lessee, or because the Lessee was not, in the opinion of the SM, adequately addressing the emergency situation, the

Lessee agrees to reimburse the Government for its costs in accordance with all applicable laws and regulations.

10.15. The Lessee further agrees that it shall provide, or shall require its sublessee or licensee to provide, the Air Force, EPA and Cal/EPA with prior written notice accompanied by a detailed written description of all proposals for any alterations (as defined in Condition 17.1) which may impede or impair any activities under the FFA or are to be undertaken in certain areas of the Airport identified as "Areas of Special Notice" in Exhibit G-1 (Restrictions on Use of Leased Premises) hereto. These Areas of Special Notice consist of IRP sites. The notice and accompanying written description of proposals shall be provided to the Air Force, EPA and Cal/EPA sixty (60) days in advance of the commencement of any such alterations. In addition, alterations shall not commence until Lessee has complied with the provisions of Condition 17.3. The detailed written description of said proposals shall include a description of the effect such planned work may have with respect to site soil and groundwater conditions and the cleanup efforts contemplated under the FFA. Notwithstanding the preceding three sentences, the Lessee or its sublessees or licensees shall be under no obligation to provide advance written notice of any alterations that will be undertaken (i) totally within any structure located on the Leased Premises, or (ii) in portions of the Leased Premises that are in areas outside the Areas of Special Notice, provided that such work will not impede or impair any activities under the FFA. However, any work below the floor of any such structure within Areas of Special Notice that will involve excavation in and/or disturbance of concrete flooring, soil and/or groundwater or will impede or impair any activities under the FFA will be subject to the sixty (60) day notice requirement imposed by this Condition.

10.16. Notwithstanding any other provision of this Lease, the Lessee agrees it shall coordinate all alterations and any other work, if required pursuant to the notice requirement imposed by Condition 10.15, with the Air Force, EPA and Cal/EPA, in accordance with the FFA.

All alterations and other work shall be performed in a manner that does not impede or impair any activities under the FFA or exacerbate then existing conditions.

10.17. The Lessee agrees that the Government assumes no liability to the Lessee or its sublessees should hazardous waste cleanup requirements, whether imposed by law, regulatory agencies, the Air Force or the Department of Defense, interfere with the Lessee's use of the Leased Premises. The Lessee shall have no claim on account of any such interference against the United States or any officer, agent, employee or contractor thereof.

10.18. The Lessee and any sublessees must comply with all Federal, State, and local laws, regulations, and other requirements relating to occupational safety and health, the handling and storage of hazardous materials, and the proper generation, handling, accumulation, treatment, storage, disposal, and transportation of hazardous wastes. The Lessee or its sublessees will not accomplish any treatment, storage, or disposal of hazardous waste unless the Lessee is in possession of a valid permit issued to it under RCRA, as amended. The Lessee shall not treat, store, or dispose of any hazardous waste under, pursuant to, or in reliance upon any permit issued to the United States Air Force. The Lessee shall be liable for any violations of these requirements by its sublessees. The Lessee shall be liable for the cost of proper disposal of any hazardous waste generated by its sublessees in the event of failure by the sublessees to properly dispose of such wastes. Neither the Lessee nor any of its sublessees shall use or make use of any Air Force hazardous waste treatment or storage facilities, accumulation points, or other facilities relating to the proper generation, handling, disposal, and transportation of hazardous wastes.

10.19. The Lessee and any sublessees must maintain and make available to the Air Force all records, inspection logs, and manifests that track the generation, handling, storage, treatment and disposal of hazardous waste, as well as all other records required by applicable laws and requirements. The Air Force reserves the right to inspect the facility, Lessee, and sublessee

records for compliance with Federal, State, interstate, and local laws, regulations, and other requirements relating to the generation, handling, storage, treatment and disposal of hazardous waste, as well as to the discharge or release of hazardous substances. Violations will be reported by the Air Force to appropriate regulatory agencies, as required by applicable law. The Lessee and its sublessees will be liable for the payment of any fines and penalties which may accrue as a result of the actions of Lessee or its sublessees.

10.20. The Lessee shall comply with all requirements of the Federal Water Pollution Control Act, the National Pollutant Discharge Elimination System ("NPDES"), and any applicable State or local requirements. If the Lessee discharges waste water to a publicly owned treatment works, the Lessee or its sublessees must submit an application for its discharge (pretreatment permit application) to the City of Victorville, prior to commencing such discharges. The Lessee or sublessees will be responsible for meeting all applicable waste water discharge permit standards. The Lessee will not discharge waste water under the authority of any NPDES Permit, Pretreatment Permit or any other such Permit issued to the Base. The Lessee or its sublessees shall make no use of any septic tank installed on Base; further, the Lessee or its sublessees shall not install any septic tank without the express written permission of the Air Force.

10.21. George AFB air emissions offsets will not be made available to the Lessee. The Lessee shall be responsible for obtaining all permits and any air pollution credits which may be required to offset emissions resulting from its activities under this Lease.

10.22. The Lessee shall not conduct or permit its sublessees to conduct any subsurface excavation, digging, drilling or other disturbance of the surface without the prior written approval of the Government.

10.23. The Lessee must notify the SM of Lessee's intent to possess, store, or use any licensed or licensable source or by-product materials, as those terms are defined under the Atomic Energy Act and its implementing regulations; of Lessee's intent to possess, use, or store radium; and of Lessee's intent to possess or use any equipment producing ionizing radiation and subject to specific licensing requirements or other individual regulation, at least sixty (60) days prior to the entry of such materials or equipment upon the Base. Upon notification, the SM may impose such requirements, including prohibition of possession, use, or storage, as deemed necessary to adequately protect health and the human environment. Thereafter, the Lessee must notify the SM of the presence of all licensed or licensable source or by-product materials, of the presence of all radium, and of the presence of all equipment producing ionizing radiation and subject to specific licensing requirements or other individual regulation; provided, however, that the Lessee need not make either of the above notifications to the SM with respect to source and by-product material which is exempt from regulation under the Atomic Energy Act. Lessee shall not, under any circumstances, use, own, possess or allow the presence of special nuclear material on the Leased Premises.

10.24. The Lessee acknowledges that lead-based paint may be present in and on facilities and equipment within the leased area. The Air Force may conduct surveys to determine the existence and extent of any possible lead-based paint. The Lessee will be notified if the Air Force determines there is lead-based paint in or on the leased facilities or equipment. Prior to beginning any alteration or modification, the Lessee or any sublessee must test any paint which would be disturbed unless a conclusive determination has been made that lead-based paint is not present. If the paint is lead-based, the Lessee or any sublessee is required to handle it in accordance with all applicable Federal, State, and local laws and regulations at its own expense. The Lessee is required to ensure that any lead-based paint is maintained in good condition.

CONDITION 11

MAINTENANCE OF LEASED PREMISES

11.1. The Lessee, at no expense to the Government, shall at all times protect, preserve, and maintain (or require its sublessees and licensees to maintain) the Leased Premises (or applicable subleased or licensed premises), including any improvements located thereon, in good order and condition, and exercise due diligence in protecting the Leased Premises against damage or destruction by fire and other causes, subject to the applicable provisions of Conditions 4, 10, 15 and 17. At a minimum, the Lessee agrees to maintain or to require its sublessees and licensees to maintain the Leased Premises to the extent required by the FAA conditions of transfer identified in Condition 23 below and the Application identified in Condition 5.1 above. The Lessee shall comply (and shall require its sublessees and licensees to comply) with the provisions of Condition 17 of this Lease in conducting any maintenance activities required to be performed hereunder.

CONDITION 12

DAMAGE TO NON-LEASED GOVERNMENT PROPERTY

12.1. Any real or personal property of the United States, not leased under this Lease, damaged or destroyed by the Lessee incident to the Lessee's use and occupation of the Leased Premises shall be promptly repaired or replaced by the Lessee to the satisfaction of the SM. In lieu of such repair or replacement the Lessee shall, if so required by the SM, pay to the United States money in an amount sufficient to compensate for the loss sustained by the Government by reason of damage or destruction of Government property.

CONDITION 13

ACCESS AND INSPECTION

13.1. Any agency of the United States, its officers, agents, employees, and contractors, may enter upon the Leased Premises, at all reasonable times for any official purposes not inconsistent with Lessee's quiet use and enjoyment and control of airport operations under this Lease, including but not limited to the purpose of inspection. The Government normally will give the Lessee or sublessee or licensee twenty-four (24) hours prior notice of its intention to enter the Leased Premises unless it determines the entry is required for safety, environmental, operations, or security purposes. The Lessee shall have no claim on account of any entries against the United States or any officer, agent, employee, or contractor thereof.

CONDITION 14

GENERAL INDEMNIFICATION BY LESSEE

14.1. The United States shall not be responsible for damages to property or injuries or death to persons which may arise from or be attributable or incident to the condition or state or repair of the Leased Premises, or the use and occupation thereof, or for damages to the property of the Lessee, or for damages to the property or injuries or death to the person of the Lessee's officers, agents, servants or employees, or others who may be on the Leased Premises at their invitation or the invitation of any one of them. This provision shall not apply to those facilities the Air Force has retained occupancy pursuant to Condition 4.4.b for the period those facilities are actually so retained by the Air Force.

14.2. The Lessee agrees to assume all risks of loss or damage to property and injury or death to persons by reason of or incident to the possession and/or use of the Leased Premises, or the activities conducted by the Lessee under this Lease. The Lessee expressly waives all claims against the Government for any such loss, damage, personal injury or death caused by or occurring as a consequence of such possession and/or use of the Leased Premises or the conduct of activities or the performance of responsibilities under this Lease. The Lessee further agrees, to the extent permitted under State law, to indemnify, save, hold harmless, and defend the Government, its officers, agents and employees, from and against all suits, claims, demands or actions, liabilities, judgments, costs and attorneys' fees arising out of, or in any manner predicated upon personal injury, death or property damage resulting from, related to, caused by or arising out of the possession and/or use of the Leased Premises or any activities conducted or services furnished in connection with or pursuant to this Lease. The agreements contained in the preceding sentence do not extend to claims for damages caused solely by the gross negligence or willful misconduct of officers, agents or employees of the United States, without contributory fault on the part of any person, firm or corporation. The Government will give the Lessee notice of any claim against it covered by this indemnity as soon after learning of it as practicable.

CONDITION 15

RISK OF LOSS AND INSURANCE

15.1. The Lessee shall in any event and without prejudice to any other rights of the Government bear all risk of loss or damage or destruction to the Leased Premises, including any building(s), improvements, fixtures or other property thereon, arising from any causes whatsoever.

15.2. The Lessee shall have the option to self-insure, in whole or in part, the risk of loss borne by Lessee under Condition 15.1 above. In addition, during the entire period this Lease shall be in effect, the Lessee shall require, subject to availability on reasonable terms and conditions, sublessees and licensees of substantial portions of this Leased Premises to carry and maintain at their expense the following:

a. Property insurance coverage against loss or damage by fire and lightning and against loss or damage or other risks embraced by coverage of the type now known as the broad form of extended coverage (including but not limited to riot and civil commotion, vandalism, and malicious mischief and earthquake) in an amount not less than 100 percent of the full replacement cost of the buildings, building improvements, improvements to the land, and personal property on the Leased Premises, but not to exceed the fair market value of the property. The policies of insurance carried in accordance with this Condition shall contain a "Replacement Cost Endorsement." Such full replacement cost shall be determined from time to time, upon the written request of the Government or the Lessee, but not more frequently than once in any twenty-four (24) consecutive calendar month period (except in the event of substantial changes or alterations to the Leased Premises undertaken by the Lessee or any sublessee or licensee as permitted under the provisions of the Lease).

b. Comprehensive general liability insurance, including but not limited to general operation and airport liability insurance endorsed for hangar-keeping and products and completed operations and, where applicable, hangar-keeping liability insurance, on an "occurrence basis" against claims for "personal injury," including without limitation, bodily injury, death or property damage, occurring upon, in or about the subleased premises including any buildings thereon and the ramp area and adjoining sidewalks, streets, and passageways, such insurance to afford immediate minimum protection at the time of the Term Beginning Date, and at all times during the term of this Lease, to commercially reasonable limits (and deductibles)

with respect to damage to property and with respect to personal injury or death to any one or more persons. Such insurance shall also include coverage against liability for bodily injury or property damage arising out of the acts or omissions by or on behalf of the sublessee or any other person or organization, or involving any owned, nonowned, leased or hired automotive equipment in connection with the sublessee's activities.

c. If and to the extent required by law, workers' compensation and employer's liability or similar insurance in form and amounts required by law.

15.3. During the entire period this Lease shall be in effect, the Lessee, or any sublessee or licensee shall carry and maintain the insurance required below at its expense, or require any contractor performing work on the Leased Premises to carry and maintain insurance at no expense to the Government:

a. The comprehensive general liability and property damage insurance provided for in subparagraph 15.2.a above shall be maintained for the limits specified thereunder and shall provide coverage for the mutual benefit of the Government and the Lessee as additional insureds in connection with any construction or work permitted pursuant to this Lease;

b. Fire and any other applicable insurance provided for in this Condition 15 which, if not covered under the provisions of existing policies, shall be covered by special endorsement thereto in respect to any alterations, including all materials and equipment therefore incorporated in, on or about the Leased Premises; and

c. Workers' compensation or similar insurance covering all persons employed in connection with the work and with respect to whom death or bodily injury claims

could be asserted against the Government, the Lessee or the Leased Premises in form and amounts required by law.

15.4. All policies of insurance which this Lease requires the Lessee or any sublessee or licensee to carry and maintain or cause to be carried or maintained pursuant to this Condition 15 shall be effected under valid and enforceable policies, in such forms and amounts as may, from time to time, be required under this Lease, issued by insurers of recognized responsibility. All such policies of insurance shall be for the mutual benefit of the Government and the Lessee and, if applicable, any sublessee or licensee as additional insured as well as any mortgagee to the extent allowed under this Lease. Each such policy shall provide that: (i) any losses shall be payable notwithstanding any act or failure to act or negligence of the Lessee or the Government or any other person: (ii) no cancellation, reduction in amount, or material change in coverage thereof shall be effective until at least sixty (60) days after receipt by the Government of written notice thereof; (iii) the insurer shall have no right of subrogation against the Government and be reasonably satisfactory to the Government in all other respects. In no circumstances will the Lessee be entitled to assign to any third party rights-of-action which the Lessee may have against the Government. Notwithstanding the foregoing, any cancellation of insurance coverage based on nonpayment of the premium shall be effective upon ten (10) days written notice to the Government. The Lessee understands and agrees that cancellation of any insurance coverage required to be carried and maintained by the Lessee or any sublessee under this Condition 15 will constitute a failure to comply with the terms of the Lease, and the Government shall have the right to terminate this Lease for all or any applicable portion of the Leased Premises, pursuant to Condition 7, upon receipt of any such cancellation notice, but only if the Lessee fails to cure such noncompliance to the extent allowed under Condition 7.

15.5. The Lessee shall deliver or cause to be delivered upon execution of this Lease (and thereafter not less than fifteen (15) days prior to the expiration date of each policy furnished

pursuant to this Condition 15) to the Government a certificate of insurance evidencing the insurance required by this Lease.

15.6. In the event that any item or part of the Leased Premises (other than alterations or other improvements made or authorized by the Lessee subsequent to the Term Beginning Date) shall be damaged or destroyed, the risk of which is assumed by the Lessee under Condition 15.1 above, the Lessee shall promptly give notice thereof to the Government. The Lessee shall have the election either to repair and restore the damaged or destroyed property or to continue to occupy or use the same without any obligation to repair or replace such damage other than repairs that may be required for safety reasons.

a. In the event the Lessee elects not to repair and restore the damaged or destroyed property, all applicable insurance proceeds relative to the damaged or destroyed property shall be applied first to removing any debris from and restoring the damaged area to a reasonably clean condition, and any remaining balance shall be retained by the Lessee for use at the Airport for airport purposes. Notwithstanding the immediately preceding sentence, in the event applicable terms of a leasehold mortgage on the Leased Premises, or any portion of the Leased Premises (as that term is defined in Condition 21) require the balance of such insurance proceeds to be paid first to a leasehold mortgagee(s) (as that term is defined in Condition 22), all such insurance proceeds shall be so paid and any remaining balance shall than be allocated as set forth in said sentence.

b. In the event the Lessee shall elect to repair and restore the damaged or destroyed property, it shall provide written notice of such election to the Government within ninety-five (95) days after the occurrence of such damage or destruction and thereafter shall promptly repair and restore the damaged or destroyed property to its condition immediately prior to the occurrence.

c. All repair and restoration work under this Condition 15.6 shall comply with the provisions of Conditions 10, 17, and 26 applicable to alterations and any other work subject to the notice requirements imposed by Condition 10.15.

15.7. Notwithstanding any other provision of this Lease, the Lessee may allow Federal, State and local governmental sublessees to self-insure, in whole or in part, any of the risks within the scope of this Condition 15.

CONDITION 16

COMPLIANCE WITH APPLICABLE LAWS

16.1. The Lessee will at all times during the existence of this Lease promptly observe and comply, at its sole cost and expense, with the provisions of all applicable Federal, State, interstate, and local laws, regulations, and standards, and in particular those provisions concerning the protection of the environment and pollution control and abatement.

16.2. The Lessee shall comply with all applicable Federal, State and local laws, ordinances, and regulations with regard to construction, sanitation, licenses or permits to do business, and all other matters. The Lessee shall be responsible for determining whether it is subject to local building codes or building permit requirements, and for compliance with them to the extent they are applicable.

16.3. The Lessee shall comply with all applicable Federal, State, and local occupational safety and health regulations.

16.4. Nothing in this Lease shall be construed to constitute a waiver of Federal Supremacy or Federal sovereign immunity.

16.5. Responsibility for compliance as specified in this Condition 16 rests exclusively with the Lessee, or with respect to any subleased premises with the appropriate sublessee. The Department of the Air Force assumes no enforcement or supervisory responsibility except with respect to matters committed to its jurisdiction and authority. The Lessee or appropriate sublessee shall be liable for all costs associated with compliance, defense of enforcement actions or suits, payment of fines, penalties, or other sanctions and remedial costs related to Lessee's or any sublessee's or licensee's use of the Leased Premises.

16.6. The Lessee or its sublessees or licensees shall have the right to contest by appropriate proceedings diligently conducted in good faith, without cost or expense to the Government, the validity or application of any law, ordinance, order, rule, regulation or requirement of the nature referred to in this Condition 16. The Air Force shall not be required to join in or assist the Lessee or its sublessees or licensees in any such proceedings.

CONDITION 17

DEVELOPMENT AND ALTERATIONS

17.1. The Lessee shall have the right to develop (or allow the development of) undeveloped or underdeveloped areas of the Leased Premises; to otherwise alter (or allow the alteration of) all or any portion of the Leased Premises; and to place, construct or demolish (or allow to be placed, constructed or demolished) any improvements, structures, alterations or additions or other changes in, to or upon the Leased Premises, subject to Conditions 10, 17.2 to

17.8, inclusive, and 26. All of the activities in the preceding sentence shall be referred to cumulatively as "Alterations."

17.2. The Lessee shall make (or shall require its sublessees and licensees to make) all Alterations in compliance with all applicable governmental laws, regulations, codes, standards or other requirements and the provisions of Condition 10 of this Lease. This obligation shall include compliance with all applicable provisions of the FFA.

17.3. The Lessee shall not construct or make, or permit its sublessees or licensees to construct or make, any Alterations which may impede or impair any activities under the FFA or are to be undertaken in Areas of Special Notice (as defined in Condition 10.15) without the prior written consent of the Air Force. Requests for such consent require review by the Director, AFBCA, and will be forwarded promptly by the SM through channels with the pertinent supporting documentation and comments. Such consent may include a requirement for written approval by the Remedial Project Managers appointed under the FFA and will provide that such approved Alterations shall become Government property when annexed to the Leased Premises, except as provided in Condition 17.4. Detailed written descriptions shall be submitted in accordance with the provisions of Condition 10.15. Within thirty (30) days of receipt of the detailed written description, the Government may request the Lessee to provide more detailed information as necessary to complete its review. The Air Force review process for any proposed Alterations shall be completed within sixty (60) days of the receipt of the documents required to complete its review. In the event that problems are detected during review, immediate notice shall be provided by telephone to the Lessee.

17.4. The Lessee shall not make, permit, or suffer any Alterations to the Airport which constitute any major structural change or changes unless such change or changes are consistent with the George AFB IRP, the FFA, the provisions of Condition 23.2.1, approved Airport Layout

Plan, and the ROD. Any other additions, alterations or improvements constituting a major structural change or changes shall require the prior written consent of the Administrator of the FAA or his or her successor in function. Title to alterations shall vest in the United States unless the consent of the Administrator of the FAA or his or her successor in function provides specifically that title thereto shall vest in the Lessee (or sublessee or licensee as applicable), and shall be subject to the provisions of Condition 9 and all other terms and conditions of this Lease. The Lessee agrees to the extent permitted by law to indemnify and save harmless the United States from mechanics' and materialmen's liens arising from any Alterations effected by the Lessee.

17.5. Any contractor or subcontractor of the Lessee or of any sublessee or licensee shall maintain or cause to be maintained the insurance required pursuant to Condition 15.3.

17.6. All Alterations, other construction and construction-related work, excavation and demolition performed by the Lessee (or permitted to be performed by any sublessee or licensee) shall be without cost to the Government.

17.7. All Alterations, other construction and construction-related work, excavation, demolition and restoration performed by the Lessee (or permitted to be performed by a sublessee or licensee) shall be consistent with the applicable requirements of Conditions 10, 16, 17 and 26 and shall comply with all applicable provisions of the FFA. For purposes of this Condition, the term "construction and construction-related work" shall include without limitation repairs, maintenance, alterations and additions.

17.8. The Lessee shall maintain MYLAR as-built drawings (or their equivalent) when Alterations authorized hereunder are completed.

17.9. In matters of ingress and egress, contractor haul routes, construction activity and disposition of excavated material, in connection with the privileges herein granted, shall be coordinated with the Air Force.

CONDITION 18

UTILITIES

18.1. The Lessee will be responsible for, and will require its sublessees and licensees to be responsible for, all utilities, janitorial services, building maintenance and grounds maintenance for the Leased Premises (or subleased or licensed premises) without cost to the Government. The Lessee will (or will cause its sublessees or licensees to) purchase, install, and maintain meters without cost or expense to the Government within thirty (30) days of occupancy. The Lessee will pay the charges for any utilities and services furnished by the Government which the Lessee may require in connection with its use of the Leased Premises. It is expressly understood and agreed that the Government in no way warrants the continued availability, maintenance or adequacy of any utilities or services furnished by it to the Lessee. The Government shall not under any circumstances provide telephone service to the Lessee, and it is the Lessee's sole responsibility to obtain such services on its own behalf and at its own expense.

a. Procurement of Government Utilities: The Lessee may purchase from the Government the following utility services: electricity, water, and sewage so long as the Government is still producing, generating, or procuring the service for George AFB. The Lessee agrees to enter into a separate contract for each utility service under this Condition 18 at rates computed in accordance with 10 U.S.C. § 2481 and Air Force Regulation 91-5 or any successor regulation or instruction.

b. Procurement of Commercial Utilities: The Lessee may procure utilities direct from a commercial provider. The charges and method of payment for each utility or service so procured will be determined in accordance with applicable laws and regulations, on such basis as the appropriate supplier of the utility or service may establish.

18.2. Nothing herein shall require the Lessee or utility suppliers to continue to utilize any existing utility systems, provided that the Lessee makes adequate provision, or requires the applicable utility supplier to make adequate provision, for a transition to an alternate system or systems that prevents to the extent practicable any disruption to utility services to the Air Force or its successors. Any planned disruption must be coordinated with the Air Force.

CONDITION 19

DISPUTES

19.1. Except as otherwise provided in this Lease, any dispute concerning a question of fact, submitted by the Lessee to the SM's attention, in writing, arising under this Lease which is not disposed of by mutual agreement shall be decided by the SM. The SM shall reduce the decision to writing and mail or otherwise furnish a copy to the Lessee. The decision of the SM shall be final and conclusive unless, within thirty (30) days from the date of receipt of such copy, the Lessee mails or otherwise furnishes to the SM a written appeal addressed to the Secretary of the Air Force, to be forwarded through the Director, AFBCA. The decision of the Secretary or his or her duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence. In connection with any appeal proceeding under this Condition, the Lessee shall be afforded an opportunity to be heard and to offer evidence in support of its appeal.

Pending final decision of a dispute hereunder, the Lessee shall proceed diligently with the performance of the Lease in accordance with the decision of SM. This Condition does not preclude consideration of questions of law in connection with decisions provided for in this Condition 19.1. Nothing in this Condition, however, shall be construed as making final the decision of any administrative official, representative, or board on a question of law.

19.2. In the alternative, before proceeding under Condition 19.1 above, either Party may choose to submit the dispute to arbitration pursuant to the Administrative Disputes Resolution Act ("Act"), 5 U.S.C. §§ 571-576, or as amended, by giving notice to the other Party.

a. Within fifteen (15) days following receipt of notice, the receiving Party shall submit to the other Party the names of three arbitrators, experienced in the field of the matter in dispute, selected from a roster maintained by the Federal Mediation and Conciliation Service or any comparable organization. The initiating Party will then have fifteen (15) days to select one of the three arbitrators and provide notice to the receiving Party of the selected arbitrator. The initiating Party will promptly notify the arbitrator of his or her selection and arrange for his or her employment jointly by the Parties.

b. The arbitrator will arbitrate the dispute according to the Act and any rules of the American Arbitration Association not in conflict with the Act or any other Federal statute. The arbitrator will convene the arbitration hearing within fifteen (15) days after being hired and render a decision within thirty (30) days after the hearing unless both Parties agree to an extension of time. The Government and the Lessee agree to share the costs of the arbitrator equally, subject to the availability to the Government of appropriated funds.

c. Pending final decision of a dispute hereunder, the Lessee shall proceed diligently with the performance of this Lease in accordance with the decision of the SM.

d. Pursuant to the Act, the authority of a Federal agency to use dispute resolution proceedings under the Act shall terminate on October 1, 1995, as to disputes arising on or after that date; however, consistent with the Act, the Air Force may elect to continue then pending dispute resolution proceedings. If authority to use alternative dispute resolution is not reenacted, this clause shall be of no force and effect on and after October 1, 1995. If the Act is extended or reenacted in modified form, but continues to authorize alternative dispute resolution by Federal agencies, the provisions of this Lease shall be deemed to be modified to be consistent with the amended statutory procedures.

e. In the event an arbitration award is made which is contrary to the Government's position and the Secretary of the Air Force subsequently vacates the award pursuant to 5 U.S.C. § 580(c), the Lessee may proceed, by agreement of the Parties hereby entered, pursuant to Condition 19.1 above. In such case, the evidence, position of the Parties, and the arbitrator's decision shall not be admissible or considered in any proceedings under Condition 19 or any subsequent judicial proceedings.

CONDITION 20

NOTICES

20.1. Whenever the Government or the Lessee shall desire to give or serve upon the other any notice, demand, order, direction, determination, requirement, consent or approval, request or other communication with respect to this Lease or with respect to the Leased Premises, each such notice, demand, order, direction, determination, requirement, consent or approval, request or other communication shall be in writing and shall not be effective for any purpose unless same shall be given or served by personal delivery to the Party or Parties to whom such

notice, demand, order, direction, determination, requirement, consent or approval, request or other communication is directed or by mailing the same, in duplicate, to such Party or Parties by certified mail, postage prepaid, return receipt requested, addressed as follows:

If to the Lessee:

Executive Director
Victor Valley Economic Development Authority
P.O. Box 3007
Victorville, CA 92393-3007

If to the Government:

Operating Location Site Manager, OL-C
Air Force Base Conversion Agency
Building 321
George AFB, CA 92394

or at such other address or addresses as the Government or the Lessee may from Time-to-time designate by notice given by certified mail.

20.2. Every notice, demand, order, direction, determination, requirement, consent or approval, request or communication hereunder sent by mail shall be deemed to have been given or served as of the second business day following the date of such mailing.

CONDITION 21

ASSIGNMENTS, SUBLEASES AND LICENSES

21.1. The Lessee shall neither transfer nor assign this Lease, except as otherwise may be allowed under Condition 23.2 of this Lease.

21.2. The Lessee may enter into any sublease or license or otherwise authorize the use of any portion of the Leased Premises (collectively, "Use Authorization"), subject to the provisions of subparagraphs (a), (b), (c), and (d) below in this Condition 21.2. Subject to the foregoing and prior written approval of the FAA, nothing contained in this Condition 21.2 shall prevent or limit the Lessee from subleasing all or any portion of the Leased Premises to the State of California, any unit or local government, political subdivision or other agency or instrumentality or local government, including but not limited to, a joint powers financing authority, nonprofit development corporation, or other nonprofit corporation or entity, for the purpose of structuring any public or private financing or any municipal financing arrangement.

a. The use of the Leased Premises associated with any Use Authorization must be allowable under Condition 6.

b. Any Use Authorization granted by the Lessee shall comply (or in the case of a transaction by a sublessee, licensee or other authorized user (collectively, "Authorized User"), shall be required to comply) with the provisions of Condition 10, including the notice requirements of Section 21 of the FFA, and shall be consistent with all other terms and conditions of this Lease and the Application and Acceptance identified in Condition 5.1 above, except that the Lessee may rent or impose other types of charges for the subleased, licensed or

other authorized use area (collectively, "Authorized Use Area") at rates or levels that are deemed appropriate by the Lessee and consistent with FAA standards and requirements.

c. The instrument used by the Lessee to grant any Use Authorization must include the covenants, conditions, restrictions, and reservations contained in Conditions 23.2a to 23.2.o, inclusive.

d. In the event of any conflict between the provisions of the Use Authorization and the provisions of this Lease, the provisions of this Lease will control. In the event of any conflict between the provisions of the Use Authorization and the provisions of the Application and Acceptance, the Application and Acceptance will control. Copies of this Lease and the Application and Acceptance must be attached to the Use Authorization instrument.

21.3. Unless otherwise expressly agreed to by the Government in writing, no Use Authorization shall relieve the Lessee of any of its obligations under this Lease.

CONDITION 22

LIENS AND MORTGAGES

22.1. Except as provided in this Condition 22, the Lessee shall not: (i) engage in any financing or other transaction creating any mortgage upon the Leased Premises; (ii) place or suffer to be placed upon the Leased Premises any lien or other encumbrance; or (iii) suffer any levy or attachment to be made on the Lessee's interest in the Leased Premises, other than such levy or attachment as may result from a foreclosure of a mortgage on any portion of the Leased Premises. Any such mortgage, encumbrance, or lien shall be deemed to be a violation of this

covenant and constitute a failure to comply with the terms of the Lease on the date of its execution or filing of record regardless of whether or when it is foreclosed or otherwise enforced.

22.2. During the term of this Lease, the Lessee may encumber its interest in the Leased Premises or any portion thereof, by way of one or more loans secured by a mortgage to provide financing for the cost of capital improvements or other development of the Leased Premises, subject to the prior written approval of the FAA and Condition 22.3 below. The proposed holder of any mortgage must be approved by the Government prior to the execution of such loan. Any loan with respect to the Leased Premises, or any portion thereof, may be further secured by a conditional assignment of this Lease by the Lessee to the mortgagee. The Government agrees to execute an Estoppel Certificate and any other similar documentation as may reasonably be required by the mortgagee so as to give its consent to the conditional assignment of this Lease and to certify as to the status of this Lease and to the performance of the Lessee hereunder as of the date of such certification.

22.3. No mortgage shall extend to or affect the fee, the reversionary interest or the estate of the Government in the Leased Premises. No mortgage shall be binding upon the Government in the enforcement of its rights and remedies under this Lease and by law provided, unless, and until a copy thereof shall have been delivered to the Government and such mortgage is authorized in accordance with the provisions of this Condition 22.

22.4. Promptly after assigning or encumbering the Leased Premises, or any portion thereof, the Lessee shall furnish the Government a written notice setting forth the name and address of such mortgagee. Further, the Lessee shall notify the Government promptly of any lien or encumbrance which has been created or attached to the Leased Premises or the Lessee's interest in the Leased Premises whether by act of the Lessee or otherwise, of which the Lessee has notice.

22.5. If a mortgagee or purchaser at foreclosure of the mortgage shall acquire the Lessee's interest in the Leased Premises, or any portion thereof, by virtue of the default of the Lessee under the mortgage or otherwise, this Lease shall continue in full force and effect so long as the mortgagee or purchaser at foreclosure is not in default hereunder. The mortgagee or purchaser at foreclosure may not appoint an agent or nominee to operate and manage any portion of the Leased Premises on its behalf without first obtaining the prior written approval of the FAA. Such approval may include, but is not limited to, a determination by the FAA that the proposed agent or nominee has demonstrated experience or expertise in the development, management, and operation of facilities similar to the Leased Premises. For the period of time during which the mortgagee or any purchaser at foreclosure of a mortgage holds the Lessee's interest in the Leased Premises, the mortgagee or such purchaser shall become liable and fully bound by the provisions of this Lease.

22.6. With respect to the mortgagees of the Leased Premises, the Government agrees that the following shall apply:

a. If requested by a mortgagee which shall have duly registered in writing with the Government its name and address, any notice from the Government to the Lessee shall be simultaneously delivered to such mortgagee at its registered address, and in the event of any such registration, no notice of default or termination of this Lease given by the Government to the Lessee shall be deemed legally effective until and unless like notice shall have been given by the Government to the mortgagee.

b. Such mortgagee entitled to such notice shall have any and all rights of the Lessee with respect to the curing of any default hereunder by the Lessee.

c. The Government will not enter into any material modification of this Lease without the prior written consent thereto of each mortgagee who shall become entitled to notice as provided in Condition 22.4 above. The foregoing shall not apply or be construed to apply to any right the Government may have to terminate this Lease pursuant to its terms. It is also agreed that the Lessee shall provide any such mortgagee with notice of any proposed modification.

d. If the Government shall elect to terminate this Lease by reason of any default by the Lessee, the mortgagee that shall have become entitled to notice as provided in this Condition 22.6 shall not only have any and all rights of the Lessee with respect to curing of any default, but also shall have the right to postpone and extend the specified date for the termination of this Lease ("Mortgagee's Right to Postpone") in any notice of termination by the Government to the Lessee ("Termination Notice"), subject to the following conditions:

(1) Such mortgagee shall (i) give the Government written notice of the exercise of the Mortgagee's Right to Postpone prior to the date of termination specified by the Government in the Termination Notice, and (ii) simultaneously pay to the Government all amounts required to cure all defaults then existing (as of date of the exercise of Mortgagee's Right to Postpone) which may be cured by the payment of a sum of money.

(2) Such mortgagee shall (i) pay any sums and charges which may be due and owing by the Lessee, and (ii) promptly undertake to cure, diligently prosecute and, as soon as reasonably possible, complete the curing of all defaults of the Lessee which are susceptible of being cured by such mortgagee.

(3) The Mortgagee's exercise of its Right to Postpone shall extend the date for the termination of this Lease specified in the Termination Notice for a period of not more than six (6) months.

(4) If, before the date specified for the termination of this Lease as extended by such mortgagee's exercise of Mortgagee's Right to Postpone, (i) the assumption of performance and observance of the covenants and conditions herein contained on the Lessee's part to be performed under this Lease shall be delivered to the Government by the mortgagee, or its nominee; and (ii) the mortgagee shall have complied with all obligations on the Lessee's part to be performed under this Lease and no further defaults shall have occurred which shall not have been cured within the periods of time after notice above provided for, then and in such event, all defaults under this Lease shall be deemed to have been cured, and the Government's Termination Notice shall be deemed to have been withdrawn.

e. Nothing herein contained shall be deemed to impose any obligation on the part of the Government to deliver physical possession of the Leased Premises to such holder of a mortgage.

f. If more than one mortgagee shall seek to exercise any of the rights provided for in this Condition 22.6, the holder of the mortgage having priority of lien over the other mortgagees shall be entitled, as against the others, to exercise such rights. Should a dispute arise among mortgagees regarding the priority of lien, the mortgagees must prove to the satisfaction of the Government that they have settled that dispute.

g. The mortgagee may not appoint an agent or nominee to operate and manage the Leased Premises on its behalf without first obtaining the written approval of the FAA. Such approval shall require a determination by the FAA that the proposed agent or

nominee has demonstrated experience or expertise in the development, management, and operation of facilities similar to the Leased Premises.

22.7. During the term of this Lease, the Lessee may authorize a sublessee to encumber its interest in the subleased premises by way of one or more loans secured by a mortgage to provide financing for the cost of capital improvements or other development of the subleased premises, subject to Condition 22.8 below. The proposed holder of any mortgage must be approved by the Lessee prior to the execution of such loan. Any loan with respect to subleased premises may be further secured by a conditional assignment of the applicable sublease by the sublessee to the mortgagee. The Government agrees to execute an Estoppel Certificate and any other similar documentation as may reasonably be required by the mortgagee so as to give its consent to the conditional assignment of the sublease and to certify as to the status of this Lease and to the performance of the Lessee hereunder as of the date of such certification.

22.8. No mortgage shall extend to or affect the fee, the reversionary interest or the estate of the Government in the Leased Premises. No mortgage shall be binding upon the Government in the enforcement of its rights and remedies under the Lease and by law provided, unless, and until a copy thereof shall have been delivered to the Government and such mortgage is authorized in accordance with the provisions of this Condition 22.

22.9. Promptly after authorizing a sublessee to assign or encumber any subleased premises, the Lessee shall require its sublessee to furnish the Government a written notice setting forth the name and address of such mortgagee. Further, the Lessee shall require its sublessee to notify the Government promptly of any lien or encumbrance which has been created or attached to the sublessee's interest in the subleased premises whether by act of the sublessee or otherwise, of which the Lessee or sublessee has notice.

22.10. If a mortgagee or purchaser at foreclosure of the mortgage shall acquire the sublessee's interest in the subleased premises, by virtue of the default of the sublessee under the mortgage or otherwise, the applicable sublease shall continue in full force and effect so long as the mortgagee or purchaser at foreclosure is not in default thereunder. The mortgagee or purchaser at foreclosure may not appoint an agent or nominee to operate and manage any portion of the subleased premises on its behalf without first obtaining the written approval of the Lessee and FAA. Such approval shall require a determination by the Lessee that the proposed agent or nominee has demonstrated experience or expertise in the development, management, and operation of facilities similar to the subleased premises. For the period of time during which the mortgagee or any purchaser at foreclosure of a mortgage holds the sublessee's interest in the subleased premises, the mortgagee or such purchaser shall become liable and fully bound by the provisions of the applicable sublease.

22.11. With respect to the mortgagees of the subleased premises, the Government agrees that the following shall apply:

a. If requested by a mortgagee which shall have duly registered in writing with the Government its name and address, any notice from the Government to the Lessee affecting the subleased premises shall be simultaneously delivered to the applicable sublessee and such mortgagee at its registered address, and in the event of any such registration, no notice of default or termination of this Lease affecting the subleased premises given by the Government to the Lessee shall be deemed legally effective until and unless like notice shall have been given by the Government to such sublessee and mortgagee.

b. Such mortgagee entitled to such notice shall have any and all rights of the sublessee with respect to the curing of any default hereunder by the Lessee.

c. The Government will not enter into any material modification of this Lease affecting the subleased premises without the prior written consent thereto of each mortgagee who shall become entitled to notice as provided in Condition 22.9 above. The foregoing shall not apply or be construed to apply to any right the Government may have to terminate this Lease pursuant to its terms. It is also agreed that the Lessee shall require the sublessee to provide any such mortgagee with notice of any proposed modification.

d. If the Government shall elect to terminate this Lease by reason of any default by the Lessee with respect to the subleased premises, the mortgagee that shall have become entitled to notice as provided in this Condition 22.11 shall not only have any and all rights of the sublessee with respect to curing of any default with respect to the subleased premises, but also shall have the right to postpone and extend the specified date for the termination of this Lease ("Mortgagee's Right to Postpone) in any notice of termination by the Government to the Lessee ("Termination Notice"), subject to the following conditions:

(1) Such mortgagee shall (i) give the Government written notice of the exercise of the Mortgagee's Right to Postpone prior to the date of termination specified by the Government in the Termination Notice, and (ii) simultaneously pay to the Government all amounts required to cure all defaults then existing (as of date of the exercise of Mortgagee's Right to Postpone) which may be cured by the payment of a sum of money.

(2) Such mortgagee shall (i) pay any sums and charges which may be due and owing by the Lessee, and (ii) promptly undertake to cure, diligently prosecute and, as soon as reasonably possible, complete the curing of all defaults of the Lessee and sublessee with respect to the subleased premises which are susceptible of being cured by such mortgagee.

(3) The Mortgagee's exercise of its Right to Postpone shall extend the date for the termination of this Lease specified in the Termination Notice for a period of not more than six (6) months.

(4) If, before the date specified for the termination of this Lease as extended by such mortgagee's exercise of Mortgagee's Right to Postpone, (i) the assumption of performance and observance of the covenants and conditions herein contained on the Lessee's part to be performed under the Lease with respect to the subleased premises shall be delivered to the Government by the mortgagee, or its nominee; and (ii) the mortgagee shall have complied with all obligations on the Lessee's and sublessee's part to be performed with respect to the subleased premises under the Lease and no further defaults with respect to the subleased premises shall have occurred which shall not have been cured within the periods of time after notice above provided for, then and in such event, all defaults under this Lease with respect to the subleased premises shall be deemed to have been cured, and the Government's Termination Notice shall be deemed to have been withdrawn.

e. Nothing herein contained shall be deemed to impose any obligation on the part of the Government to deliver physical possession of the Leased Premises to such holder of a mortgage.

f. If more than one mortgagee shall seek to exercise any of the rights provided for in this Condition 22.11, the holder of the mortgage having priority of lien over the other mortgagees shall be entitled, as against the others, to exercise such rights. Should a dispute arise among mortgagees regarding the priority of lien, the mortgagees must prove to the satisfaction of the Government that they have settled that dispute.

g. The mortgagee may not appoint an agent or nominee to operate and manage the subleased premises on its behalf without first obtaining the written approval of the Lessee and FAA. Such approval shall require a determination by the Lessee that the proposed agent or nominee has demonstrated experience or expertise in the development, management, and operation of facilities similar to the subleased premises.

CONDITION 23

FEDERAL AVIATION ADMINISTRATION REQUIREMENTS

23.1. By acceptance of this Lease, the Lessee for itself, its successors and assigns, agrees that the transfer of the Leased Premises by this Lease is accepted subject to the following restrictions set forth in subparagraphs a and b of this Condition 23.1.

a. That, except as provided in subparagraph 23.2.b below, the property transferred by this Lease shall be used for public airport purposes for the use and benefit of the public, on reasonable terms and without unjust discrimination and without grant or exercise of any exclusive right for use of the Airport within the meaning of the term "exclusive right" as used in subparagraph 23.2.d below.

b. That, except as provided in subparagraph 23.2.b, the entire landing area, as defined in Section 101 of the Federal Aviation Act of 1958, as amended, and Federal Aviation Regulations pertaining thereto, and all structures, improvements, facilities and equipment in which this instrument transfers any interest, shall be maintained for the use and benefit of the public at all times in safe and serviceable condition, so as to ensure its efficient operation and use provided, however, that such maintenance shall be required as to structures, improvements, facilities and equipment only during the useful life thereof, as determined by the Administrator of

the FAA or successor in function ("Administrator"). In the event materials are required to rehabilitate or repair certain of the aforementioned structures, improvements, facilities or equipment, they may be procured by demolition of other structures, improvements, facilities or equipment transferred hereby and located on the above land which have outlived their usefulness as airport property in the opinion of the Administrator. Notwithstanding any other provision of this Lease: (i) with the prior written approval of the FAA, the Lessee may close or otherwise limit use or access to any portion of the Airport that it deems appropriate if such closure or use limitation is related to airport operating considerations or is based upon insufficient demand for such portion of the Airport; and (ii) with respect to any such portion of the Airport, the Lessee shall be under no obligation to maintain the same other than as may be required to maintain adequate public safety conditions.

23.2. Further, by acceptance of this Lease or any rights hereunder, the Lessee for itself, its successors and assigns, assumes the obligation of, covenants to abide by and agree to, and this Lease is made subject to, the following reservations and restrictions set forth below in subparagraphs 23.2.a to 23.2.n, inclusive, of this Condition 23.2 provided, that the property transferred hereby may be successively transferred or assigned only with the prior written consent of the Administrator of the FAA, or his successor, to successors and assigns of the Lessee only with the provision that any such subsequent transferee assumes all the obligations imposed upon the Lessee by the provisions of this Lease.

a. There is hereby reserved to the Lessor, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the above described real property, together with the right to cause in said airspace such noise as may be inherent in the operation of aircraft, now known or hereafter used for navigation of or flight in the said airspace, and for use of said airspace for landing on, taking off from, or operating on George AFB.

b. No property included in the Airport shall be used, leased, sold, salvaged, or disposed of by the Lessee for other than airport purposes without the written consent of the Administrator. This consent shall be granted only if the Administrator determines that the property can be used, leased, sold, salvaged, or disposed of for other than airport purposes without materially and adversely affecting the development, improvement, operation, or maintenance of the Airport. The term "property" as used herein, is deemed to include revenues or proceeds (including any insurance proceeds) derived from the Airport.

c. Property transferred for the development, improvement, operation or maintenance of the Airport shall be used and maintained for the use and benefit of the public on fair and reasonable terms, without unjust discrimination. In furtherance of this covenant (but without limiting its general applicability and effect), the Lessee specifically agrees: (1) that it will keep the Airport open to all types, kinds, and classes of aeronautical use without discrimination between such types, kinds and classes; provided, that the Lessee may establish such fair, equal, and not unjustly discriminatory conditions to be met by all users of the Airport as may be necessary for the safe and efficient operation of the Airport and provided, that the Lessee may prohibit or limit any given type, kind, or class of aeronautical use of the Airport if such action is necessary for the safe operation of the Airport or necessary to serve the civil aviation needs of the public; (2) that, in its operation and the operation of facilities on the Airport, neither it nor any person or organization occupying space or facilities thereupon, will discriminate against any person or class of persons by reason of race, color, creed, disability, age, sex, or national origin in the use of any of the facilities provided for the public at the Airport; (3) that, in any agreement, contract, lease, or other arrangement under which a right or privilege at the Airport is granted to any person, firm or corporation to conduct or engage in any aeronautical activity for furnishing services to the public at the Airport, the Lessee will insert and enforce provisions requiring the contractor: (i) to furnish said service on a fair, equal and not unjustly

discriminatory basis to all users thereof; and (ii) to charge fair, reasonable, and not unjustly discriminatory prices for each unit for service, provided, that the contractor may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers; (4) that the Lessee will not exercise or grant any right or privilege which would operate to prevent any person, firm, or corporation operating aircraft on the Airport from performing any services on its own aircraft with its own employees (including, but not limited to maintenance and repair) that it may choose to perform; and (5) that, in the event the Lessee itself exercises any of the rights and privileges referred to in subparagraph (3) above, the services involved will be provided on the same conditions as would apply to the furnishing of such services by contractors or concessionaires of the Lessee under the provisions of such subparagraph (3) of this Condition 23.2.

d. The Lessee will not grant or permit any exclusive right for the use of the Airport which is forbidden by Section 308 of the Federal Aviation Act of 1958, as amended, by any person or persons to the exclusion of others in the same class and will otherwise comply with all applicable laws. In furtherance of this covenant (but without limiting its general applicability and effect), the Lessee specifically agrees that, unless authorized by the Administrator it will not, either directly or indirectly, grant or permit any person, firm or corporation the exclusive right to conduct any aeronautical activity on the Airport, including but not limited to, charter flights, pilot training, aircraft rental and sight-seeing, aerial photography, crop dusting, aerial advertising and surveying, air carrier operations, aircraft sales and services, sale of aviation petroleum products whether or not conducted in conjunction with other aeronautical activity, repair and maintenance of aircraft, sale of aircraft parts, and any other activities which because of their direct relationship to the operation of aircraft can be regarded as an aeronautical activity. The Lessee further agrees that it will terminate as soon as possible and no later than the earliest renewal, cancellation, or expiration date applicable thereof, any exclusive right existing at any Airport owned or controlled by the Lessee or hereinafter acquired and that, thereafter, no such right shall be granted.

However, nothing contained herein shall be construed to prohibit the granting or exercise of an exclusive right for the furnishing of nonaviation products and supplies or any services of a nonaeronautical nature or to obligate the Lessee to furnish any particular nonaeronautical service at the Airport.

e. The Lessee shall, insofar as it is within its powers and to the extent reasonable, adequately clear and protect the aerial approaches to the Airport. The Lessee will, either by the acquisition and retention of easements or other interests in or rights for the use of land airspace, or by the adoption and enforcement of zoning regulations, prevent the construction, erection, alteration, or growth of any structure, tree, or other object in the approach areas of the runways of the Airport which would constitute an obstruction to air navigation according to the criteria or standards prescribed in Part 77 of the Federal Aviation Regulations, as applicable, according to the currently approved airport layout plan. In addition, the Lessee will not erect or permit the erection of any permanent structure or facility which would interfere materially with the use, operation, or future development of the Airport, in any portion of a runway approach area in which the Lessee has acquired, or may hereafter acquire, a property interest permitting it to so control the use made of the surface of the land. Insofar as is within its power and to the extent reasonable, the Lessee will take action to restrict the use of the land adjacent to or in the immediate vicinity of the Airport to activities and purposes compatible with normal airport operations, including landing and takeoff of aircraft.

f. The Lessee will operate and maintain in a safe and serviceable condition, as deemed reasonably necessary by the Administrator, the Airport and all facilities thereon and connected therewith which are necessary to service the aeronautical users of the Airport, other than facilities owned or controlled by the United States, and will not permit any activity thereon which would interfere with its use for airport purposes. Nothing contained herein shall be construed to require that the Airport be operated for aeronautical uses during: (1) temporary

periods when snow, flood, or other climatic conditions interfere with such operation and maintenance; or (2) repair, restoration or replacement of any structure or facility which is substantially damaged or destroyed due to an act of God or other condition or circumstance beyond the control of the Lessee in compliance with Condition 15.6.

g. Except as otherwise agreed to between the Lessee and any agency of the United States, the Lessee will make available all facilities of the Airport at which the property described herein is located or developed with Federal aid, and all those usable for the landing and taking off of aircraft, to the United States at all times, without charge, and for use by aircraft of any agency of the United States in common with other aircraft, except that if the use by aircraft of any agency of the United States in common with other aircraft, is substantial, a reasonable share, proportional to such use, of the cost of operating and maintaining facilities so used, may be charged. Unless otherwise determined by the FAA, or otherwise agreed to by the Lessee and the using Federal agency, substantial use of an airport by United States aircraft will be considered to exist when operations of such aircraft are in excess of those which, in the opinion of the FAA, would unduly interfere with use of the landing area by other authorized aircraft or, that during any calendar month either: (1) five (5) or more aircraft of any agency of the United States are regularly based at the airport or on land adjacent thereto; or (2) the total number of movements (counting each landing as a movement and each take-off as a movement) of aircraft of any agency of the United States is three hundred (300) or more; or (3) the gross accumulative weight of aircraft of any agency of the United States using the airport (the total movements of such federal aircraft multiplied by gross certified weights thereof) is in excess of five million (5,000,000) pounds.

h. During any national emergency declared by the President of the United States of America or the Congress thereof, including any existing national emergency, the United States shall have the right to make exclusive or nonexclusive use and have exclusive or

nonexclusive control and possession, without charge, of the Airport at which the surplus property applied for herein is located or used, as it then exists, or of such portion thereof as it may desire. However, the United States shall be responsible for the entire cost of maintaining such part of the Airport as it may use exclusively, or over which it may have exclusive possession or control, during the period of such use, possession or control and shall be obligated to contribute a reasonable share, commensurate with the use made by it, of the cost of maintenance of such property as it may use nonexclusively or over which it may have nonexclusive control and possession. The United States shall also pay a fair rental for use, control or possession, exclusively or nonexclusively, of any improvements to the Airport made without United States aid and never owned by the United States.

i. The Lessee does hereby release the Government, and will take whatever action may be required by the Administrator, to assure the complete release of the Government from all liability the Government may be under for restoration or other damage under any lease or other agreement covering the use by the Government of the Airport, or part thereof, owned, controlled or operated by the Lessee, upon which, adjacent to which, or in connection with which, any property transferred by this instrument was located or used, provided, that no such release shall be construed as depriving the Lessee of any right it may otherwise have to receive reimbursement under Section 17 of the Federal Airport Act for the necessary rehabilitation or repair of public airports heretofore, or hereafter substantially damaged by a Federal agency. The Parties to this Lease acknowledge that there is no property at George AFB to which this provision applies.

j. Whenever so requested by the FAA, the Lessee will furnish, without cost to the Federal Government, for construction, operation and maintenance of facilities for air traffic control activities, or weather reporting activities, or communication activities related to air traffic control, such areas of the property described herein or rights in buildings on the Airport as the

FAA may consider necessary or desirable for construction at Federal expense of space or facilities for such purposes, and the Lessee will make available such areas or any portion thereof for the purposes provided herein within four (4) months after receipt of written request from the FAA, if such are or will be available.

k. The Lessee will: (1) furnish the FAA with annual or special airport financial and operational reports as may be reasonably requested using either forms furnished by the FAA or in such manner as the Lessee elects so long as the essential data are furnished; and (2) upon reasonable request of the FAA, make available for inspection by any duly authorized representative of the FAA, the Airport, and all Airport records and documents affecting the Airport, including deeds, leases, operation and use agreements, regulations, and other instruments and (3) furnish to the FAA a certified true copy of any such document which may be reasonably requested.

l. The Lessee will not enter into any action which would operate to deprive it of any of the rights and powers necessary to perform or comply with any or all of the covenants and conditions set forth herein unless by such transaction the obligation to perform or comply with all such covenants and conditions is assumed by another public agency found by the FAA to be eligible as a public agency as defined in the Airport and Airway Improvement Act of 1982, as amended (P.L. 97-248), to assume such obligation and have the power, authority, and financial resources to carry out all such obligations. If an arrangement is made for management or operation of the Airport by any agency or person other than the Lessee, the Lessee shall reserve sufficient rights and authority to ensure that such Airport will be operated and maintained in accordance with these covenants and conditions, any applicable Federal statute, and applicable provisions of the Federal Aviation Regulations.

m. The Lessee will at all times keep an up-to-date airport layout plan of the Airport showing: (1) the boundaries of the Airport and all proposed additions thereto, together with the boundaries of all off-site areas owned or controlled by the Lessee for airport purposes and proposed additions thereto; (2) the location and nature of all existing and proposed airport facilities and structures (such as runways, taxiways, aprons, terminal buildings, hangars, and roads), including all proposed extension and reductions of existing airport facilities; and (3) the location of all existing and proposed nonaviation areas and all existing improvements thereon and uses made thereof. The airport layout plan and each amendment, revision, or modification thereof, shall be subject to the approval of the FAA, which approval shall be evidenced by the signature of a duly authorized representative of the FAA on the face of the airport layout plan. The Lessee will not make or permit the making of any changes or alterations in the Airport or any of its facilities other than in conformity with the airport layout plan as so approved by the FAA, if such changes or alterations might adversely affect the safety, utility, or efficiency of the Airport.

n. If at any time it is determined by the FAA that there is any outstanding right or claim of right in or to the Airport property described herein, the existence of which creates an undue risk of interference with the operation of the Airport or the performance or compliance with covenants and conditions set forth herein, the Lessee will, to the extent practicable, acquire, extinguish, or modify such right or claim of right in a manner acceptable to the FAA.

o. In the event that any of the terms, conditions, reservations under which the property is disposed of, or restrictions of this Condition 23, are not met, observed, or complied with by the Lessee or any subsequent transferee, whether caused by the legal inability of said Lessee or subsequent transferee to perform any of the obligations herein set out or otherwise, the title, right of possession and all other rights transferred by this instrument to the Lessee, or any portion thereof, shall at the option of the Government terminate and revert to the Government in

its then-existing condition sixty (60) days following the date upon which demand to this effect is made in writing by the Administrator of the FAA or successor in function, unless within said sixty (60) days such default or violation shall have been cured and all such terms, conditions, reservations and restrictions shall have been met, observed, or complied with, or if the Lessee shall have commenced the actions necessary to bring it into compliance with this Condition 23 in accordance with a compliance schedule approved by the Administrator, in which event said termination of Lease and reversion shall not occur and title, right of possession, and all other rights transferred hereby, except such, if any, as shall have previously terminated and reverted, shall remain vested in the Lessee, its transferees, successors and assigns.

p. If the construction as covenants of any of the foregoing reservations and restrictions recited herein as covenants or the application of the same as covenants in any particular instance is held invalid, the particular reservation or restrictions in question shall be construed instead merely as conditions, the breach of which the United States may exercise its option to cause the title, interest, right of possession, and all other rights transferred to the Lessee, or any portion thereof, to terminate and revert to it, and the application of such reservations or restrictions as covenants in any other instance and the construction of the remainder of such reservations and restrictions as covenants shall not be affected thereby.

23.3. Lessee further agrees and understands by and between the Parties hereto and the Lessee, by its acceptance of this Lease, acknowledges its understanding of the agreement, and agrees that, as part of the consideration for this Lease, the Lessee covenants and agrees for itself, its successors and assigns, that:

a. The program for or in connection with which this Lease is made will be conducted in compliance with, and the Lessee, its successors and assigns will comply with all requirements imposed by or pursuant to the regulations of the United States Department of

Transportation as in effect on the date of this Lease (49 C.F.R. § 21) issued under the provisions of Title VI of the Civil Rights Act of 1964, as amended;

b. This covenant shall be subject in all respects to the provisions of said regulations;

c. The Lessee, its successors and assigns, will promptly take and continue to take such action as may be necessary to effectuate this covenant;

d. The United States shall have the right to seek judicial enforcement of this covenant; and

e. The Lessee, its successors and assigns, will: (1) obtain from any person, including any legal entity, who, through contractual or other arrangements with the Lessee, its successors and assigns, is authorized to provide services or benefits under said program, a written agreement pursuant to which such other person shall, with respect to the services or benefits which he is authorized to provide, undertake for himself the same obligations as those imposed upon the Lessee, its successors and assigns, by this covenant; (2) furnish the original of such agreement to the Administrator, upon his or her request therefore and shall in any event, without regard to technical classification or designation, legal or otherwise, be binding to the fullest extent permitted by law and equity for the benefit of, and in favor of the Government against the Lessee, its successors, and assigns.

23.4. The operation of the Airport shall be subject to such regulations as may be prescribed by the Administrator of the FAA or his or her successor in function from time to time, and the Lessee shall comply with all pertinent laws, ordinances, rules, orders, or other applicable regulations and to the extent permitted by law, indemnify and hold the United States harmless

from any liability or penalty which may be imposed by reason of any asserted violation thereof by the Lessee.

23.5. The Parties understand and agree that in the event of any conflict between any of the provisions in this Condition 23 and any other provisions of this Lease, the provisions in Condition 23 shall control.

CONDITION 24

SPECIAL PROVISIONS

24.1. The Lessee acknowledges that it understands that the Government property outside these Leased Premises on George AFB will remain closed to the public prior to its complete disposal and accepts that Lessee's operation may from time to time be hampered by temporary restrictions on access, such as identity checks and auto searches. The Lessee further acknowledges that it understands that the Air Force strictly enforces Federal laws and Air Force regulations concerning controlled substances (drugs) and agrees that the Government will not be responsible for lost time or costs incurred due to delays in entry, temporary loss of access, barring of individual employees from the base under Federal laws authorizing such actions, limitations or withdrawal of an employee's on-base driving privileges, or any other security action that may cause employees to be late to or unavailable at their work stations, or delay arrival of parts and supplies. The Air Force and the Lessee have entered into an Operating Agreement, found at Exhibit H, which covers the Lessee's access to the Leased Premises through George AFB.

24.2 The Lessee will be responsible at its cost and expense for any improvements, renovations and repair of the parking area included in the Leased Premises. The Lessee also will

provide at its expense any physical security it deems necessary for the privately-owned vehicles of its employees, contractor and subcontractors.

CONDITION 25

GENERAL PROVISIONS

25.1. Covenant Against Contingent Fees. The Lessee warrants that no person or agency has been employed or retained to solicit or secure this Lease upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide commercial agencies maintained by the Lessee for the purpose of securing business. For breach or violation of this warranty, the Government shall have the right to annul this Lease without liability, or in its discretion to require the Lessee to pay, in addition to the lease rental or consideration, the full amount of such commission, percentage, brokerage, or contingent fee.

25.2. Officials Not to Benefit. No Member of or Delegate to Congress or Resident Commissioner shall be admitted to any share or part of this Lease or to any benefit to arise therefrom, but this provision shall not be construed to extend to this Lease if made with a corporation for its general benefit.

25.3. Nondiscrimination. The Lessee shall use the Leased Premises in a nondiscriminatory manner to the end that no person shall, on the ground of race, color, religion sex, age, handicap or national origin, be excluded from using the facilities or obtaining the services provided thereon, or otherwise be subjected to discrimination under any program or activities provided thereon.

a. As used in this Condition 25, the term "facility" means lodgings, stores, shops, restaurants, cafeterias, restrooms, and any other facility of a public nature in any building covered by, or built on land covered by, this Lease.

b. The Lessee agrees not to discriminate against any person because of race, color, religion, disability, sex, or national origin in furnishing, or refusing to furnish, to such person the use of any facility, including all services, privileges, accommodations, and activities provided on the Leased Premises. This does not require the furnishing to the general public the use of any facility customarily furnished by the Lessee solely to tenants or to Air Force military and civilian personnel, and the guests and invitees of any of them.

25.4. Gratuities. The Government may, by written notice to the Lessee, terminate this Lease if it is found after notice and hearing, by the Secretary of the Air Force or duly authorized representative, that gratuities in the form of entertainment, gifts, or otherwise, were offered or given by the Lessee, or any agent or representative of the Lessee, to any officer or employee of the Government with a view toward securing an agreement or securing favorable treatment with respect to the awarding or amending, or the making of any determinations with respect to the performing of such agreement; provided that the existence of the facts upon which the Secretary of the Air Force or duly authorized representative makes such finding, shall be an issue and may be reviewed in any court of competent jurisdiction. In the event this Lease is so terminated, the Government shall be entitled to: (a) pursue the same remedies against the Lessee as it could pursue in the event of a breach of this Lease by the Lessee; and (b) a penalty in addition to any other damages to which it may be entitled by law, to exemplary damages in an amount (as determined by the Secretary of the Air Force or duly authorized representative) which shall be not less than three (3) nor more than ten (10) times the costs incurred by the Lessee in providing any such gratuities to any such officer or employee. The rights and remedies of the Government

provided in this Condition shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Lease.

25.5. No Joint Venture. Nothing contained in this Lease will make, or will be construed to make, the Parties hereto partners or joint venturers with each other, it being understood and agreed that the only relationship between the Government and the Lessee is that of landlord and tenant. Neither will anything in this Lease render, or be construed to render, either of the Parties hereto liable to any third party for the debts or obligations of the other Party hereto.

25.6. Records and Books of Account. The Lessee agrees that the Comptroller General of the United States or the Auditor General of the United States Air Force or any of their duly authorized representatives shall, until the expiration of three (3) years after the expiration or earlier termination of this Lease, have access to and the right to examine any directly pertinent books, documents, papers, and records of the Lessee involving transactions related to this Lease. The Lessee further agrees that any sublease of the Leased Premises (or any part thereof) will contain a provision to the effect that the Comptroller General of the United States or the Auditor General of the United States Air Force or any of their duly authorized representatives shall, until three (3) years after the expiration or earlier termination of this Lease, have access to and the right to examine any directly pertinent books, documents, papers, and records of the sublessee involving transactions related to the sublease.

25.7. Failure of Government to Insist on Compliance. The failure of the United States to insist in any one or more instances, upon strict performance of any of the terms, covenants or conditions of this Lease shall not be construed as a waiver or a relinquishment of the Government's rights to the future performance of any such terms, covenants or conditions, but the obligations of the Lessee with respect to such future performance shall continue in full force and effect.

25.8. Headings or Titles. The brief headings or titles preceding each condition are merely for purposes of identification, convenience, and ease of reference, and will be completely disregarded in the construction of this Lease.

25.9. Counterparts. This Lease is executed in three (3) counterparts, each of which is deemed an original of equal dignity with the other and which is deemed one and the same instrument as the other.

25.10. Personal Pronouns. All personal pronouns used in this Lease, whether used in the masculine, feminine or neuter gender, will include all other genders.

25.11. Entire Agreement. It is expressly agreed that this written instrument embodies the entire agreement between the Parties in writing and signed by each of the Parties hereto, regarding the use of the Leased Premises by the Lessee, and there are no understandings or agreements, verbal or otherwise, between the Parties except as expressly set forth herein. This instrument may only be modified or amended by mutual agreement of the Parties in writing and signed by each of the Parties hereto.

CONDITION 26

RESTRICTIONS ON USE OF LEASED PREMISES

26.1. The Lessee shall not install (nor permit its sublessees or licensees to install) any new drinking water or other wells in any location on the Leased Premises without the prior written approval of the Air Force. Notwithstanding the foregoing, qualified employees of Lessee (or any sublessee or licensee) or their environmental consultants may install groundwater

monitoring wells in support of site assessments or investigations in locations shown in Exhibit G-1 upon prior notice and written approval of the Air Force and the Remedial Project Managers appointed under the FFA.

26.2. The Lessee shall not conduct (or permit its sublessees or licensees to conduct) any subsurface excavation, digging, drilling or other disturbance of the surface at the locations specified in Exhibit G-1 hereto without the provision of notice to the Air Force, EPA and Cal/EPA in accordance with Condition 10.15 and the prior written approval of the Air Force in accordance with Condition 17.3. Requests for each approval will be made in accordance with Condition 17 of this Lease. Exhibit G-1 will be updated as appropriate. The Lessee will be provided a copy of the updated Exhibit G-1 within seven (7) days of the update completion.

26.3. The Lessee shall not occupy or conduct (or permit its sublessees or licensees to occupy or conduct) any activities in any facility or portion thereof as specified in the Basewide EBS, Section 3.4, Table 3-7 included in Exhibit D until such time as any damaged or deteriorated exposed friable asbestos existing in them has been remediated by the Government in accordance with Conditions 10.5 and 10.6.

26.4. The Lessee may use (or permit its sublessees or licensees to use) the areas identified in Exhibit G-1 subject to the limitations set forth in such exhibit.

26.5. The Lessee will minimize the destruction, loss, or degradation of wetlands found in the Leased Premises and identified in Exhibit G-2 ("Sensitive Habitats") hereto. Before locating new construction in jurisdictional wetlands, the Lessee shall find in writing that there is no practicable alternative for such new construction and that the construction includes all practicable measures to minimize harm to the wetlands from such use. In making that finding, the Lessee may take into account economic, environmental and other pertinent factors. In

addition, the Lessee shall provide an opportunity for early public review of any plan or proposal for new construction in jurisdictional wetlands. Before locating new construction in the jurisdictional wetlands, the Lessee shall contact the United States Army Corps of Engineers and obtain a permit or waiver under Section 404 of the Clean Water Act. For purposes of this Condition, the term "new construction" includes structures, facilities, draining, dredging, channelizing, filling, diking, impounding, and related activities.

26.6. The Lessee will consult with the Department of Agriculture, U.S. Fish and Wildlife Service ("USFWS") to determine if a mitigation/compensation package for endangered species habitat losses resulting from Lessee's development and operations is required. Pursuant to Section 7 of the Endangered Species Act, the Air Force will consult with the USFWS on the compensation package. The Lessee shall implement any mitigation/compensation package approved by the USFWS. Endangered or threatened species, and their habitats, located on the Leased Premises are identified in Exhibit G-2.

26.7. The National Historic Preservation Act ("NHPA") is the primary law governing actions affecting cultural resources. In compliance with NHPA, the Air Force conducted an architectural inventory and evaluation of George AFB, including the Leased Premises. The Air Force has completed its consultation with the California Historic Preservation Officer ("SHPO"). The California SHPO has concurred with the finding that there are no structures on George AFB eligible for listing in the National Register for Historic Places. As prior studies indicated there are no significant properties or paleontological resources on George AFB, reuse activities will not impact protected cultural resources. If such resources are identified in the future, the Lessee shall comply will all applicable laws regarding the impact of its activities on such resources.

CONDITION 27

GOVERNMENT REPRESENTATIVES AND THEIR SUCCESSORS

27.1. The Operating Location SM at George AFB, has been duly authorized to administer this Lease.

27.2. Except as otherwise specifically provided, any reference herein to "Site Manager" shall include his or her duly appointed successors and his or her authorized representatives.

CONDITION 28

AMENDMENTS

28.1 This Lease may be amended at any time by mutual agreement of the Parties in writing and signed by a duly authorized representative of each of the respective Parties hereto. Amendments to this Lease executed on behalf of the Air Force must be signed by an authorized representative of the Secretary of the Air Force.

CONDITION 29

EXHIBITS

29.1. Eight (8) exhibits are attached to and made a part of this Lease, as follows:

Exhibit A	Description of Leased Premises, Outstanding Easements and Rights-of-Way, and Personal Property
Exhibit B	Map of the Leased Premises
Exhibit C	Physical Condition Report and Personal Property Condition Report
Exhibit D	Environmental Condition Report
Exhibit E	Phasing of Responsibility for Functions and Services
Exhibit F	Application for Airport Public Benefit Transfer and Acceptance
Exhibit G	Restrictions on Use of Leased Premises
Exhibit H	Operating Agreement

CONDITION 30

REPORTING TO CONGRESS

30.1. Pursuant to the Defense Authorization Amendments and Base Closure and Realignment Act ("BCRA"), P. L. 100-526, this Lease is not subject to 10 U.S.C. § 2662.

IN WITNESS WHEREOF I have hereunto set my hand by authority of the Secretary of the Air Force this 29th day of April, 1994.

By: _____

JAMES F. BOATRIGHT

Title: Deputy Assistant Secretary of the Air Force (Installations)

STATE OF VIRGINIA
COUNTY OF ARLINGTON

On the ____ day of _____, 1994, before me, _____ the undersigned Notary Public, personally appeared _____, personally known to me to be the person whose name is subscribed to the foregoing Lease, and personally known to me to be the _____.

_____
Notary Public in and for said County and State

My commission expires _____

Albert F. Lowas
Witness

Witness

STATE OF VIRGINIA
COUNTY OF ARLINGTON

I, J. A. Anderson, Sr., a Notary Public for the county aforesaid, in the State of Virginia, do certify that the execution of the writing above bearing the date on 29th day of April 1994 by James F. Boatright, whose name is signed thereto, was proved before me in my county aforesaid, by the evidence on oath of Albert F. Lowas and Derence V. Fivehouse, subscribing witnesses to said writing.

Given under my hand this 12th day of May 1994.

_____
Notary Public in and for said County and State

Embossed Hereon Is My
Commonwealth of Virginia Notary Public Seal
My Commission Expires July 31, 1997
J. A. ANDERSON, SR.

EXHIBIT "A-2"

Economic Development Conveyance (EDC)

AMENDMENT NO. 1
TO ECONOMIC DEVELOPMENT CONVEYANCE AGREEMENT
BETWEEN THE DEPARTMENT OF THE AIR FORCE AND
THE VICTOR VALLEY ECONOMIC DEVELOPMENT AUTHORITY

THIS AMENDMENT NO. 1 (herein "Amendment No. 1") is dated as of Sept. 13, 2000, and is entered into by and between the Secretary of the Air Force, on behalf of the United States of America ("Air Force" or "Grantor") and the Victor Valley Economic Development Authority (hereinafter referred to as "Redevelopment Authority" or "Grantee", or "VVEDA").

R E C I T A L S

WHEREAS, the Air Force and the Grantee previously entered into that certain Economic Development Conveyance Agreement (the "EDC Agreement") dated as of September 26, 1996 pertaining to an Economic Development Conveyance of certain portions of former George Air Force Base ("GAFB"); and

WHEREAS, in 1988, the Defense Base Closure and Realignment Commission recommended that GAFB be closed, which closure has occurred, and in response to the closure several of the local communities adjacent and in proximity to GAFB deemed it desirable to form the Joint Powers Authority now known as VVEDA; and

WHEREAS, VVEDA was established under California Government Code Section 6500 et. seq. and was formed pursuant to the provisions of a certain joint exercise of powers agreement, as amended (the "Fourth Amended Joint Exercise of Powers Agreement"); and

WHEREAS, the Fourth Amended Joint Exercise of Powers Agreement provides that VVEDA has, amongst its other powers, the power to enter into and execute contracts and leases for real and personal property; and

WHEREAS, in accordance with the terms of the Fourth Amended Joint Exercise of Powers Agreement, VVEDA has delegated its decision making authority and its rights and obligations with respect to GAFB to the Southern California Logistics Airport Authority (the "Authority") which now has the authority to enter into and execute lease transactions and sale and disposition transactions on behalf of VVEDA pertaining to GAFB; and

WHEREAS, the Air Force and VVEDA have previously entered into a certain Department of Air Force Lease pertaining to an Economic Development Conveyance transfer of portions of GAFB designated as Parcels B, D, F, G, H and J and the Railroad Right-Of-Way which is designated as Parcel 2 (the "Lease") which Lease was dated as of June 19, 1996; and

WHEREAS, the Authority and the Air Force have previously entered into negotiations with the United States Department of Justice in order to arrive at a compromise of the prior Economic Development Conveyance transaction and therefore the Parties hereto deem it desirable to enter into this Amendment No. 1 to reflect the agreements reached between the Air Force and VVEDA as a result of said negotiations.

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION THE GRANTOR AND GRANTEE HEREBY AGREE AS FOLLOWS:

Section 1. The text of the EDC Agreement between the Department of the Air Force and the Victor Valley Economic Development Authority is incorporated into this Amendment No. 1 by this reference.

Section 2. The Grantor and Grantee hereby mutually acknowledge and agree that as of the date of this Amendment No. 1 the EDC Agreement is in full force and effect and that no default or breach exists thereunder.

Section 3. This Amendment No. 1 shall take effect when the authorized representatives of the Grantor and Grantee have executed this Amendment No. 1 at the places indicated below. This Amendment No. 1 may be executed by Grantor and Grantee in counterparts.

Section 4. Section 1 of the EDC Agreement is hereby amended such that the amount of the Promissory Note set forth and described therein shall be equal to One Million Six Hundred Seventy Three Thousand Six Hundred Sixty Five Dollars ($1,673,665).

Section 5. Section 3 of the EDC Agreement is hereby amended such that the amount described in Section 3 shall be One Million Six Hundred Seventy Three Thousand Six Hundred Sixty Five Dollars ($1,673,665).

Section 6. A new Section 7.4 is added to the EDC Agreement to read as follows:

"Section 7.4. Notwithstanding the foregoing the Redevelopment Authority may assign this EDC Agreement and all of Grantee's rights and obligations hereunder to the Southern California Logistics Airport Authority (the "SCLAA") which upon such assignment shall assume all of the rights and obligations of Grantee under this EDC Agreement and the Amended Loan Documents.

Section 7. Except as amended by Sections 4, 5 and 6 of this Amendment No. 1, the other provisions of the EDC Agreement shall remain in full force and effect for the term of the EDC Agreement. To the extent there are any inconsistencies between this Amendment No. 1 and the EDC Agreement, the provisions of this Amendment No. 1 shall control.

THIS AMENDMENT NO. 1 is dated as of September 13, 2000 and has been executed by the authorized representatives of the parties on the dates indicated below.

UNITED STATES OF AMERICA

BY: _____
ALBERT F. LOWAS, JR., Director,
Air Force Base Conversion
Agency

Witnessed by:

_____

VICTOR VALLEY ECONOMIC
DEVELOPMENT AUTHORITY
(the "Authority")

Date: 10/25/00

By: _____

ATTEST: _____
Mary Diendorf
Secretary

SCAA/0001/DOC/024.2
8/23/00 3:15 ew

ECONOMIC DEVELOPMENT CONVEYANCE AGREEMENT

BETWEEN THE DEPARTMENT OF THE AIR FORCE

AND THE VICTOR VALLEY ECONOMIC DEVELOPMENT AUTHORITY

THIS AGREEMENT is made between the Secretary of the Air Force, on behalf of the United States of America ("Air Force " or "Grantor") and the Victor Valley Economic Development Authority, a separate legal entity established pursuant to a joint powers agreement by and among the County of San Bernardino, the Cities of Victorville and Hesperia, and the Town of Apple Valley pursuant to the laws of the State of California and recognized by the Secretary of Defense as the Local Redevelopment Authority for the communities in the vicinity of George Air Force Base ("Redevelopment Authority" or "Grantee"). The Air Force and the Redevelopment Authority may be referred to jointly as the "parties" or separately as a "party."

RECITALS

A. George Air Force Base ("AFB") was closed as an active military installation on December 15, 1992, pursuant to the Defense Base Closure and Realignment Act of 1988, Pub. L. No. 100-526 ("BCRA) as amended.

B. The closure of George AFB, without other economic redevelopment, will cause economic hardship for the communities in the vicinity of George AFB.

C. It is in the interest of the United States that the Department of Defense facilitate the economic recovery of communities that experience adverse economic circumstances as a result of the closure or realignment of military installations under the BCRA. To encourage such redevelopment, Congress enacted the "Pryor Amendments" (Title XXIX of the National Defense Authorization Act for Fiscal Year 1994), Pub. L. No. 103-160, which provides for Economic Development Conveyances ("EDCs") of property on military installations closed under the BCRA.

D. The Victor Valley Economic Development Authority has been recognized as a "Redevelopment Authority" by the Secretary of Defense and has requested an EDC of the property described on Exhibit A, attached hereto. The property described in Exhibit A may be referred to as the "EDC Premises.

E. The Air Force reviewed the Redevelopment Authority's request for the EDC and prepared explanations required by Section 2903, Pub. L. No. 103-160. The Secretary of the Air Force has determined that the requested EDC will facilitate the reutilization or redevelopment of George AFB in a beneficial manner or of otherwise revitalizing the impacted communities and the economies of such communities. The Air Force has completed its Environmental Impact Analysis Process and on April 11, 1996, issued a Supplemental Record of Decision supporting the Redevelopment Authority's requested EDC subject to the terms and conditions set forth in this Agreement.

F. The Air Force is required to take all remedial action necessary to protect human health and the environment with respect to hazardous substances remaining on the EDC Premises as required by Section 120(h)(3)(B) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA) (42 U.S.C. § 9620(h)(3)(B)) before the EDC Premises can be conveyed by deed. Such action has not been completed and the EDC Premises cannot yet be conveyed by deed.

G. The Secretary of the Air Force, under the authority contained in 10 U.S.C. § 2667, has determined that leasing the EDC Premises pending the final disposition of the real and personal property will serve a public interest by facilitating the reutilization or redevelopment of George AFB in a beneficial manner or of otherwise revitalizing the impacted communities and the economies of such communities.

NOW, THEREFORE, the Parties hereby covenant and agree as follows:

1. Entire Agreement. This Agreement, which includes (i) the related lease agreement attached hereto as Appendix 1 ("Related Lease"), (ii) the promissory note in the principal amount of $28,000,000.00 (TWENTY-EIGHT MILLION DOLLARS) made by the Redevelopment Authority to the order of the Air Force, attached hereto as Appendix 2 ("Promissory Note"), (iii) the deed of trust, with assignment of rents and fixture filing, encumbering the EDC Premises, attached hereto as Appendix 3 ("Deed of Trust"), all of which to be executed contemporaneously with this Agreement, and (iv) the form of the quitclaim deed attached hereto as Appendix 4 ("Quitclaim Deed") shall constitute the entire agreement between the Redevelopment Authority and the Air Force unless modified in writing signed by both parties. The Related Lease, the Promissory Note, the Deed of Trust and the Quitclaim Deed are collectively referred to herein as the "Loan Documents."

2. Condition of EDC Premises. Subject to the provisions of Recital F, above, it is understood and agreed that the EDC Premises will be transferred "as is" and "where is," without any warranty or guarantee, express or implied, of any kind or nature, except as otherwise expressly stated in this Agreement, and the Air Force shall not be responsible for any liability to the Redevelopment Authority or third persons arising from such condition of the EDC Premises. The failure of the Redevelopment Authority to inspect fully the EDC Premises or to be fully informed as to the condition thereof will not constitute grounds for any noncompliance with the terms of this Agreement.

3. Contract for Transfer of EDC Premises. It is the intent of the Redevelopment Authority and the Air Force that this Agreement will constitute a contract for the transfer of the EDC Premises described in Exhibit A to the Redevelopment Authority for TWENTY-EIGHT MILLION DOLLARS ($28,000,000.00), setting forth the terms and conditions to be included in the deed and other instruments effecting the final disposition of the EDC Premises. Upon compliance with the requirements of CERCLA § 120(h)(3)(B) and other applicable legal and policy requirements, the Air Force will, by one or more quitclaim deeds incorporating the applicable terms and conditions as set out in this Agreement, as specifically set out in Appendix 4, and any other reservations, restrictions, easements, and exceptions, required by law or pursuant to this Agreement, convey to the Redevelopment Authority all of its right, title and interest in and to the EDC Premises, and the Redevelopment Authority will accept the conveyance or conveyances. The terms and conditions of the consideration to be paid for this EDC are set forth in the Promissory Note and Deed of Trust at Appendixes 2 and 3.

4. Tender of Conveyance. Upon compliance with the applicable requirements of CERCLA § 120(h), the Air Force will tender conveyance of the EDC Premises or any identifiable portion of the EDC Premises to the Redevelopment Authority. Upon the Air Force's tender of conveyance of any such property, the Redevelopment Authority shall promptly accept the tender. Notwithstanding the foregoing, at the Redevelopment Authority's request, the Air Force, in its discretion, may agree to defer any conveyance or conveyances for a reasonable period of time in order to create reasonably compact and economically useful parcels. Such deferral shall not extend beyond the date when the requirements of CERCLA § 120(h) have been satisfied as to the entire EDC Premises. Failure of the Redevelopment Authority to accept the proper tender of a deed to any portion of the EDC Premises under this condition shall be deemed to be a breach of this Agreement, and the Air Force may exercise any of the remedies for breach or default set forth in this Agreement or otherwise provided by law. Following the exercise of its available remedies, the Air Force may make the EDC Premises available for negotiated or public sale in accordance with the terms of the Federal Property and Administrative Services Act of 1949 or other applicable law.

5. Conditions of Possession prior to Conveyance. Upon execution of this Agreement, the Redevelopment Authority may, upon execution of the Related Lease, immediately enter into possession of the EDC Premises and use, operate, and maintain the same subject to, and in accordance with, the terms and conditions herein and the Related Lease. In addition, for the period prior to final disposition of the EDC Premises by deed conveying legal title to the Redevelopment Authority, the exercise of the right of immediate possession shall be subject to and in accordance with the additional terms and conditions contained in subsections 5.1 to 5.6 inclusive. In the event of any inconsistency between the provisions of subsections 5.1,5.2,5.3, 5.4,5.5 or 5.6 of this Agreement and any provisions of the Related Lease, the provisions of the Related Lease will control.

5.1. Limitation on Major Structural Changes. The Redevelopment Authority shall be responsible for all costs associated with any major structural change or changes, including those made prior to conveyance by deed. Such additions or improvements shall be subject to all terms and conditions of this Agreement. The Redevelopment Authority agrees, to the extent permitted by applicable law, to indemnify and hold the Air Force harmless from mechanics' and materialmen's liens arising from any additions, improvements, or alterations effected by the Redevelopment Authority.

5.2. Right of Inspection. For the duration of this Agreement, the Air Force or its designated representatives shall have the right to inspect the EDC Premises at all times upon reasonable notice.

5.3. Claim for Damages. The Redevelopment Authority agrees to indemnify, save and hold harmless the United States to the extent allowable under applicable law, against and from any and all claims for damages which may arise from, or in connection with, the privileges herein granted, excepting claims for injuries or death to persons caused by the gross negligence or willful misconduct of the officers, employees, or agents of the Air Force without contributory fault on the part of any person, firm or corporation.

5.4. Payment of Charges Due. The Redevelopment Authority shall assume responsibility for the payment of all taxes and assessments and public utility charges becoming due on the EDC Premises from the date of its entering into possession of the EDC Premises.

5.5. Violation or Neglect of Contract. If the Redevelopment Authority violates or neglects to perform any of the terms or conditions of this Agreement (i) prior to the delivery of a deed conveying title to any portion of the EDC Premises, it will, if required by the Air Force, vacate the EDC Premises, but subject to the rights of Sublessees under the Related Lease, or (ii) prior to the delivery of the Deeds conveying title to all of the EDC Premises to be conveyed, it will, if required by the Air Force, vacate that portion of the EDC Premises which remains encumbered by the Deed of Trust, but subject to the rights of Sublessees under the Related Lease, and, in either event, the Redevelopment Authority, if required by the Air Force, shall remove all property of the Redevelopment Authority therefrom and restore the land, improvements, facilities, and equipment included therein to as good condition on such date of expiration or relinquishment as when received, ordinary wear and tear excepted and subject to the rights of the Sublessees. If the Redevelopment Authority shall fail or neglect to remove such property and to restore the land, improvements, facilities, and equipment included therein, then, at the option of the Air Force, such property shall either become the property of the United States without compensation therefor, or the Air Force may cause such property to be removed and the land, improvements, facilities, and equipment included therein to be so restored at the expense of the Redevelopment Authority, and no claim for damage against the United States or its officers, employees, or agents shall be created by, or made on account of, such removal and restoration.

5.6. When United States Property is Unaccounted For. If, upon removal of the Redevelopment Authority from the EDC Premises prior to its acceptance of delivery of the instruments of transfer conveying title to the EDC Premises, any property, real or personal (other than unsalable supplies and maintenance materials), of the United States is unaccounted for, the Redevelopment Authority shall make replacement to the satisfaction of the Air Force, or in lieu of such replacement, the Redevelopment Authority shall, if so required by the Air Force, pay to the United States money in an amount sufficient to compensate for the loss sustained by the United States or any of its agencies.

6. Conveyance of Personal Property. Upon conveyance of any portion of the EDC Premises by Related Lease to the Redevelopment Authority, Personal Property associated with the EDC Premises shall be conveyed to the Redevelopment Authority by Bill of Sale executed concurrently with such Related Lease.

7. Prohibition Of Certain Transactions. The consideration provisions set forth in the Loan Documents require the Redevelopment Authority to share the revenues generated from leases of the EDC Premises. The Redevelopment Authority shall enter into such leases of the EDC Premises only through negotiations intended to result in bona fide offers to lease at the highest price or rent feasible under the circumstances existing at the time of the transaction. Such transactions shall not be designed to, or have the effect of, circumventing the Air Force's recovery of its share of revenues, provided, however, that nothing in this condition shall preclude the use of economic incentives in such transactions as long as such incentives are arrived at between the Redevelopment Authority and its lessees, through good faith, arms-length negotiations. Such leases must be in conformance with Air Force-approved criteria. The determination of the Air Force as to the propriety of such transaction shall be conclusive, absent fraud or misrepresentation by the Redevelopment Authority. In addition, the following specific provisions shall apply:

7.1. Without the prior written approval of the Air Force, or its designee, the Redevelopment Authority shall not sell or lease or otherwise transfer any interest in real property in any portion of the EDC Premises to any person, corporation, public body, or other transferee, if any employee, officer, board member, or other person in a position of trust or responsibility within the Redevelopment Authority's organization, or family member thereof, has any ownership interest in the person, corporation, public body, or other transferee to which any interest of the EDC Premises may be transferred.

7.2. Should the Redevelopment Authority violate any provision of this condition, the Air Force may, at its option, nullify the violating transaction, require the Redevelopment Authority to account for the transaction as if it had occurred at appraised fair market value, or declare this Agreement in breach and exercise any available remedies set forth in this Agreement or otherwise provided by law.

7.3. Should the Redevelopment Authority sell or lease or otherwise transfer any interest in real property in any portion of the EDC Premises to any agency, public body, municipal corporation, or other public agency which is represented in the organization of the Redevelopment Authority, the consideration for the sale, lease or other transfer of any interest in real property in any portion of the EDC Premises transfer must be for the fair market value or greater, unless approved in writing by the Air Force, which approval shall not be unreasonably withheld.

8. Accounting and Audits.

8.1. In order to verify compliance with the terms and conditions of this Agreement regarding consideration, the Redevelopment Authority, or its successors or assigns, shall submit rent rolls, certified as accurate by the appropriate official within the Redevelopment Authority, for each facility located on the EDC Premises indicating the amount of gross rents received by the Redevelopment Authority during the prior month, which report shall be delivered on or before the 15th day after the end of the calendar month. Such certified rent roll shall be in a form consistent with commercial transactions and shall include, at a minimum, the identity of the rental facility or unit, the name of each renter, the monthly rent collected and delinquencies, if any.

8.2. Records and Books of Account. The Redevelopment Authority agrees that the Comptroller General of the United States or the Auditor General of the United States or the Auditor General of the United States Air Force or any of their duly authorized representatives shall, until the expiration of three (3) years after the expiration or earlier termination of this Agreement, have access to and the right to examine any directly pertinent books, documents, papers, and records of the Redevelopment Authority involving transactions related to this Agreement. The Redevelopment Authority further agrees that any sale, lease, or other transfer of any interest in the EDC Premises (or any part thereof will contain a provision to the effect that the Comptroller General of the United States or the Auditor General of the United States Air Force or any of their duly authorized representatives shall, until three (3) years after the expiration or earlier termination of this Agreement, have access to, and the right to examine, any directly pertinent books, documents, papers, and records of the grantee, lessee, assignee or other successor involving transactions related to the transfer of any interest in the EDC Premises or any part thereof.

9. Presence of Asbestos. The EDC Premises are improved with buildings and facilities and equipment that may contain asbestos-containing materials. The Environmental Baseline Survey, a copy of which the Redevelopment Authority acknowledges having received, discloses the condition and known locations of any asbestos-containing materials.

WARNING!

9.1. The EDC Premises contain asbestos-containing materials. Unprotected or unregulated exposure to asbestos in product manufacturing, shipyard, and building construction workplaces has been associated with asbestos-related diseases. Both the Occupational Safety and Health Administration (OSHA) and the Environmental Protection Agency (EPA) regulate asbestos because of the potential hazards associated with exposure to airborne asbestos fibers. Both OSHA and EPA have determined that such exposure increases the risk of asbestos-related diseases, which include certain cancers and which can result in disability or death.

9.2. The Redevelopment Authority has been invited, urged, and cautioned to inspect the EDC Premises prior to submitting its application for an EDC. More particularly, the Redevelopment Authority was invited, urged and cautioned to inspect the EDC Premises as to its asbestos content and condition and any hazardous or environmental conditions relating thereto. The Air Force has assisted the Redevelopment Authority in obtaining any authorizations which may have been required in order to carry out any such inspections. The Redevelopment Authority shall be deemed to have relied solely on its own judgment in assessing the overall conditions of all or any portion of the EDC Premises, including, without limitation, any asbestos hazards or concerns.

9.3. No warranties, either express or implied, are given with regard to the condition of the EDC Premises including, without limitation, whether the EDC Premises do or do not contain asbestos or are or are not safe for a particular purpose. The failure of the Redevelopment Authority to inspect or to be fully informed as to the condition of all or any portion of the EDC Premises will not constitute grounds for any claim or demand for adjustment or withdrawal by the Redevelopment Authority from this Agreement or rejection of the Air Force's tender of any deed pursuant hereto.

9.4. The description of the EDC Premises set forth in this Agreement and any other information provided therein with respect to the EDC Premises is based on the best information available to the Air Force and is believed to be correct, but an error or omission, including, but not limited to, the omission of any information available to the Air Force or any other Federal agency, shall not constitute grounds or reason for nonperformance of this Agreement or any claim by the Redevelopment Authority against the Air Force including, without limitation, any claim for allowance, refund, deduction, or payment of any kind. The Air Force will, at no expense to it, cooperate in executing and delivering quitclaim deeds necessary to convey omitted land intended to be included in the EDC Premises and to correct any description of the EDC Premises.

9.5. The Air Force assumes no liability for damages for personal injury, illness, disability, or death to the Redevelopment Authority or to the Redevelopment Authority's successors, assigns, employees, invitees, or any other person subject to the Redevelopment Authority's control or direction, or to any other person, including members of the general public, arising from or incident to the purchase, transportation, removal, handling, use, disposition, or other activity causing or leading to contact of any kind whatsoever with asbestos on the EDC Premises, whether the Redevelopment Authority, its successors or assigns, has or have properly warned or failed properly to warn the individual(s) injured.

9.6. The Redevelopment Authority further agrees that in its use and occupancy of the EDC Premises it will comply with all applicable Federal, State, interstate, and local laws relating to asbestos.

10. Presence of Lead-based Paint. The EDC Premises includes improvements that are presumed to contain lead-based paint because they are thought or known to have been constructed before 1978. The risks associated with lead-based paint are summarized in the Lead Warning Statement at Appendix 5. The deed or deeds conveying the EDC Premises to the Redevelopment Authority will contain a covenant to insure that the lead-based paint poisoning prevention requirements imposed by Title 24, Code of Federal Regulations, Part 35, are met before any use of the property for residential habitation or by children under seven (7) years of age.

11. Protection of Wetlands. If any portions of the EDC Premises are subsequently determined to be jurisdictional "wetlands" by the United States Army Corps of Engineers or the U.S. Environmental Protection Agency, all construction on those portions of the EDC Premises must comply with WETLAND CONSTRUCTION RESTRICTIONS contained in Title 33, Code of Federal Regulations, Sections 320 through 330, as amended, and any other applicable Federal, State, interstate or local wetlands regulations.

12. Hold Harmless. The Redevelopment Authority and any subsequent grantee, lessee, assignee, or other successor in interest to the EDC Premises or any subdivision thereof, shall, to the extent permitted under applicable law, indemnify, save, and hold harmless the United States from any damages, costs, expenses, liabilities, fines, or penalties resulting from releases, discharges, emissions, spills, storage, disposal of, or any other acts or omissions related to any toxic or hazardous wastes, substances, or materials, or petroleum or petroleum derivatives by the Redevelopment Authority and any subsequent lessee, grantee, assignee, or other successor in interest to the EDC Premises or any subdivision thereof, their officers, agents, employees, contractors, or sublessees or licensees, or the invitees of any of them, giving rise to Air Force liability, civil or criminal, or responsibility under Federal, State, interstate or local environmental laws. This condition shall survive the expiration or termination of this Agreement, and the obligations hereunder of the Redevelopment Authority and any subsequent grantee, lessee, assignee, or other successor in interest to the EDC Premises or any subdivision thereof shall apply whenever the Air Force incurs costs or liabilities for the Redevelopment Authority's actions of the types described in this Section 12.

13. Environmental Cleanup Liability. Notwithstanding any other provision of this Agreement, the Redevelopment Authority and its successors do not hereby assume any liability or responsibility for environmental impacts and damage caused by the Air Force's use of toxic or hazardous wastes, substances, or materials, or petroleum or petroleum derivatives, on any portion of George AFB, including the EDC Premises. The Redevelopment Authority and its successors have no obligation under this Agreement to undertake the defense of any claim or action, whether in existence now or brought in the future, solely arising out of the use of or release of any toxic or hazardous wastes, substances, or materials, or petroleum or petroleum derivatives, on or from any part of George AFB, including the EDC Premises, prior to the earlier of the first day of the Redevelopment Authority's occupation or use of each such portion of or such building, facility or other improvement on the EDC Premises under any lease entered into between the Parties on the date of this Agreement.

13.1. For the purposes of this condition, "defense" or "environmental response, remediation, or cleanup" include liability and responsibility for the costs of damage, penalties, legal and investigative services relating to such use or release. "Occupation" or "use" shall mean any activity or presence (including preparation and construction) in or upon such portion of, or such building, facility or other improvement on the EDC Premises.

13.2. This condition does not relieve the Redevelopment Authority and its successors of any obligation or liability they might have or acquire with regard to third parties or regulatory authorities by operation of law.

13.3. The Air Force recognizes and acknowledges its obligations under Section 330 of the National Defense Authorization Act, 1993, P. L. 102-484, as amended, which provides for indemnification of certain transferees of closing defense property. In accordance with Section 330, The Secretary of Defense shall hold eligible parties harmless, and defend and indemnify them in full from and against any suit, claim, demand or action, liability, judgment, cost or other fee arising out of any claim for personal injury or property damage (including death, illness, or loss of or damage to property or economic loss) that results from, or is in any way predicated upon, the release or threatened release of any hazardous substance, pollutant, or contaminant, or petroleum or petroleum derivative, as a result of Department of Defense activities at any military installation (or portion thereof) that is closed pursuant to a base closure law.

13.4. This condition shall survive the termination of this Agreement.

14. Risk of Loss. From the time this Agreement is executed, and except as otherwise provided above, the Redevelopment Authority shall bear all risks and shall bear any and all losses sustained by reason of damage due to casualty that may be suffered by the EDC Premises and shall bear any and all losses associated therewith, subject to the provisions of the Related Lease and Deed of Trust regarding use of insurance proceeds. Notwithstanding any such losses or damage, each and all of the provisions of this Agreement shall remain unimpaired and in full force and effect.

15. Covenant Against Contingent Fees. The Redevelopment Authority warrants that no person or selling agency has been employed or retained to solicit or secure acceptance of this Agreement upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or established commercial or selling agencies maintained by the Redevelopment Authority for the purpose of securing business. For breach or violation of this warranty, the Air Force shall have the right to annul this Agreement without liability, or in its discretion, to require the Redevelopment Authority to pay to it the full amount of such commission, percentage, brokerage, or contingent fee.

16. Disputes.

16.1. Except as otherwise provided in this Agreement, any dispute concerning a question of fact arising under this Agreement which is not disposed of by agreement shall be decided by the Director, AFBCA, or his successor in function. The Director, AFBCA, shall reduce the decision to writing and mail or otherwise furnish a copy to the Redevelopment Authority. The decision of the Director, AFBCA, shall be final and conclusive unless, within thirty (30) days from the date of receipt of such copy, the Redevelopment Authority mails or otherwise furnishes to the Director, AFBCA, a written appeal addressed to the Secretary of the Air Force. The decision of the Secretary or the Secretary's duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence. In connection with any appeal proceeding under this condition, the Redevelopment Authority shall be afforded an opportunity to be heard and to offer evidence in support of its appeal. Pending final decision of a dispute hereunder, the Redevelopment Authority shall proceed diligently with the performance of the Agreement in accordance with the decision of the Director, AFBCA.

16.2. In the alternative, before proceeding under subsection 16.1, either party may choose to submit the dispute to arbitration pursuant to the Administrative Disputes Resolution Act ("Act"), 5 U.S.C. §§ 571-583, as amended, by giving notice to the other party.

16.2.1. Within fifteen (15) days following receipt of notice, the receiving party shall submit to the other party the names of three arbitrators, experienced in the field of the matter of dispute, selected from a roster maintained by the Federal Mediation and Conciliation Service or any comparable organization. The initiating party will then have fifteen (15) days to select one of the three arbitrators and provide notice to the receiving party of the selected arbitrator. The initiating party will promptly notify the arbitrator of the selection and arrange for his employment jointly by the parties.

16.2.2. The arbitrator will arbitrate the dispute according to the Act and any rules of the American Arbitration Association not in conflict with the Act or any other Federal statute. The arbitrator will convene the arbitration hearing within fifteen (15) days after being hired and render a decision within thirty (30) days after the hearing unless both parties agree to an extension of time. The Air Force and the Redevelopment Authority agree to share the costs of the arbitrator equally, subject to the availability to the Air Force of appropriated funds.

16.2.3. Pending final decision of a dispute hereunder, the Redevelopment Authority shall proceed diligently with the performance of the Agreement in accordance with the decision of the Director, AFBCA.

16.2.4. Pursuant to the Act, the authority of a Federal agency to use dispute resolution proceedings under the Act shall terminate on October 1, 1995, as to disputes arising on or after that date; however, consistent with the Act, the Air Force may elect to continue then pending dispute resolution proceedings. If authority to use alternative dispute resolution is not reenacted, this clause shall be of no force and effect on and after October 1, 1995, except to the extent the Air Force has elected to continue a then pending dispute resolution proceeding. If the Act is extended or reenacted in modified form, but continues to authorize alternative dispute resolution by Federal agencies, the provisions of this Agreement shall be deemed to be modified to be consistent with the amended statutory procedures.

16.2.5. In the event an arbitration award is made which is contrary to the Air Force's position and the Secretary of the Air Force subsequently vacates the award pursuant to 5 U.S.C. § 580(c), the Redevelopment Authority may proceed, by agreement of the parties hereby entered, pursuant to subsection 16.1. In such case, the evidence, positions of the parties, and the arbitrator's decision shall not be admissible or considered in any proceedings under subsection 16.1 or any subsequent judicial proceedings.

16.3. This subsection does not preclude consideration of questions of law in connection with decisions provided for in subsection 16.1. Nothing in this subsection, however, shall be construed as making final the decision of any administrative official, representative or board on a question of law.

17. Officials Not to Benefit. No Member of or Delegate to Congress or Resident Commissioner shall be admitted to any share or part of this Agreement or to any benefit to arise therefrom. This provision shall not be construed to extend to this Agreement if made with a corporation for its general benefit.

18. Gratuities. The Air Force may, by written notice to the Redevelopment Authority, terminate this Agreement if it is found after notice and hearing, by the Secretary of the Air Force, or the Secretary's duly authorized representative, that gratuities in the form of entertainment, gifts, or otherwise, were offered or given by the Redevelopment Authority, or any agent or representative of the Redevelopment Authority, to any officer or employee of the Air Force with a view toward securing an agreement or securing favorable treatment with respect to the awarding or amending, or the making of any determinations with respect to the performing of such agreement; provided that the existence of the facts upon which the Secretary of the Air Force or the Secretary's duly authorized representative makes such finding, shall be an issue and may be reviewed in any competent court. In the event this Agreement is so terminated, the Air Force shall be entitled to pursue the same remedies against the Redevelopment Authority as it could pursue in the event of a breach of this Agreement by the Redevelopment Authority, and as a penalty in addition to any other damages to which it may be entitled by law, to exemplary damages in an amount as determined by the Secretary of the Air Force or the Secretary's duly authorized representative which shall be not less than three nor more than ten times the costs incurred by the Redevelopment Authority in providing any such gratuities to any such officer to employee. The rights and remedies of the Air Force provided in this condition shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

19. No Joint Venture. Nothing contained in this Agreement will make, or will be construed to make, the parties hereto partners or joint venturers with each other, it being understood and agreed that the only relationship between the Air Force and the Redevelopment Authority is that of landlord and tenant, and lender and borrower. Neither will anything in this Agreement render, or be construed to render, either of the parties hereto liable to any third party for debts or obligations of the other party hereto.

20. Failure of the Air Force to Insist on Compliance. The failure of the Air Force to insist in any one or more instances upon strict performance of any of the terms, covenants or conditions of this Agreement shall not be construed as a waiver or a relinquishment of the Air Force's rights to the future performance of any such terms, covenants or conditions, but the obligations of the Redevelopment Authority with respect to such future performance shall continue in full force and effect.

21. Attorneys' Fees. If either party files any action or brings any proceeding against the other arising from this Agreement, then as between the parties, the prevailing party shall be entitled to recover as an element of its costs of suit, and not as damages, reasonable attorney fees to be fixed by the court. The "prevailing party" shall be the party who is entitled to recover its costs of suit, whether or not suit proceeds to final judgment. A party not entitled to recover its costs shall not recover attorney fees. No sum for attorney fees shall be included in calculating the amount of a judgment for purposes of deciding whether a party is entitled to its costs or attorney fees. All references to "attorneys' fees" in this Agreement shall include without limitation such amounts as may then be charged to such party for legal services furnished by attorneys in the employ of such party, at rates not exceeding those that would be charged by outside attorneys for comparable services.

22. Planning and Development Activities. The Air Force is aware that the Redevelopment Authority is acquiring the EDC Premises for development. Accordingly, the Air Force agrees that it shall cooperate reasonably with the Redevelopment Authority and sign such documents and undertake such other acts, so long as such can be completed without incurring costs or liability, as are necessary for the Redevelopment Authority to complete the planning, zoning and development of the EDC Premises, the resale and marketing of any portion of the EDC Premises, and the formation and operation of special districts, metropolitan districts and other quasi-governmental entities organized for the purpose of providing infrastructure facilities and services to or for the benefit of the EDC Premises.

22.1. The Air Force consents to the inclusion of any portion of the EDC Premises within the boundaries of any special district, metropolitan district, or other political subdivision of the State of California, or other entity organized and operated for the purposes of providing infrastructure facilities or services to or for the benefit of the EDC Premises and empowered to issue bonds or other obligations under the laws of the State of California.

22.2. The Air Force consents to the zoning, masterplanning, subdivision, or other similar land use approval or proceeding initiated or otherwise approved by the Redevelopment Authority and relating to any portion of the EDC Premises, provided, however that any such land use development activities shall be approved by the Board of Directors of the Redevelopment Authority under the Redevelopment Plan and shall not be inconsistent with the Record of Decision.

22.3. Nothing in this Section 22 shall be construed as consent by the Air Force, or its successor, to permit or participate in any action by the Redevelopment Authority which would in any way impair the Air Force's security interest in the EDC Premises or Related Lease.

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23. Temporary Retention of Facilities by the United States. The United States shall retain possession and control and shall be solely responsible for the protection and maintenance of Building 605 and the adjoining parking lot, and Rooms # 219, 220, 224, 229, 237, 239 - 243, 245 - 250, 252, 256, 257, 261, 262, and all restrooms on the second floor, in Building 321 and twenty parking spaces in the adjoining parking lot, as more fully described in Exhibit C, until such time as the Redevelopment Authority shall procured a fair market value rent lessee for such areas. At such time, and upon 30 days written notice, the United States shall, at its own expense, relocate all operations and personnel to Builidng 701. The Redevelopment Authority shall enter into a standard GSA lease with the United States for Building 701 and the adjoining parking lot with an initial term of five years, renewable at the option of the United States, at no cost. If, prior to the expiration of any lease with the United States, the Redevelopment Authority shall procure a fair market value rent lessee for such property and desires the United States to vacate such property it shall provide substitute space on George AFB of equal size and quality under the same terms and conditions as applied to the lease of Building 701 and shall reimburse the United States for all reasonable costs associated with such relocation. However, in no case shall the United States be requested to relocate prior to its having occupied Building 701 for one year. The conditions governing the United States access to and use of such facilities are set forth in the Operating Agreement at Appencix 6.

24. Cross-Collateralization: Merger. Any default by the Redevelopment Authority under this Agreement shall constitute an event of default under the other Loan Documents, and any default by the Redevelopment Authority as a party under any of the other Loan Documents shall constitute an event of default under this Agreement. Upon the conveyance of any portion of the EDC Premises to the Redevelopment Authority by deed in accordance with this Agreement, the leasehold interest of the Redevelopment Authority under the Related Lease shall merge into the fee interest of the Redevelopment Authority in such part of the EDC Premises so conveyed, and the Related Lease shall terminate as to such parts, provided however, that such conveyance and termination of the Related Lease shall not effect a release of the lien of the Deed of Trust on any such part unless and until the requirements of the reconveyance provisions of the Deed of Trust have been fully satisfied.

25. Headings or Titles. The brief headings or titles which may precede sections of this Agreement are merely for purposes of identification, convenience, and ease of reference, and will be completely disregarded in the construction of this Agreement.

26. Counterparts. This Agreement is executed in two (2) counterparts each of which is deemed an original of equal dignity with the other and which is deemed one and the same instrument as the other.

27. Personal Pronouns. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, will include all other genders.

28. Exhibits and Appendices. The following exhibits and appendices are attached to and made a part of this Agreement:

Exhibit A	Legal Description and Survey of EDC Premises
Exhibit A-1	Narrative Boundary and Facilities Identification
Exhibit B	Personal Property
~~Exhibit C~~	United States Retained Areas (Please see Appendix #6)
Appendix 1	Related Lease
Appendix 2	Promissory Note
Appendix 3	Deed of Trust
Appendix 4	Draft Quitclaim Deed
Appendix 5	Lead Warning Statement
Appendix 6	Operating Agreement
Appendix 7	Bill of Sale for Personal Property

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Acknowledged by:

VVEDA

Terry E. Caldwell

Terry E. Caldwell

AFBCA

Albert F. Lewis

for Alan K. Olsen 9/20/96

IN WITNESS WHEREOF, the United States, acting by and through the Secretary of the Air Force, has caused these presents to be duly executed for and in its name and behalf by ALAN K. OLSEN, who has this 19th day of June, 1996, set his hand and seal.

UNITED STATES OF AMERICA

BY: _____
ALAN K. OLSEN
Director, Air Force Base
Conversion Agency

Witnessed by:

_____

VICTOR VALLEY ECONOMIC
DEVELOPMENT
AUTHORITY

ATTEST: _____
MARY DIENDORF
Secretary

BY: Terry E. Caldwell
Terry E. Caldwell
Chairperson

EXHIBIT "A"

Legal Description

PARCEL 1. All those portions of Sections 22, 23, 24, 25, 26, 27 and 36, Township 6 North, Range 5 West, S.B.M. in the County of San Bernardino, State of California according to Government Survey, and as delineated on Record of Survey filed on December 26, 1986 in Book 65 of Records of Survey, pages 98 through 102 inclusive, Records of said County, lying Northerly of the North line of Parcel K, said line being the Northerly of the Northerly line of that certain Record of Survey filed on March 15, 1995 in Book 102 of Records of Survey, page 27, Records of said County.

Excepting therefrom Parcel I described as; that certain piece of land described in Document No. 94-370874 and as delineated on Record of Survey filed in Book 102 of Records of Survey, page 80, Records of said County.

Also excepting therefrom Parcel E2 described as; that certain piece of land described in Document No. 95-216146 and as delineated on Record of Survey filed in Book 104 of Records of Survey, page 66, Records of said County.

Also excepting therefrom Parcel E1 described as; that certain piece of land described in Document No. 95-203141 and as delineated on Record of Survey filed in Book 104, of Records of Survey, page 65, Record of said County.

Also excepting therefrom Parcel A and C described as; that certain piece of land delineated as Parcel 1 on Official Map No. 1003 as recorded in Book 2 of Official Maps, pages 16 through 20 inclusive, Records of said County.

Also excepting therefrom Parcel SS as shown on Attachment 3 attached hereto, and described as: Beginning at a found 2 inch iron pipe with brass tag, marked "City Vic", accepted as the intersection of the centerline of Phantom Street with the centerline of Mustang Street, as shown on Official Map No. 1003, filed in Book 2 pages 16 through 20, inclusive, of Official Maps, in the Office of the County Recorder of said County, said 2 inch iron pipe bears South 89°11'05" West, 567.89 feet, record and measured, along said centerline of Mustang Street, from a found 2 inch iron pipe with brass tag, marked "City Vic", as shown on said Official Map No. 1003; thence South 76°48'36" East a distance of 2066.31 feet, to the True Point of Beginning; thence North 00°49'11"West, a distance of 219.14 feet; thence North 87°16'56"East, a distance of 151.52 feet; thence North 00°47'36" West, a distance of 49.97 feet; thence North 89°10'31" East, a distance of 116.41 feet; thence South 00°47'36" East, a distance of 250.13 feet to the beginning of a 24.00 foot radius tangent curve, concave Northwesterly, thence Southwesterly, along said curve, through a central angle of 89°58'07", an arc distance of 37.69 feet; thence, tangent to said curve, South 89°10'31"West, a distance of 243.76 feet, to the said True Point of Beginning.

Reserving over and across Parcel 1 for the use and benefit of present and future owners of said **Parcels I, E2, E1, A and C, and SS** rights of vehicular and utility access to and from said Parcels.

Also reserving over and across Parcel 1 for the use and benefit of Southern California Edison easements for power lines, poles, vaults, underground conduits and appurtenances as delineated in **Attachment 4** attached hereto.

Also excepting therefrom the existing Water Production and Distribution Facilities.

PARCEL 2, RAILROAD RIGHT OF WAY All those portions of Sections 31 and 32, Township 6 North, Range 4 West S.B.M. in County of San Bernardino, State of California, according to Government Survey as delineated on George Air Force Base Real Estate Map, Tab No. D-5, Sheet 2 of 4, dated 1, January, 1979, prepared by Robert G. Muir & Associates (attached hereto as **Attachment 1**)

Legal Description prepared by me
or under my direction.

9-19-96
Jon B. Roberts LS 5965, Exp. 12/31/96

PROFESSIONAL LAND SURVEYOR
JON B. ROBERTS
LS 5965
Exp. 12-31-96
STATE OF CALIFORNIA

Acknowledged by:

VVEDA

Terry E. Caldwell

AFBCA

for Alan K. Olsen 9/20/96

lgltrans.bass

EXHIBIT "B"

ROPS I and
DOF Determination Letter

RECOGNIZED OBLIGATION PAYMENT SCHEDULE - CONSOLIDATED
FILED FOR THE Jan 2012 to June 2012 PERIOD

Name of Successor Agency Victor Valley Economic Development Authority (VVEDA)

	Current	
	Total Outstanding Debt or Obligation	Total Due During Fiscal Year
Outstanding Debt or Obligation (Includes only the Obligations pursuant to Joint Powers Authority Agreement)	$ 1,333,053,431.27	$ 21,580,087.71
	Total Due for Six Month Period	
Outstanding Debt or Obligation	$ 19,922,746.60	
Available Revenues other than anticipated funding from RPTTF (LMIHF & Bond Proceeds)	$ -	
Enforceable Obligations paid with RPTTF (Obligations pursuant to Joint Powers Authority Agreement)	$ 14,646,198.45	
Administrative Cost paid with RPTTF	$ 732,309.90	
Pass-through Payments paid with RPTTF	$ 4,544,238.25	
Administrative Allowance (greater of 5% of anticipated Funding from RPTTF or 250,000. Note: Calculation should not include pass-through payments made with RPTTF The RPTTF Administrative Cost figure above should not exceed this Administrative Cost Allowance figure)	$ 732,309.92	

Certification of Oversight Board Chairman:
Pursuant to Section 34177(l) of the Health and Safety code,
I hereby certify that the above is a true and accurate Recognized
Enforceable Payment Schedule for the above named agency.

Keith C. Metzler — Name
Chairman — Title
Signature
7/3/2012 — Date

Name of Redevelopment Agen Victor Valley Economic Development Authority (VVEDA)

Project Area(s) VVEDA Project Area

FORM A - Redevelopment Property Tax Trust Fund (RPTTF)

RECOGNIZED OBLIGATION PAYMENT SCHEDULE- FINAL v.2 updated 7/3/12
Per AB 26 - Section 34177

	Project Name / Debt Obligation	Contract/Agreement Execution Date	Payee	Description	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2011-12**	*** Funding Source	Payable from the Redevelopment Property Tax Trust Fund (RPTTF) Payments by month						
									Jan 2012	Feb 2012	March 2012	April 2012	May 2012	June 2012	Total
1)	Joint Powers Authority Agreement	5/23/2000	Southern California Logistics Airport Authority	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	757,493,043.74	9,394,255.01	RPTTF			5,207,326.94			1,923,421.24	$ 7,130,748.18
2)	Joint Powers Authority Agreement	5/23/2000	City of Victorville	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	397,633,015.16	8,447,396.29	RPTTF			4,704,390.09			166,244.68	$ 4,870,634.77
3)	Joint Powers Authority Agreement	5/23/2000	City of Hesperia	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	17,783,702.89	332,598.86	RPTTF			185,318.12			0.00	$ 185,318.12
4)	Joint Powers Authority Agreement	5/23/2000	County of San Bernardino	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	40,610,611.85	866,716.99	RPTTF			473,671.70			147,280.76	$ 620,952.46
5)	Joint Powers Authority Agreement	5/23/2000	Town of Apple Valley	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	104,803,020.14	2,332,241.27	RPTTF			1,299,425.84			444,364.34	$ 1,743,790.18
6)	Joint Powers Authority Agreement	5/23/2000	City of Adelanto	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	14,730,037.49	208,879.27	RPTTF			94,754.74			0.00	$ 94,754.74
7)															$ -
8)															$ -
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	Totals - This Page (RPTTF Funding)					$ 1,333,053,431.27	$ 21,580,087.71	N/A	$ -	$ -	$ 11,964,887.43	$ -	$ -	$ 2,681,311.02	$ 14,646,198.45
	Totals - Page 2 (Other)					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Totals - Page 3 (Administrative Cost Allowance)						$ 610,258.25	N/A	$ 122,051.65	$ 122,051.65	$ 122,051.65	$ 122,051.65	$ 122,051.65	$ 122,051.65	$ 732,309.90
	Totals - Page 4 (Pass Thru Payments)					$ 4,544,235.28	$ 4,544,238.25	N/A	$ -	$ -	$ 4,544,238.25	$ -	$ -	$ -	$ 4,544,238.25
	Grand total - All Pages					$ 1,337,597,666.55	$ 26,734,584.21	N/A	$ 122,051.65	$ 122,051.65	$ 16,631,177.33	$ 122,051.65	$ 122,051.65	$ 2,803,362.67	$ 19,922,746.60

** All totals due during fiscal year and payment amounts are projected.

*** Funding sources from the successor agency: (For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)

RPTTF - Redevelopment Property Tax Trust Fund Bonds - Bond proceeds Other - reserves, rents, interest earnings, etc

LMIHF - Low and Moderate Income Housing Fund Admin - Successor Agency Administrative Allowance

Name of Redevelopment Agency: Victor Valley Economic Development Authority (VVEDA)

Project Area(s): VVEDA Project Area

FORM B - All Revenue Sources Other Than Redevelopment Property Tax Trust Fund (RPTTF)

RECOGNIZED OBLIGATION PAYMENT SCHEDULE - FINAL v.2 updated 7/3/12
Per AB 26 - Section 34177

	Project Name / Debt Obligation	Contract/Agreement Execution Date	Payee	Description	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2011-2012**	Funding Source ***	Payable from Other Revenue Sources: Payments by month						
									Jan 2012	Feb 2012	March 2012	April 2012	May 2012	June 2012	Total
1)															$ -
2)															$ -
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34)															$ -
	Totals - LMIHF					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$0.00
	Totals - Bond Proceeds					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$0.00
	Totals - Other					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Grand total - This Page					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ -

** All total due during fiscal year and payment amounts are projected.

*** Funding sources from the successor agency: (For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)

RPTTF - Redevelopment Property Tax Trust Fund
LMIHF - Low and Moderate Income Housing Fund
Bonds - Bond proceeds
Admin - Successor Agency Administrative Allowance
Other - reserves, rents, interest earnings, etc

Name of Redevelopment Agency: Victor Valley Economic Development Authority (VVEDA)

Project Area(s) VVEDA Project Area

FORM C - Administrative Cost Allowance Paid With Redevelopment Property Tax Trust Fund (RPTTF)

RECOGNIZED OBLIGATION PAYMENT SCHEDULE - FINAL v.2 updated 7/3/12
Per AB 26 - Section 34177

	Project Name / Debt Obligation	Payee	Description	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2011-2012**	Funding Source **	Payable from the Administrative Allowance Allocation **** Payments by month						
								Jan 2012	Feb 2012	March 2012	April 2012	May 2012	June 2012	Total
1)	Successor Agency Admin Costs	VVEDA	Administration Costs	VVEDA	10,000,000.00	610,258.25	RPTTF	122,051.65	122,051.65	122,051.65	122,051.65	122,051.65	122,051.65	$ 732,309.90
2)														$ -
3)														$ -
4)														$ -
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	Totals - This Page				$ 10,000,000.00	$ 610,258.25	N/A	$ 122,051.65	$ 122,051.65	$ 122,051.65	$ 122,051.65	$ 122,051.65	$ 122,051.65	$732,309.90

** All total due during fiscal year and payment amounts are projected.

*** Funding sources from the successor agency: (For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)

RPTTF - Redevelopment Property Tax Trust Fund
Bonds - Bond proceeds
Other - reserves, rents, interest earnings, etc
LMIHF - Low and Moderate Income Housing Fund
Admin - Successor Agency Administrative Allowance

**** - Administrative Cost Allowance caps are 5% of Form A 6-month totals in 2011-12 and 3% of Form A 6-month totals in 2012-13. The calculation should not factor in pass through payments paid for with RPTTF in Form D.

Name of Redevelopment Agency: Victor Valley Economic Development Authority (VVEDA)

Project Area(s) VVEDA Project Area

FORM D - Pass-Through Payments

OTHER OBLIGATION PAYMENT SCHEDULE - FINAL v.2 updated 7/3/12
Per AB 26 - Section 34177

	Project Name / Debt Obligation	Payee	Description	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2011-2012**	Source of Fund***	Pass Through and Other Payments **** Payments by month						
								Jan 2012	Feb 2012	March 2012	April 2012	May 2012	June 2012	Total
1)	Pass Through Obligations	Affected Taxing Entities	Pass through obligations for July 1, 2011 thru January 31, 2012	VVEDA	4,544,235.28	4,544,238.25	RPTTF			4,544,238.25				$ 4,544,238.25
2)														$ -
3)														$ -
4)														$ -
5)														$ -
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	Totals - Other Obligations				$ 4,544,235.28	$ 4,544,238.25	N/A	$ -	$ -	$ 4,544,238.25	$ -	$ -	$ -	$ 4,544,238.25

** All total due during fiscal year and payment amounts are projected.
*** Funding sources from the successor agency: (For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)
RPTTF - Redevelopment Property Tax Trust Fund Bonds - Bond proceeds Other - reserves, rents, interest earnings, etc
LMIHF - Low and Moderate Income Housing Fund Admin - Successor Agency Administrative Allowance
**** - Only the January through June 2012 ROPS should include expenditures for pass-through payments. Starting with the July through December 2012 ROPS, per HSC section 34183 (a) (1), the county auditor controller will make the required pass-through payments prior to transferring money into the successor agency's Redevelopment Obligation Retirement Fund for items listed in an oversight board approved ROPS.

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

July 5, 2012

Sophie Escobar, Assistant Director
City of Victorville
14343 Civic Drive
Victorville, CA 92392

Dear Ms. Escobar:

Subject: Revised Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Victor Valley Successor Agency (Agency) submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 24, 2012 for the period of January to June 2012, on May 10, 2012 for the period of July to December 2012, and on May 24, 2012 a revised ROPS for the period of July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

The Agency submitted a revised ROPS on July 3, 2012 for the period of January through June 2012, and this letter supersedes our letter dated May 25, 2012. Based on our review, Finance has approved all of the items listed in your revised ROPS for both periods at this time. However, the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available in the RPTTF.

Furthermore, items not questioned during this review are subject to subsequent review if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,

Kristin Shelton

KRISTIN SHELTON
Program Budget Manager

cc: On following page

cc: Mr. Larry Walker, Auditor Controller, San Bernardino County Auditor-Controller/ Treasurer/ Tax Collector
Ms. Vanessa Doyle, Property Tax Manager, San Bernardino County Auditor-Controller/ Treasurer/ Tax Collector
Ms. Linda Santillano, Supervising Accountant, San Bernardino County Auditor-Controller/ Treasurer/ Tax Collector
Mr. Franz Zyss, Accountant III, San Bernardino County Auditor-Controller/ Treasurer/ Tax Collector

EXHIBIT "C"

ROPS II and
DOF Determination Letter

RECOGNIZED OBLIGATION PAYMENT SCHEDULE - CONSOLIDATED
FILED FOR THE July 2012 to December 2012 PERIOD

Name of Successor Agency Victor Valley Economic Development Authority (VVEDA)

	Current	
	Total Outstanding Debt or Obligation	Total Due During Fiscal Year
Outstanding Debt or Obligation (Includes only the Obligations pursuant to Joint Powers Authority Agreement)	$ 1,317,911,778.33	$ 22,815,363.25
	Total Due for Six Month Period	
Outstanding Debt or Obligation	$ 23,009,563.21	
Available Revenues other than anticipated funding from RPTTF (LMIHF & Bond Proceeds)	$ -	
Enforceable Obligations paid with RPTTF (Obligations pursuant to Joint Powers Authority Agreement)	$ 22,815,363.25	
Administrative Cost paid with RPTTF	$ 194,199.96	
Pass-through Payments paid with RPTTF	$ -	
Administrative Allowance (greater of 3% of anticipated Funding from RPTTF or 250,000. Note: Calculation should not include pass-through payments made with RPTTF. The RPTTF Administrative Cost figure above should not exceed this Administrative Cost Allowance figure)	$ 684,460.90	

Certification of Oversight Board Chairman:
Pursuant to Section 34177(l) of the Health and Safety code,
I hereby certify that the above is a true and accurate Recognized
Enforceable Payment Schedule for the above named agency.

Keith C. Metzler — Name
Chairman — Title
Signature
5/23/2012 — Date

Name of Redevelopment Agen: Victor Valley Economic Development Authority (VVEDA)

Project Area(s) VVEDA Project Area

FORM A - Redevelopment Property Tax Trust Fund (RPTTF)

RECOGNIZED OBLIGATION PAYMENT SCHEDULE- FINAL v.2 updated 5/23/12
Per AB 26 - Section 34177

	Project Name / Debt Obligation	Contract/Agreement Execution Date	Payee	Description	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2012-13**	*** Funding Source	Payable from the Redevelopment Property Tax Trust Fund (RPTTF) Payments by month July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Total
1)	Joint Powers Authority Agreement	5/23/2000	Southern California Logistics Airport Authority	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	750,362,295.56	9,859,587.49	RPTTF						9,859,587.49	$ 9,859,587.49
2)	Joint Powers Authority Agreement	5/23/2000	City of Victorville	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	397,420,740.78	9,148,399.01	RPTTF						9,148,399.01	$ 9,148,399.01
3)	Joint Powers Authority Agreement	5/23/2000	City of Hesperia	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	17,750,365.06	341,703.57	RPTTF						341,703.57	$ 341,703.57
4)	Joint Powers Authority Agreement	5/23/2000	County of San Bernardino	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	40,362,196.14	879,449.73	RPTTF						879,449.73	$ 879,449.73
5)	Joint Powers Authority Agreement	5/23/2000	Town of Apple Valley	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	104,082,901.67	2,376,170.29	RPTTF						2,376,170.29	$ 2,376,170.29
6)	Joint Powers Authority Agreement	5/23/2000	City of Adelanto	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	7,933,279.12	210,053.16	RPTTF						210,053.16	$ 210,053.16
7)															$ -
8)															$ -
9)															$ -
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32)															$ -
	Totals - This Page (RPTTF Funding)					$ 1,317,911,778.33	$ 22,815,363.25	N/A	$ -	$ -	$ -	$ -	$ -	$ 22,815,363.25	$ 22,815,363.25
	Totals - Page 2 (Other)					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Totals - Page 3 (Administrative Cost Allowance)						$ 194,200.00	N/A	$ 32,366.66	$ 32,366.66	$ 32,366.66	$ 32,366.66	$ 32,366.66	$ 32,366.66	$ 194,199.96
	Totals - Page 4 (Pass Thru Payments)					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Grand total - All Pages					$ 1,317,911,778.33	$ 23,009,563.25	N/A	$ 32,366.66	$ 32,366.66	$ 32,366.66	$ 32,366.66	$ 32,366.66	$ 22,847,729.91	$ 23,009,563.21

** All totals due during fiscal year and payment amounts are projected.

*** Funding sources from the successor agency: (For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)

RPTTF - Redevelopment Property Tax Trust Fund
Bonds - Bond proceeds
Other - reserves, rents, interest earnings, etc
LMIHF - Low and Moderate Income Housing Fund
Admin - Successor Agency Administrative Allowance

Name of Redevelopment Agency: Victor Valley Economic Development Authority (VVEDA)

Project Area(s) VVEDA Project Area

FORM B - All Revenue Sources Other Than Redevelopment Property Tax Trust Fund (RPTTF)

RECOGNIZED OBLIGATION PAYMENT SCHEDULE - FINAL v.2 updated 5/23/12
Per AB 26 - Section 34177

	Project Name / Debt Obligation	Contract/Agreement Execution Date	Payee	Description	Project Area	Total Outstanding Debt or Obligation FY 2012-13	Total Due During Fiscal Year 2012-2013**	Funding Source ***	Payable from Other Revenue Sources Payments by month July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Total
1)															$ -
2)															$ -
3)															$ -
4)															$ -
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	Totals - LMIHF					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$0.00
	Totals - Bond Proceeds					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$0.00
	Totals - Other					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Grand total - This Page					$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ -

** All total due during fiscal year and payment amounts are projected.

*** Funding sources from the successor agency: (For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)

RPTTF - Redevelopment Property Tax Trust Fund
LMIHF - Low and Moderate Income Housing Fund
Bonds - Bond proceeds
Admin - Successor Agency Administrative Allowance
Other - reserves, rents, interest earnings, etc

Name of Redevelopment Agency: Victor Valley Economic Development Authority (VVEDA)

Project Area(s) VVEDA Project Area

FORM C - Administrative Cost Allowance Paid With Redevelopment Property Tax Trust Fund (RPTTF)

RECOGNIZED OBLIGATION PAYMENT SCHEDULE - FINAL v.2 updated 5/23/12
Per AB 26 - Section 34177

	Project Name / Debt Obligation	Payee	Description	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2011-2012**	Funding Source **	Payable from the Administrative Allowance Allocation **** Payments by month						
								July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Total
1)	Salaries & Benefits		Dissolution Activities & Services	VVEDA Project Area	5,588,000.00	139,700.00	RPTTF	23,283.33	23,283.33	23,283.33	23,283.33	23,283.33	23,283.33	$ 139,699.98
2)	Advertising-Marketing		Dissolution Activities & Services	VVEDA Project Area	0.00	0.00	RPTTF							$ -
3)	Insurance		Dissolution Activities & Services	VVEDA Project Area	660,000.00	16,500.00	RPTTF	2,750.00	2,750.00	2,750.00	2,750.00	2,750.00	2,750.00	$ 16,500.00
4)	Membership & Dues		Dissolution Activities & Services	VVEDA Project Area	0.00	0.00	RPTTF							$ -
5)	Miscellaneous Costs		Dissolution Activities & Services	VVEDA Project Area	0.00	0.00	RPTTF							$ -
6)	Printing		Dissolution Activities & Services	VVEDA Project Area	0.00	0.00	RPTTF							$ -
7)	Audit		Dissolution Activities & Services	VVEDA Project Area	200,000.00	5,000.00	RPTTF	833.33	833.33	833.33	833.33	833.33	833.33	$ 4,999.98
8)	Contract Services		Dissolution Activities & Services	VVEDA Project Area	200,000.00	5,000.00	RPTTF	833.33	833.33	833.33	833.33	833.33	833.33	$ 4,999.98
9)	Legal		Dissolution Activities & Services	VVEDA Project Area	1,120,000.00	28,000.00	RPTTF	4,666.67	4,666.67	4,666.67	4,666.67	4,666.67	4,666.67	$ 28,000.02
10)														$ -
11)														$ -
12)														$ -
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	Totals - This Page				$ 7,768,000.00	$ 194,200.00	N/A	$ 32,366.66	$ 32,366.66	$ 32,366.66	$ 32,366.66	$ 32,366.66	$ 32,366.66	$194,199.96

** All total due during fiscal year and payment amounts are projected.

*** Funding sources from the successor agency: (For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)

RPTTF - Redevelopment Property Tax Trust Fund Bonds - Bond proceeds Other - reserves, rents, interest earnings, etc

LMIHF - Low and Moderate Income Housing Fund Admin - Successor Agency Administrative Allowance

**** - Administrative Cost Allowance caps are 5% of Form A 6-month totals in 2011-12 and 3% of Form A 6-month totals in 2012-13. The calculation should not factor in pass through payments paid for with RPTTF in Form D.

Name of Redevelopment Agency: Victor Valley Economic Development Authority (VVEDA)

Project Area(s) VVEDA Project Area

FORM D - Pass-Through Payments

OTHER OBLIGATION PAYMENT SCHEDULE - FINAL v.2 updated 5/23/12
Per AB 26 - Section 34177

	Project Name / Debt Obligation	Payee	Description	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2012-2013**	Source of Fund***	Pass Through and Other Payments **** Payments by month						
								July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Total
1)														$ -
2)														$ -
3)														$ -
4)														$ -
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6)														$ -
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														$ -
														$ -
	Totals - Other Obligations				$ -	$ -	N/A	$ -	$ -	$ -	$ -	$ -	$ -	$ -

** All total due during fiscal year and payment amounts are projected.

*** Funding sources from the successor agency: (For fiscal 2011-12 only, references to RPTTF could also mean tax increment allocated to the Agency prior to February 1, 2012.)

RPTTF - Redevelopment Property Tax Trust Fund Bonds - Bond proceeds Other - reserves, rents, interest earnings, etc

LMIHF - Low and Moderate Income Housing Fund Admin - Successor Agency Administrative Allowance

**** - Only the January through June 2012 ROPS should include expenditures for pass-through payments. Starting with the July through December 2012 ROPS, per HSC section 34183 (a) (1), the county auditor controller will make the required pass-through payments prior to transferring money into the successor agency's Redevelopment Obligation Retirement Fund for items listed in an oversight board approved ROPS.

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 25, 2012

Sophie Escobar, Assistant Director
City of Victorville
14343 Civic Drive
Victorville, CA 92392

Dear Ms. Escobar:

Subject: Recognized Obligation Payment Schedule Approval Letter

Pursuant to Health and Safety Code (HSC) section 34177 (l) (2) (C), the Victor Valley Successor Agency (Agency) submitted Recognized Obligation Payment Schedules (ROPS) to the California Department of Finance (Finance) on April 24, 2012 for the period of January to June 2012, on May 10, 2012 for the period of July to December 2012, and on May 24, 2012 a revised ROPS for the period of July to December 2012. Finance is assuming appropriate oversight board approval. Finance has completed its review of your ROPS, which may have included obtaining clarification for various items.

January through July ROPS
Except for items disallowed in whole or in part as enforceable obligations noted in Finance's letter dated May 4, 2012, Department of Finance is approving the remaining items listed in your ROPS. The Agency is currently revising its ROPS to report direct obligations of the entity.

July through December ROPS
Based on our review, we are approving all of the items listed on your revised ROPS at this time.

This is our determination with respect to any items funded from the Redevelopment Property Tax Trust Fund (RPTTF) for the June 1, 2012 property tax allocations. If your oversight board disagrees with our determination with respect to any items not funded with property tax, any future resolution of the disputed issue may be accommodated by amending the ROPS for the appropriate time period. Items not questioned during this review are subject to a subsequent review, if they are included on a future ROPS. If an item included on a future ROPS is not an enforceable obligation, Finance reserves the right to remove that item from the future ROPS, even if it was not removed from the preceding ROPS.

Please refer to Exhibit 12 at http://www.dof.ca.gov/assembly_bills_26-27/view.php for the amount of RPTTF that was approved by Finance based on the schedule submitted.

As you are aware the amount of available RPTTF is the same as the property tax increment that was available prior to ABx1 26. This amount is not and never was an unlimited funding source. Therefore as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available in the RPTTF.

Please direct inquiries to Chikako Takagi-Galamba, Supervisor or Cindie Lor, Lead Analyst at (916) 322-2985.

Sincerely,

MARK HILL
Program Budget Manager

cc: Mr. Larry Walker, Auditor Controller, San Bernardino County Auditor-Controller/ Treasurer/ Tax Collector
Ms. Vanessa Doyle, Property Tax Manager, San Bernardino County Auditor-Controller/ Treasurer/ Tax Collector
Ms. Linda Santillano, Supervising Accountant, San Bernardino County Auditor-Controller/ Treasurer/ Tax Collector
Mr. Franz Zyss, Accountant III, San Bernardino County Auditor-Controller/ Treasurer/ Tax Collector

EXHIBIT "D"

ROPS III and
DOF Determination Letter

SUMMARY OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Filed for the January 1, 2013 to June 30, 2013 Period

Name of Successor Agency: Successor Agency to Victor Valley Economic Development Authority (VVEDA)

		Total Outstanding Debt or Obligation
Outstanding Debt or Obligation		$ 1,317,109,123
Current Period Outstanding Debt or Obligation		**Six-Month Total**
A	Available Revenues Other Than Anticipated RPTTF Funding	0
B	Enforceable Obligations Funded with RPTTF	14,244,708
C	Administrative Allowance Funded with RPTTF	427,341
D	Total RPTTF Funded (B + C = D)	14,672,049
	Total Current Period Outstanding Debt or Obligation (A + B + C = E) *Should be same amount as ROPS form six-month total*	$ 14,672,049
E	Enter Total Six-Month Anticipated RPTTF Funding *(Obtain from county auditor-controller)*	14,672,049
F	Variance (E - D = F) *Maximum RPTTF Allowable should not exceed Total Anticipated RPTTF Funding*	$ -
Prior Period (January 1, 2012 through June 30, 2012) Estimated vs. Actual Payments (as required in HSC section 34186 (a))		
G	Enter Estimated Obligations Funded by RPTTF *(Should be the lesser of Finance's approved RPTTF amount including admin allowance or the actual amount distributed)*	16,562,679
H	Enter Actual Obligations Paid with RPTTF	16,412,679
I	Enter Actual Administrative Expenses Paid with RPTTF	72,483
J	Adjustment to Redevelopment Obligation Retirement Fund (G - (H + I) = J)	77,517
K	**Adjustment to RPTTF**	$ 14,594,532.00

Certification of Oversight Board Chairman:
Pursuant to Section 34177(m) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Obligation Payment Schedule for the above named agency.

Name | Title

8/23/12

Signature | Date

Name of Successor Agency: Successor Agency to Victor Valley Economic Development Authority (VVEDA)

County: San Bernardino

Oversight Board Approval Date: August 23, 2012

RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS III
January 1, 2013 through June 30, 2013

Item #	Project Name / Debt Obligation	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2012-13	Funding Source						
									LMIHF	Bond Proceeds	Reserve Balance	Admin Allowance	RPTTF	Other	Six-Month Total
	Grand Total						$ 1,317,109,123	$ 23,009,563	$ -	$ -	$ -	$ 427,341	$14,244,708	$ -	$ 14,672,049
1	Joint Powers Authority Agreement	5/23/2000	2051-52	Southern California Logistics Airport Authority	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	746,651,505.45	9,859,587.49				142,550.24	6,148,797.38		6,291,348
2	Joint Powers Authority Agreement	5/23/2000	2051-52	City of Victorville	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	393,990,108.53	9,148,399.01				132,557.47	5,717,766.76		5,850,324
3	Joint Powers Authority Agreement	5/23/2000	2051-52	City of Hesperia	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	17,620,039.20	341,703.57				4,900.46	211,377.71		216,278
4	Joint Powers Authority Agreement	5/23/2000	2051-52	County of San Bernardino	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	40,036,800.44	879,449.73				12,844.87	554,054.03		566,899
5	Joint Powers Authority Agreement	5/23/2000	2051-52	Town of Apple Valley	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	103,139,689.60	2,376,170.29				33,220.89	1,432,958.22		1,466,179
6	Joint Powers Authority Agreement	5/23/2000	2051-52	City of Adelanto	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	7,902,979.80	210,053.16				4,167.31	179,753.84		183,921
7	Salaries & Benefits	N/A	When all obligations are retired	Successor Agency	Dissolution Activities & Services	VVEDA Project Area	5,588,000.00	139,700.00				69,850.00			69,850
8	Insurance	N/A	When all obligations are retired	Successor Agency	Dissolution Activities & Services	VVEDA Project Area	660,000.00	16,500.00				8,250.00			8,250
9	Audit	N/A	When all obligations are retired	Successor Agency	Dissolution Activities & Services	VVEDA Project Area	200,000.00	5,000.00				2,500.00			2,500
10	Contract Services	N/A	When all obligations are retired	Successor Agency	Dissolution Activities & Services	VVEDA Project Area	200,000.00	5,000.00				2,500.00			2,500
11	Legal	N/A	When all obligations are retired	Successor Agency	Dissolution Activities & Services	VVEDA Project Area	1,120,000.00	28,000.00				14,000.00			14,000

Name of Successor Agency: Successor Agency to Victor Valley Economic Development Authority (VVEDA)

County: San Bernardino

RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS III) -- Notes (Optional)
January 1, 2013 through June 30, 2013

Item #	Notes/Comments
#1-6 ROPS Tab	Since the County Auditor Controller will not have the relevant property tax reports available for FY 2012-13 prior to the required deadline for the ROPS 3, VVEDA has provided estimates to determine the Joint Powers Authority Agreement payments for the Jan to June 2013 payment period.
#s 9-106 Prior Period Payments Tab	After discussions between VVEDA staff and the DOF, DOF requested that items 9 through 106 on ROPS 1, which show each member jurisdiction's separate obligations (line-items 9 - 16), be removed and not shown on any future ROPS because they do not represent an enforceable obligation of VVEDA. Therefore, these obligations are not shown on the Prior Period Payments tab.
Prior Period Payments Tab - Reserve Balance Amt.	This line-item represents tax increment payments to affected taxing entities and member jurisdictions (pursuant to the Joint Powers Authority Agreements) from supplemental revenue that the County dispersed to VVEDA for FY 2008-09, FY 2009-10, and FY 2010-11. This item was not included on ROPS 1 (Jan to June 2012) because the revenue allocated to VVEDA was for prior fiscal years.

Name of Successor Agency: Successor Agency to Victor Valley Economic Development Authority (VVEDA)
County: San Bernardino

Pursuant to Health and Safety Code section 34186 (a)
PRIOR PERIOD ESTIMATED OBLIGATIONS vs. ACTUAL PAYMENTS
RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS I)
January 1, 2012 through June 30, 2012

Page/ Form	Line	Project Name / Debt Obligation	Payee	Description/Project Scope	Project Area	Reserve Balance		Admin Allowance		RPTTF		Other	
						Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual
		Grand Total				$ -	$ 678,119	$ 732,310	$ 72,483	$ 19,190,436	$ 16,412,679	$ -	$ -
1	1	Successor Agency Administration Costs	VVEDA	Administration Costs	VVEDA Project Area			$ 732,310	$ 72,483				
1	2	Joint Powers Authority Agreement	Southern California Logistics Airport Authority	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area					$ 7,130,748	$ 5,223,386		
1	3	Joint Powers Authority Agreement	City of Victorville	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area					$ 4,870,635	$ 4,701,178		
1	4	Joint Powers Authority Agreement	City of Hesperia	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area					$ 185,318	$ 155,318		
1	5	Joint Powers Authority Agreement	County of San Bernardino	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area					$ 620,952	$ 443,672		
1	6	Joint Powers Authority Agreement	Town of Apple Valley	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area					$ 1,743,790	$ 1,269,426		
1	7	Joint Powers Authority Agreement	City of Adelanto	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area					$ 94,755	$ 64,755		
1	8	Pass Through Obligations	Affected Taxing Entities	Pass through obligations	VVEDA Project Area					$ 4,544,238	$ 4,554,944		
1-5	9-106	**Please see Notes tab for further explanation**											
See Notes tab		Pass Through Obligations & Joint Power Authority Agreement payments for supplemental tax increment revenue received in prior fiscal years.	Affected Taxing Entities & VVEDA Member Jurisdictions	Pass through obligations for Supplemental Revenue received for prior fiscal years	VVEDA Project Area	N/A	678,119						

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

October 8, 2012

Ms. Sophie Escobar, Assistant Director of Economic Development
Successor Agency to Victor Valley Economic Development Authority
14343 Civic Drive
Victorville, CA 92393

Dear Ms. Escobar:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Successor Agency to the Victor Valley Economic Development Authority (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 26, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

Based on our review, we are approving all of the items listed on your ROPS III at this time.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $14,672,049 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013		
Total RPTTF funding requested for obligations	$	14,244,708
Less: Six-month total for item(s) denied or reclassified as administrative cost		0
Total approved RPTTF for enforceable obligations	$	14,244,708
Plus: Allowable RPTTF distribution for administrative cost for ROPS III		427,341
Total RPTTF approved:	$	14,672,049

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.
The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Brian Moncrief, Senior Analyst, RSG, Inc.
Ms. Vanessa Doyle, Auditor Controller Manager, San Bernardino County

EXHIBIT "E"

ROPS 13-14A and
DOF Determination Letter

SUMMARY OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Filed for the July 1, 2013 to December 31, 2013 Period

Name of Successor Agency: **VICTOR VALLEY (SAN BERNARDINO)**

Outstanding Debt or Obligation		**Total**
	Total Outstanding Debt or Obligation	**$1,737,210,002**

Current Period Outstanding Debt or Obligation		**Six-Month Total**
A	Available Revenues Other Than Anticipated RPTTF Funding	**$0**
B	Enforceable Obligations Funded with RPTTF	**$11,185,869**
C	Administrative Allowance Funded with RPTTF	**$335,576**
D	Total RPTTF Funded (B + C = D)	**$11,521,445**
E	Total Current Period Outstanding Debt or Obligation (A + B + C = E) *Should be same amount as ROPS form six-month total*	**$11,521,445**
F	Enter Total Six-Month Anticipated RPTTF Funding	$11,521,445
G	Variance (F - D = G) *Maximum RPTTF Allowable should not exceed Total Anticipated RPTTF Funding*	**$0**

Prior Period (July 1, 2012 through December 31, 2012) Estimated vs. Actual Payments (as required in HSC section 34186 (a))		
H	Enter Estimated Obligations Funded by RPTTF *(lesser of Finance's approved RPTTF amount including admin allowance or the actual amount distributed)*	$8,570,656
I	Enter Actual Obligations Paid with RPTTF	$8,387,018
J	Enter Actual Administrative Expenses Paid with RPTTF	$183,638
K	Adjustment to Redevelopment Obligation Retirement Fund (H - (I + J) = K)	$0
L	Adjustment to RPTTF (D - K = L)	$11,521,445

Certification of Oversight Board Chairman:

Pursuant to Section 34177(m) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Obligation Payment Schedule for the above named agency.

Keith C. Metzler — Name

Chairman — Title

/s/ — Signature

2/28/2013 — Date

Oversight Board Approval Date: ______________________

VICTOR VALLEY (SAN BERNARDINO)
RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS 13-14A)
July 1, 2013 through December 31, 2013

Item #	Project Name / Debt Obligation	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2013-14	Funding Source: Bond Proceeds	Funding Source: Reserve Balance	Funding Source: Admin Allowance	Funding Source: RPTTF	Funding Source: Other	Six-Month Total
							$1,737,210,002	$22,569,828	$0	$0	$335,576	$11,185,869	$0	$11,521,445
1	Joint Powers Authority Agreement	5/23/2000	2051-52	Southern California Logistics Airport Authority	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	990,689,391	13,384,746	0	0	134,672	6,692,373	0	6,827,045
2	Joint Powers Authority Agreement	5/23/2000	2051-52	City of Victorville	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	519,081,442	6,023,003	0	0	60,601	3,011,501	0	3,072,103
3	Joint Powers Authority Agreement	5/23/2000	2051-52	City of Hesperia	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	24,158,099	274,883	0	0	2,766	137,441	0	140,207
4	Joint Powers Authority Agreement	5/23/2000	2051-52	County of San Bernardino	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	53,095,642	696,401	0	0	7,007	348,200	0	355,207
5	Joint Powers Authority Agreement	5/23/2000	2051-52	Town of Apple Valley	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	139,136,597	1,909,092	0	0	19,209	954,546	0	973,755
6	Joint Powers Authority Agreement	5/23/2000	2051-52	City of Adelanto	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	10,850,741	83,614	0	0	841	41,807	0	42,648
7	Salaries & Benefits	5/24/2000	2051-52	Successor Agency	Dissolution Activities & Services	VVEDA Project Area	142,500	142,500	0	0	71,750	0	0	71,750
8	Insurance	5/25/2000	2051-52	Successor Agency	Dissolution Activities & Services	VVEDA Project Area	16,830	16,830	0	0	16,830	0	0	16,830
9	Audit	5/26/2000	2051-52	Successor Agency	Dissolution Activities & Services	VVEDA Project Area	5,100	5,100	0	0	5,100	0	0	5,100
10	Contract Services	5/27/2000	2051-52	Successor Agency	Dissolution Activities & Services	VVEDA Project Area	5,100	5,100	0	0	2,550	0	0	2,550
11	Legal	5/28/2000	2051-52	Successor Agency	Dissolution Activities & Services	VVEDA Project Area	28,560	28,560	0	0	14,250	0	0	14,250
13	Admin	5/29/2000	2051-52	Admin for Items 1-6	Admin		0	0	0	0	0	0	0	0
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VICTOR VALLEY (SAN BERNARDINO)

Pursuant to Health and Safety Code section 34186 (a)

PRIOR PERIOD ESTIMATED OBLIGATIONS vs. ACTUAL PAYMENTS

RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS II)

July 1, 2012 through December 31, 2012

Item #	Project Name / Debt Obligation	Payee	Description/Project Scope	Project Area	LMIHF		Bond Proceeds		Reserve Balance		Admin Allowance		RPTTF		Other	
					Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual
					$0	$0	$0	$0	$0	$0	$194,200	$183,638	$22,815,363	$8,387,018	$0	$0
1)	Joint Powers Authority Agreement	Southern California Logistics Airport Authority	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area									9,859,587	3,711,566		
2)	Joint Powers Authority Agreement	City of Victorville	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area									9,148,399	3,393,038		
3)	Joint Powers Authority Agreement	City of Hesperia	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area									341,704	91,486		
4)	Joint Powers Authority Agreement	County of San Bernardino	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area									879,450	286,556		
5)	Joint Powers Authority Agreement	Town of Apple Valley	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area									2,376,170	904,372		
6)	Joint Powers Authority Agreement	City of Adelanto	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area									210,053	0		
1)	Salaries & Benefits		Dissolution Activities & Services	VVEDA Project Area							139,700	99,786				
2)	Advertising-Marketing		Dissolution Activities & Services	VVEDA Project Area							0	0				
3)	Insurance		Dissolution Activities & Services	VVEDA Project Area							16,500	16,127				
4)	Membership & Dues		Dissolution Activities & Services	VVEDA Project Area							0	0				
5)	Miscellaneous Costs		Dissolution Activities & Services	VVEDA Project Area							0	905				
6)	Printing		Dissolution Activities & Services	VVEDA Project Area							0	0				
7)	Audit		Dissolution Activities & Services	VVEDA Project Area							5,000	5,120				
8)	Contract Services		Dissolution Activities & Services	VVEDA Project Area							5,000	3,008				
9)	Legal		Dissolution Activities & Services	VVEDA Project Area							28,000	58,693				

VICTOR VALLEY (SAN BERNARDINO)

RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS 13-14A) -- Notes (Optional)

July 1, 2013 through December 31, 2013

Item #	Project Name / Debt Obligation	Notes/Comments
1	Joint Powers Authority Agreement	Since the County Auditor Controller will not have the relevant property tax reports available for FY 2013-14 prior to the required deadline for the ROPS 13-14A, VVEDA has provided estimates to determine the Joint Powers Authority Agreement payments for the July to Dec 2013 payment period.
2	Joint Powers Authority Agreement	Since the County Auditor Controller will not have the relevant property tax reports available for FY 2013-14 prior to the required deadline for the ROPS 13-14A, VVEDA has provided estimates to determine the Joint Powers Authority Agreement payments for the July to Dec 2013 payment period.
3	Joint Powers Authority Agreement	Since the County Auditor Controller will not have the relevant property tax reports available for FY 2013-14 prior to the required deadline for the ROPS 13-14A, VVEDA has provided estimates to determine the Joint Powers Authority Agreement payments for the July to Dec 2013 payment period.
4	Joint Powers Authority Agreement	Since the County Auditor Controller will not have the relevant property tax reports available for FY 2013-14 prior to the required deadline for the ROPS 13-14A, VVEDA has provided estimates to determine the Joint Powers Authority Agreement payments for the July to Dec 2013 payment period.
5	Joint Powers Authority Agreement	Since the County Auditor Controller will not have the relevant property tax reports available for FY 2013-14 prior to the required deadline for the ROPS 13-14A, VVEDA has provided estimates to determine the Joint Powers Authority Agreement payments for the July to Dec 2013 payment period.
6	Joint Powers Authority Agreement	Since the County Auditor Controller will not have the relevant property tax reports available for FY 2013-14 prior to the required deadline for the ROPS 13-14A, VVEDA has provided estimates to determine the Joint Powers Authority Agreement payments for the July to Dec 2013 payment period.
7	Salaries & Benefits	
8	Insurance	
9	Audit	
10	Contract Services	
11	Legal	
13	Admin	

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

April 13, 2013

Ms. Sophie Escobar, Assistant Director of Economic Development
Victor Valley Economic Development Authority
14343 Civic Drive
Victorville, CA 92393

Dear Ms. Escobar:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Victor Valley Economic Development Authority Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to the California Department of Finance (Finance) on February 28, 2013 for the period of July through December 2013. Finance has completed its review of your ROPS 13-14A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following does not qualify as an enforceable obligation:

Claimed administrative costs for Item Nos. 1 through 6 totaling $225,096 are disallowed. HSC section 34171 (b) limits administrative expenses to three percent of property tax allocated to the successor agency or $250,000, whichever is greater. It is our understanding that the requested administrative allowance for these items is intended to be passed to each Joint Powers Authority (JPA) successor agency to supplement those agencies' administrative allowances. Because JPA members receive their own administrative allowance pursuant to HSC section 34171 (b), the request to pass through additional administrative expenses is not allowed. Therefore, the approved administrative allowance has been adjusted to $110,480.

Except for portions of items denied in whole or in part as enforceable obligations, Finance is not objecting to the remaining items listed on your ROPS 13-14A. This determination applies only to items where funding was requested for the six month period. If you disagree with the determination with respect to any items on your ROPS 13-14A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is $11,295,444 as summarized below:

Approved RPTTF Distribution Amount For the period of July through December 2013		
Total RPTTF funding requested for obligations	$	11,185,868
Minus: Six-month total for items denied or reclassified as administrative cost		
Total approved RPTTF for enforceable obligations	$	11,185,868
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost		110,480
Minus: ROPS II prior period adjustment		(904)
Total RPTTF approved for distribution:	**$**	**11,295,444**

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Please refer to the ROPS 13-14A schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14A Forms by Successor Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Brian Moncrief, Senior Analyst, RSG Inc.
Ms. Vanessa Doyle, Auditor Controller Manager, County of San Bernardino
California State Controller's Office

EXHIBIT "F"

ROPS 13-14B and
DOF Determination Letter

Recognized Obligation Payment Schedule (ROPS 13-14B) - Summary

Filed for the January 1, 2014 through June 30, 2014 Period

Name of Successor Agency: Victor Valley

Name of County: San Bernardino

	Current Period Requested Funding for Outstanding Debt or Obligation	Six-Month Total
A	**Enforceable Obligations Funded with Non-Redevelopment Property Tax Trust Fund (RPTTF) Funding Sources (B+C+D):**	$ -
B	Bond Proceeds Funding (ROPS Detail)	-
C	Reserve Balance Funding (ROPS Detail)	-
D	Other Funding (ROPS Detail)	-
E	**Enforceable Obligations Funded with RPTTF Funding (F+G):**	**$ 11,532,210**
F	Non-Administrative Costs (ROPS Detail)	11,196,321
G	Administrative Costs (ROPS Detail)	335,890
H	**Current Period Enforceable Obligations (A+E):**	**$ 11,532,210**

	Successor Agency Self-Reported Prior Period Adjustment to Current Period RPTTF Requested Funding	
I	Enforceable Obligations funded with RPTTF (E):	11,532,210
J	Less Prior Period Adjustment (Report of Prior Period Adjustments Column U)	-
K	**Adjusted Current Period RPTTF Requested Funding (I-J)**	**$ 11,532,210**

	County Auditor Controller Reported Prior Period Adjustment to Current Period RPTTF Requested Funding	
L	Enforceable Obligations funded with RPTTF (E):	11,532,210
M	Less Prior Period Adjustment (Report of Prior Period Adjustments Column AB)	-
N	**Adjusted Current Period RPTTF Requested Funding (L-M)**	**11,532,210**

Certification of Oversight Board Chairman:
Pursuant to Section 34177(m) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Obligation Payment Schedule for the above named agency.

Name Title

/s/

Signature Date

Recognized Obligation Payment Schedule (ROPS) 13-14B - Report of Fund Balances

(Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177(l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.

A	B	C	D	E	F	G	H	I	J	K
		Fund Sources								
		Bond Proceeds		Reserve Balance		Other	RPTTF			
	Fund Balance Information by ROPS Period	Bonds Issued on or before 12/31/10	Bonds Issued on or after 01/01/11	Due Diligence Review balances retained for approved enforceable obligations	RPTTF balances retained for bond reserves	Rent, Grants, Interest, Etc.	Non-Admin	Admin	Total	Comments
ROPS III Actuals (01/01/13 - 6/30/13)										
1	**Beginning Available Fund Balance (Actual 01/01/13)** Note that for the RPTTF, 1 + 2 should tie to columns L and Q in the Report of Prior Period Adjustments (PPAs)						-	106,511	$ 106,511	
2	**Revenue/Income (Actual 06/30/13)** Note that the RPTTF amounts should tie to the ROPS III distributions from the County Auditor-Controller						12,153,476	-	$ 12,153,476	
3	**Expenditures for ROPS III Enforceable Obligations (Actual 06/30/13)** Note that for the RPTTF, 3 + 4 should tie to columns N and S in the Report of PPAs						12,153,476	106,511	$ 12,259,987	
4	**Retention of Available Fund Balance (Actual 06/30/13)** Note that the Non-Admin RPTTF amount should only include the retention of reserves for debt service approved in ROPS III								$ -	
5	**ROPS III RPTTF Prior Period Adjustment** Note that the net Non-Admin and Admin RPTTF amounts should tie to columns O and T in the Report of PPAs.	No entry required					-	-	$ -	
6	**Ending Actual Available Fund Balance (1 + 2 - 3 - 4 - 5)**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
ROPS 13-14A Estimate (07/01/13 - 12/31/13)										
7	**Beginning Available Fund Balance (Actual 07/01/13) (C, D, E, G, and I = 4 + 6, F = H4 + F6, and H = 5 + 6)**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
8	**Revenue/Income (Estimate 12/31/13)** Note that the RPTTF amounts should tie to the ROPS 13-14A distributions from the County Auditor-Controller						10,227,052	-	$ 10,227,052	
9	**Expenditures for 13-14A Enforceable Obligations (Estimate 12/31/13)**						10,227,052	-	$ 10,227,052	
10	**Retention of Available Fund Balance (Estimate 12/31/13)** Note that the RPTTF amounts may include the retention of reserves for debt service approved in ROPS 13-14A								$ -	
11	**Ending Estimated Available Fund Balance (7 + 8 - 9 -10)**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	

Recognized Obligation Payment Schedule (ROPS) 13-14B - ROPS Detail
January 1, 2014 through June 30, 2014
(Report Amounts in Whole Dollars)

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
										Funding Source					
										Non-Redevelopment Property Tax Trust Fund (Non-RPTTF)			RPTTF		
Item #	Project Name / Debt Obligation	Obligation Type	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Retired	Bond Proceeds	Reserve Balance	Other Funds	Non-Admin	Admin	Six-Month Total
								$ 1,792,756,108		$ -	$ -	$ -	$ 11,196,321	$ 335,890	$ 11,532,210
1	Joint Powers Authority Agreement	Unfunded Liabilities	5/23/2000	6/23/2052	Southern California Logistics Airport Authority	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	777,814,848	N				5,445,924		$ 5,445,924
2	Joint Powers Authority Agreement	Unfunded Liabilities	5/23/2000	6/23/2052	City of Victorville	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	665,124,751	N				3,843,954		$ 3,843,954
3	Joint Powers Authority Agreement	Unfunded Liabilities	5/23/2000	6/23/2052	City of Hesperia	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	31,027,123	N				176,521		$ 176,521
4	Joint Powers Authority Agreement	Unfunded Liabilities	5/23/2000	6/23/2052	County of San Bernardino	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	67,994,028	N				441,462		$ 441,462
5	Joint Powers Authority Agreement	Unfunded Liabilities	5/23/2000	6/23/2052	Town of Apple Valley	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	177,144,423	N				1,215,298		$ 1,215,298
6	Joint Powers Authority Agreement	Unfunded Liabilities	5/23/2000	6/23/2052	City of Adelanto	Obligation pursuant to Joint Powers Authority Agreement	VVEDA Project Area	21,434,738	N				73,162		$ 73,162
7	Admin	Admin Costs	5/29/2000	6/23/2052	Successor Agency	Admin	VVEDA Project Area	52,216,197	N					335,890	$ 335,890
															$ -
															$ -
															$ -
															$ -

		RPTTF Expenditures																	
		Non-Admin					Admin					Net SA Non-Admin and Admin PPA	Non-Admin CAC			Admin CAC			Net CAC Non-Admin and Admin PPA
Item #	Project Name / Debt Obligation	Authorized	Available RPTTF (ROPS III distributed + all other available as of 1/1/13)	Net Lesser of Authorized/ Available	Actual	Difference (If M is less than N, the difference is zero)	Authorized	Available RPTTF (ROPS III distributed + all other available as of 1/1/13)	Net Lesser of Authorized / Available	Actual	Difference (If R is less than S, the difference is zero)	Net Difference (Amount Used to Offset ROPS 13-14B Requested RPTTF (O + T))	Net Lesser of Authorized / Available	Actual	Difference (If V is less than W, the difference is zero)	Net Lesser of Authorized / Available	Actual	Difference (If Y is less than Z, the difference is zero)	Net Difference (Amount Used to Offset ROPS 13-14B Requested RPTTF (X + AA)
		$ 14,244,708	$ 12,153,476	$ 12,153,476	$ 12,153,476	$ -	$ 427,341	$ 106,511	$ 106,511	$ 106,511	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
1	Joint Powers Authority Agreement - SCLA	6,148,797	5,269,552	$ 5,269,552	5,269,552	$ -			$ -		$ -	$ -			$ -			$ -	$ -
2	Joint Powers Authority Agreement- City of Victorville	5,717,767	4,755,774	$ 4,755,774	4,755,774	$ -			$ -		$ -	$ -			$ -			$ -	$ -
3	Joint Powers Authority Agreement- City of Hesperia	211,378	190,261	$ 190,261	190,261	$ -			$ -		$ -	$ -			$ -			$ -	$ -
4	Joint Powers Authority Agreement - County of San Bern	554,054	491,852	$ 491,852	491,852	$ -			$ -		$ -	$ -			$ -			$ -	$ -
5	Joint Powers Authority Agreement- Town of Apple Valley	1,432,958	1,328,899	$ 1,328,899	1,328,899	$ -			$ -		$ -	$ -			$ -			$ -	$ -
6	Joint Powers Authority Agreement- City of Adelanto	179,754	117,138	$ 117,138	117,138	$ -			$ -		$ -	$ -			$ -			$ -	$ -
7	Adminstrative Costs			$ -		$ -	427,341	106,511	$ 106,511	106,511	$ -	$ -							
				$ -		$ -			$ -		$ -	$ -			$ -			$ -	$ -
				$ -		$ -			$ -		$ -	$ -			$ -			$ -	$ -

Recognized Obligation Payment Schedule 13-14B - Notes

January 1, 2014 through June 30, 2014

Item #	Notes/Comments
1	Since the County Auditor Controller will not have the relevant property tax reports available for FY 2013-14 prior to the required deadline for the ROPS 13-14B, VVEDA has provided estimates to determine the Joint Powers Authority Agreement payments for the Jan to June 2014 payment period.
2	Since the County Auditor Controller will not have the relevant property tax reports available for FY 2013-14 prior to the required deadline for the ROPS 13-14B, VVEDA has provided estimates to determine the Joint Powers Authority Agreement payments for the Jan to June 2014 payment period.
3	Since the County Auditor Controller will not have the relevant property tax reports available for FY 2013-14 prior to the required deadline for the ROPS 13-14B, VVEDA has provided estimates to determine the Joint Powers Authority Agreement payments for the Jan to June 2014 payment period.
4	Since the County Auditor Controller will not have the relevant property tax reports available for FY 2013-14 prior to the required deadline for the ROPS 13-14B, VVEDA has provided estimates to determine the Joint Powers Authority Agreement payments for the Jan to June 2014 payment period.
5	Since the County Auditor Controller will not have the relevant property tax reports available for FY 2013-14 prior to the required deadline for the ROPS 13-14B, VVEDA has provided estimates to determine the Joint Powers Authority Agreement payments for the Jan to June 2014 payment period.
6	Since the County Auditor Controller will not have the relevant property tax reports available for FY 2013-14 prior to the required deadline for the ROPS 13-14B, VVEDA has provided estimates to determine the Joint Powers Authority Agreement payments for the Jan to June 2014 payment period.

DEPARTMENT OF FINANCE

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 14, 2013

Ms. Sophie Escobar, Assistant Director of Economic Development
City of Victor Valley
14343 Civic Drive
Victorville, CA 92393

Dear Ms. Escobar:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Victor Valley Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14B) to the California Department of Finance (Finance) on October 01, 2013 for the period of January through June 2014. Finance has completed its review of your ROPS 13-14B, which may have included obtaining clarification for various items.

Based on our review, we are approving all of the items listed on your ROPS 13-14B at this time. However, Finance notes that although the administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (d), the oversight board has approved an amount that appears excessive given the number and nature of the other obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to apply adequate "oversight" when evaluating the administrative resources required to successfully wind-down the Agency.

Finance made adjustments to the Fund Balances form based upon information provided by the Agency during our review. Although these adjustments have no effect on the amount of RPTTF the Agency receives, they will affect the Agency's fund balances for the funds sources involved.

Based upon a review of the Fund Balances form, the following adjustment was made:

- Beginning Available Fund Balance (Actual, January 1, 2013), Due Diligence Review (DDR) balances retained for approved enforceable obligations should be $695,587. In our DDR determination letter dated May 14, 2013, Finance permitted the Agency to retain $802,098 for distribution to Victor Valley Economic Development Authority members. However, the Agency has self-reported $106,511 expended for administrative costs for the January through June 2013 (ROPS III) period. Therefore, a reserve funding balance of $695,587 was held on January 1, 2013. Pursuant to HSC Section 34177 (a) (3) which states that the Agency can only make payments listed on the ROPS from the funds listed and authorized by Finance, adjustments have also been made to the Retention of Available Fund Balance (Actual, June 30, 2013) and (Estimate, December 31, 2013), DDR balances retained for approved enforceable obligations in the amount of $695,587 to reflect the retention of the reserve balance going forward.

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2013 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

The Agency's maximum approved RPTTF distribution for the reporting period is $11,472,325 as summarized below:

Approved RPTTF Distribution Amount		
Total RPTTF requested for non-administrative obligations		11,196,321
Total RPTTF requested for administrative obligations		335,890
Total Requested RPTTF	**$**	**11,532,211**
Total RPTTF approved for non-administrative obligations		11,196,321
Total RPTTF approved for administrative obligations		335,890
Total RPTTF approved for obligations	**$**	**11,532,211**
ROPS III prior period adjustment - CAC		(59,886)
Total RPTTF approved for distribution	**$**	**11,472,325**

Please refer to the ROPS 13-14B schedule that was used to calculate the approved RPTTF amount:

http://www.dof.ca.gov/redevelopment/ROPS/ROPS 13-14B Forms by Successor Agency/.

This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2014. This determination applies only to items where funding was requested for the six month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Nichelle Thomas, Supervisor or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Brian Moncrief, Senior Analyst, RSG Inc, City of Victor Valley
Ms. Linda Santillano, Property Tax Manager, San Bernardino County
California State Controller's Office