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MASTER DEVELOPER AGREEMENT
by and among
the SOUTHERN CALIFORNIA LOGISTICS RAIL AUTHORITY,
the VICTORVILLE REDEVELOPMENT AGENCY,
the CITY OF VICTORVILLE

and

DESERTXPRESS ENTERPRISES, LLC, /TKED
TRANSIT REAL ESTATE DEVELOPMENT, LLC,
and
INLAND GROUP, INC.,

for

THE DEVELOPMENT OF
RAIL FACILITIES AND INDUSTRIAL,
COMMERCIAL AND RESIDENTIAL PROPERTIES
IN
VICTORVILLE, CALIFORNIA

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This MASTER DEVELOPER AGREEMENT (the "Master Developer Agreement") for the development of rail facilities and industrial, commercial and residential properties in Victorville is made and entered into as of this ___ day of _____, 2007, by and among the SOUTHERN CALIFORNIA LOGISTICS RAIL AUTHORITY, a joint powers authority duly formed under the laws of the State of California ("Rail Authority"), the VICTORVILLE REDEVELOPMENT AGENCY, a California redevelopment agency (the "Agency"), the CITY OF VICTORVILLE, a municipal corporation (the "City"), DESERTXPRESS ENTERPRISES, LLC, a Nevada limited liability company ("DXE"), TRANSIT REAL ESTATE DEVELOPMENT, LLC, a Nevada limited liability company ("TRED"), and INLAND GROUP, INC., a California corporation ("Inland") with reference to the following facts:

RECITALS

A. In 1988, the Defense Base Closure and Realignment Commission recommended that former George Air Force Base ("GAFB") be closed, which closure has occurred. GAFB is now known as Southern California Logistics Airport ("SCLA"). In response to the closure, several of the local communities adjacent and in proximity

to SCLA deemed it desirable to form a joint powers authority to create the Victor Valley Economic Development Authority ("VVEDA").

B. 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").

C. In accordance with the terms of the Fourth Amended Joint Exercise of Powers Agreement, VVEDA delegated its decision making authority with respect to SCLA to the Southern California Logistics Airport Authority (the "Airport Authority").

D. VVEDA and the Airport Authority previously caused the preparation of various planning documents pertaining to the reuse of SCLA and areas in proximity thereto. A redevelopment plan was adopted by VVEDA in accordance with the California Community Redevelopment Law in December of 1993 (the "Redevelopment Plan"). The Redevelopment Plan, as amended, established a redevelopment project area which encompassed SCLA as well as approximately fifty five thousand (55,000) additional acres of land within the jurisdictional boundaries of the member entities of VVEDA (the

"Project Area"). The City has caused the preparation and adoption of a specific plan for SCLA (the "SCLA Specific Plan") which SCLA Specific Plan has been amended and which has further been found to be in conformity with the Redevelopment Plan.

E. In order to implement the provisions of the SCLA Specific Plan and Redevelopment Plan, the Airport Authority along with the Rail Authority have deemed it desirable to pursue the reestablishment of rail connections to SCLA and to establish new rail connections to areas adjacent thereto and to evaluate the viability of development of intermodal, multimodal facilities as well as passenger facilities to be located on SCLA and/or in areas immediately adjacent thereto.

F. In response to the desire to facilitate the development of rail improvements and related industrial and commercial properties, on and adjacent to SCLA, the City, the Airport Authority and the Agency caused the formation of the Rail Authority pursuant to the terms of that certain Joint Exercise of Powers Agreement Creating Southern California Logistics Rail Authority dated as of October 17, 2001.

G. Beginning as early as November 14, 2005, the City began investigating ways to facilitate development of areas within the jurisdiction of the City and immediately adjacent to the City, which areas are set forth on Exhibit "A" attached hereto and incorporated herein by this reference (collectively hereinafter referred to as the "Northern Triangle Properties") independent, aside from and prior to the actions, plans and operations of Inland, DXE and TRED in Victorville.

H. During the course of their evaluation, the City determined that an open, orderly, coordinated and logical development of the Northern Triangle Properties, incorporating appropriate development activities for mixed use, commercial, residential and community open space, would be integral to optimizing the use of these properties and would be in the best interest of the community.

I. The City has begun its planning process for the development of the Northern Triangle Properties with the intent of facilitating the development of this area regardless of whether such development occurs with or without reliance on a master developer.

J. Simultaneously with the Rail Authority's re-establishment of SCLA rail connections, DXE, TRED, and Inland (sometimes hereinafter collectively referred to as the "Developer") have been aggressively pursuing a development project which would provide for a high-speed passenger rail connection between Las Vegas, Nevada and Victorville, which project is being proposed as a private-public partnership enabling it to be developed without reliance upon public funding (the "DX Project").

K. As currently conceived, the DX Project will have its southern terminus in the City and may connect with the monorail system in Las Vegas, Nevada, which also uses a public-private partnership approach.

L. Inland, DXE and TRED have determined that in order to complement the overall development in Victorville, it could be advantageous to also facilitate the development of the Northern Triangle Properties.

M. The parties hereto deem it desirable at this time to enter into this Master Developer Agreement to ensure a consistent

plan for the marketing and development of the Northern Triangle Properties.

N. The parties hereto expect that the development of the Northern Triangle Properties pursuant to this Master Developer Agreement will increase the utility and incremental tax value of the Northern Triangle Properties by creating quality mixed use development projects via the cooperative association of Developer and City; by assisting the City to achieve its goals and its vision for the Victor Valley, including working towards achieving a housing and jobs balance and creating sustainable communities.

O. In recognition of the substantial long term commitment of Developer to locate the DX Project southern California hub station and operations base in the Northern Triangle Properties, and the long term value to the City thereof, City is willing to designate the Developer as the Master Developer for the Northern Triangle Properties pursuant to the terms of this Master Developer Agreement.

P. To meet the City's goals as referenced above, Developer and the City agree to this Master Developer Agreement to

eliminate uncertainties, to the maximum extent possible, for the master planning and the resultant developments that will follow because of this Master Developer Agreement, including without limitation cooperation by the parties hereto in creating a specific plan for the Northern Triangle Properties ("NT Specific Plan").

Q. The City is currently considering the expansion of its Sphere of Influence, as defined herein, to incorporate areas that are adjacent and northerly of the Northern Triangle Properties and which comprise approximately 37,000 acres. To the extent the City is successful in causing the annexation of such Sphere of Influence areas it would be the intent of the parties to consider making such areas subject to this Master Developer Agreement, and to the extent feasible, expanding or amending the NT Specific Plan to incorporate such areas.

NOW THEREFORE, in consideration of the terms and provisions of this Master Developer Agreement, the parties agree as follows:

ARTICLE I

Section 1.01. Purpose of the Master Developer Agreement.

The purpose of this Master Developer Agreement is to effectuate redevelopment within a portion of the Project Area comprising the Northern Triangle Properties and assist in developing rail facilities, along with associated industrial and commercial facilities and residential properties in proximity thereto, by and amongst other things, assisting TRED, DXE, and Inland, as well as third parties associated with DXE, TRED, and Inland with the purchase and/or lease of property and assisting in the development thereof. The redevelopment of the Northern Triangle Properties and related industrial, commercial and residential properties in proximity thereto by Developer, or third parties procured by Developer, pursuant to this Master Developer Agreement is in the vital and best interests of the Agency, the City and the Rail Authority and is in accordance with applicable federal, state and local laws and requirements. This Master Developer Agreement is entered into for the purpose of development and not for speculation in land holding.

At such time as Developer (or any associated third-party) controls (through ownership or otherwise) Significant Portions of the Northern Triangle Properties, the parties will work in good faith to negotiate a written development agreement ("Development Agreement") covering such properties, which shall be consistent with the intent and terms of this Master Developer Agreement and the NT Specific Plan. For purposes of this Master Developer Agreement, the term "Significant Portions of the Northern Triangle Properties" shall initially mean six hundred (600) acres (which may or may not be contiguous). To the extent Developer acquires additional acreage, the parties agree that, to the extent legally permissible, such additional land shall be amended into the Development Agreement. In the event, additional land cannot be amended into said original Development Agreement, then the Parties will work in good faith to negotiate one or more subsequent Development Agreements, provided however, that any such subsequent Development Agreements shall encompass properties which incorporate increments of at least two hundred (200) hundred acres.

Section 1.02. Parties to the Master Developer Agreement.

(a) The Rail Authority is a joint powers authority established pursuant to Government Code Section 6500, et seq. The

principal office of the Authority is located at 14343 Civic Drive, Victorville, California 92392. As used in this Master Developer Agreement, the term "Rail Authority" shall be deemed to include the Rail Authority and any assignee or successor to the Rail Authority or to its rights, powers and responsibilities under this Master Developer Agreement.

(b) The Agency is the Victorville Redevelopment Agency, public body, corporate and politic, duly created and activated pursuant to the provisions of Section 33100, et. seq. of the Health and Safety Code of the State of California (the "Act") by a duly adopted Ordinance of the City of Victorville, California.

(c) The City is a general law city. The principal office of the City is located at 14343 Civic Drive, Victorville, California 92392.

(d) The Developer is comprised of TRED, DXE and Inland.

(i) Inland is Inland Group, Inc., a California company, the principal office of Inland is Inland Group, Inc., 3501

Jamboree Rd., South Tower, Suite 606, Newport Beach, CA 92660,
Attn: Buck Johns.

(ii) DXE is DesertXpress Enterprises, a Nevada Limited Liability company, the principal office of DXE is 6750 Via Austi Way, Suite 250, Las Vegas, NV 89119, Attn: Andrew Mack.

(iii) TRED is Transit Real Estate Development, LLC, a Nevada Limited Liability company, the principal office of TRED is 6750 Via Austi Way, Suite 250, Las Vegas, NV 89119, Attn: Jeffery Kimmel.

Section 1.03. Prohibition Against Change in Ownership, Management and Control of Developer, or Assignment of Master Developer Agreement.

(a) The qualifications and identities of the persons and entities comprising Developer are of particular concern to the Rail Authority, the City and the Agency. It is because of these qualifications and identities of the entities comprising the Developer that the Rail Authority, the Agency and the City have entered into this Master Developer Agreement with Developer. No

voluntary or involuntary successor in interest of Developer, or any of the entities comprising Developer, shall acquire any rights or powers under this Master Developer Agreement, except as expressly set forth herein.

(b) Except as otherwise provided in this Master Developer Agreement, Developer shall not assign all or any part of this Master Developer Agreement to a third party without the prior written approval of the Rail Authority, the City and the Agency, which approval shall not be unreasonably withheld, conditioned, or delayed. Approval by the Rail Authority, the City and the Agency shall be based upon the proposed assignee's capability to perform Developer's obligation under this Master Developer Agreement in a similar fashion as Developer. Any assignment of this Master Developer Agreement without the foregoing prior written approval of the Rail Authority will be void.

(c) Developer shall promptly notify the Rail Authority, the Agency and the City in writing of any material change in the identity or financial condition of any principal shareholder of more than twenty percent (20%) of the equity interest of Developer or a material personnel change among the operation and management

officers, directors or members of Developer or the entities comprising the Developer.

Section 1.04. Defined Terms. The following terms used in this Master Developer Agreement, unless the context otherwise requires, shall have the following meanings:

"Airport Authority" shall have the meaning set forth in Recital C hereof.

"Agency" shall mean the Victorville Redevelopment Agency, a California redevelopment agency.

"Agency Development Parcels" shall have the meaning set forth in Section 2.02.

"Approved Developers" shall have the meaning set forth in Section 2.02.

"Business Day" shall have the meaning set forth in Section 8.17.

"CC&Rs" shall mean those certain Covenants, Conditions and Restrictions ("CC&Rs") to be recorded on all Development Parcels by Developer as more fully set forth in Section 2.06(vii).

To the extent that the City has an interest in any of the Development Parcels, it will agree that such parcels shall be subject to the CC&Rs.

"CEQA" shall mean the California Environmental Quality Act, California Public Resources Code Section 21000 et seq.

"City" shall mean the City of Victorville, a municipal corporation.

"Developer" shall collectively refer to DXE, TRED, and Inland, as further defined in Recital G hereof.

"Development Agreement" shall have the meaning set forth in Section 1.01.

"Development Parcels" shall mean those portions of the Northern Triangle Properties which are not otherwise contemplated to be under the direct management and control of the Agency.

"DXE" shall mean DesertXpress Enterprises, LLC, a Nevada limited liability company.

"DX Project" shall have the meaning set forth in Recital J hereof.

"DX Compliance Event" shall mean an act as marked by a precise point in time when (1) an event listed in Exhibit "C", DX Development Milestones, is not achieved by the DX Milestone Date, as set forth in Exhibit "C", and any rights to cure and/or re-negotiate this Master Developer Agreement pursuant to this Master Developer Agreement have been exhausted; or (2) the Developer provides formal notice to the City or Agency that Developer is no longer pursuing development of the DX Project.

"Effective Date" shall mean _____, 2007.

"Extension Term" shall have the meaning set forth in Section 7.03.

"Fourth Amended Joint Exercise of Powers Agreement" shall have the meaning set forth in Recital B hereof.

"GAFB" shall have the meaning set forth in Recital A hereof.

"Governmental Agency" shall mean any (a) nation, principality, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature anywhere in the world, (b) governmental or quasi-governmental entity of any nature, including any governmental division, subdivision, department, agency, bureau, branch, office, commission, council, board, instrumentality, officer, official, representative, organization, taxing authority or unit and any court or other tribunal (foreign, federal, state or local), or (c) Person, or body exercising, or entitled to exercise, any executive, legislative, judicial, administrative, regulatory, police, military or taxing authority or power of any nature.

"Governmental Approval" shall mean a permit, license, certificate, franchise, concession, approval, consent, ratification, permission; clearance, confirmation, endorsement,

waiver, certification, filing, franchise, notice, variance, right, designation, rating, registration, qualification, authorization or order that is or has been issued, granted, given or otherwise made available by or under the authority of any Governmental Agency or pursuant to any Law.

"Inland" shall mean Inland Group, Inc., a California corporation.

"Laws" mean all laws, rules, regulations, ordinances, resolutions, adopted guidelines, and official policies of governmental entities.

"Master Developer Agreement" shall mean this Master Developer Agreement.

"Master Plan" shall have the meaning set forth in Section 2.05(i) hereof.

"Northern Triangle Properties" shall mean that certain real property which incorporates areas generally designated on Exhibit "A".

"NT Specific Plan" shall have the meaning set forth in Recital P.

"Permits and Approvals" shall mean the permits and approvals for the Project or each phase thereof that are required for the development of the Project or the particular phase that is being developed (other than building permits), as the case may be, that is needed for public access and the development of a particular phase. Said Permits and Approvals shall be consistent with City standards.

"Plans and Guidelines" shall have the meaning set forth in Section 2.05(i).

"Project" shall mean the acquisition, lease, development, sale, disposition, and/or management of the Northern Triangle Properties, or portions thereof, as contemplated by this Master Developer Agreement.

"Project Area" shall have the meaning set forth in Recital D hereof.

"Project Proposal" shall mean a description of a portion of the overall Project containing such information as required pursuant to Section 2.03(i).

"Rail Authority" shall mean the Southern California Logistics Rail Authority, a joint powers authority duly formed under the laws of the state of California.

"Redevelopment Plan" shall have the meaning set forth in Recital D hereof.

"SCLA" shall have the meaning set forth in Recital A hereof.

"SCLA Specific Plan" shall have the meaning set forth in Recital D hereof.

"Sphere of Influence Land" shall mean such land as is more fully described on Exhibit "B".

"Tax Increment Funds" shall have the meaning set forth in Section 2.05(ii).

"Term" shall have the meaning set forth in Section 7.01 hereof.

"Transferred Development Parcels" shall have the meaning set forth in Section 8.03.

"TRED" shall mean Transit Real Estate Development, LLC, a Nevada limited liability company.

"VVEDA" shall have the meaning set forth in Recital A hereof.

Section 1.05. Additional Defined Terms. To the extent that any capitalized terms contained in this Master Developer Agreement are not defined above, then such terms shall have the meaning otherwise ascribed to them in this Master Developer Agreement.

ARTICLE II

Section 2.01. Acquisition of the Northern Triangle Properties. Provided it is otherwise in compliance with the terms of this Master Developer Agreement, Developer shall have the ability to develop any real property acquired by it through lease, purchase or otherwise within the Northern Triangle Properties in accordance with the terms and conditions of this Master Developer Agreement and the NT Specific Plan. City shall cooperate and use good faith efforts to assist Developer in its efforts to purchase and/or control the Northern Triangle Properties, including but not limited to the purchase of property owned by the Bureau of Land Management, in as efficient manner as possible.

To the extent any properties comprising the Northern Triangle Properties are acquired by third parties independently of the Developer, the Rail Authority, the Agency or the City, such properties shall not be subject to the terms of this Master Developer Agreement, but will be subject to the terms of the NT Specific Plan.

Section 2.02. Purchase, Sale and Lease of the Parcels.

Subject to the provisions of this Master Developer Agreement, the Agency and Developer shall cooperate in good faith to determine the best strategy for the acquisition, development and/or disposition of portions of the Development Parcels. To the extent Agency, in its sole discretion, deems it appropriate to acquire certain parcels (the "Agency Development Parcels") and a DX Compliance Event has not occurred, it hereby agrees to sell and/or lease, in and at Developer's discretion, to Developer, or third parties procured by Developer and approved by the Agency (such third parties being hereinafter referred to as the "Approved Developers"), and Developer agrees to purchase and/or lease or cause the Approved Developers to purchase and/or lease from the Agency, and cause the development of such Agency Development Parcels in accordance with this Master Developer Agreement and the NT Specific Plan. Notwithstanding the foregoing, there may be circumstances where the City is required to acquire certain portions of the Development Parcels for public purposes. To the extent the City acquires property for public purposes and such property remains in public use, such property will not be subject to the provisions of this Agreement.

To the extent the Agency Development Parcels are to be acquired by Developer or the Approved Developers pursuant to this Master Developer Agreement, the purchase price for any individual parcel or portion thereof to be paid to the Agency shall be equal to the acquisition costs incurred by the Agency.

With respect to any leases and/or ground leases, the annual lease rate to be paid to the Agency for any portion of the Agency Development Parcels which Developer seeks to lease or cause to be leased from the Agency shall be determined in accordance with Section 2.04.

The parties agree that the sale or lease of any portion of the Agency Development Parcels shall be subject to the reservation for the benefit of the Agency or the City, as applicable, or other interested utilities, of easements for roads, utilities, sewer and storm drain purposes, in widths and alignments as may be mutually agreed to by the parties hereto. Said utilities and easements, as applicable, shall be clearly identified on each Project Proposal submitted by Developer.

The parties further agree that certain portions of the Development Parcels may be directly acquired by Developer or third parties without Agency participation and that such parcels will then be subject to the terms of the NT Specific Plan.

Section 2.03. Transfer Conditions. The matters set forth herein concern matters that affect the ability of the Agency to transfer and thereby facilitate development of the Agency Development Parcels and shall be deemed conditions precedent to any such transfer.

(i) Project Proposal. Developer shall submit a written Project Proposal which shall include, amongst other things, (1) the name and financial strength of the proposed buyer, (2) the proposed sales price for the property, (3) the proposed terms of the sale, (4) the proposed use of the property, (5) the estimated fair market value of the property upon completion of development, (6) the estimated number of jobs to be created by the project, (7) the estimated amount of any incentives being offered in connection with the sale of the property, (8) the infrastructure requirements for the project and (9) a proposed schedule of performance pertaining to the sale and development of the property.

(ii) Disposition and Development Agreement. The parties or the Agency and the applicable Approved Developers shall have entered into a Disposition and Development Agreement or similar agreement which shall set forth (a) the terms of sale and disposition of the property which are acceptable to both parties, (b) applicable escrow instructions and (c) the scope and schedule of development. The agreement will also provide the Agency with a right of reversion to the extent the development obligations are not satisfied.

(iii) Environmental Review. All required environmental documentation for the development of the applicable portion of the Agency Development Parcels shall have been satisfactorily completed, certified and published.

(iv) Sources of Infrastructure Financing. The Agency and Developer shall have identified sources of revenue to finance the Agency's share of the costs of the construction of any required infrastructure for development of that portion of property.

Section 2.04. Leasing. In order to facilitate Developer's marketing, development and management of the Agency

Development Parcels and subject to the following provisions, the Agency hereby agrees to allow Developer to lease or cause to be leased the applicable portions of the Agency Development Parcels. A lease may be executed with respect to existing land. The lease rate to be paid to the Agency shall be reasonably determined on a case by case basis as will the allocation and/or use of any revenues attributable thereto. The lease of such land or facilities will be accomplished pursuant to the provisions of a form lease agreement reasonably acceptable to Developer and the Agency and subject to all of the provisions contained in this Master Developer Agreement and the NT Specific Plan.

Section 2.05. Master Development of the Northern Triangle Properties.

(i) Master Developer. The City hereby recognizes Developer as the exclusive master developer for the Northern Triangle Properties with the right, in conjunction with the City and in accordance with the NT Specific Plan, to master plan (the "Master Plan") the Northern Triangle Properties, to arrange and implement infrastructure and create finance plans, and to implement the NT Specific Plan zoning designations for the Northern Triangle

Properties (collectively, the "Developer's Exclusive Rights"). Exclusive in this context shall mean that the City shall not engage or negotiate with other developers in connection with master planning the Northern Triangle Properties, but it shall not mean that the City is prevented from negotiating with land owners or other developers who have acquired or control properties and seek to pursue development of individual projects within the Northern Triangle Properties. In furtherance of the foregoing, it is contemplated that Developer and City shall cooperate in good faith: (1) to entitle the Northern Triangle Properties per the NT Specific Plan and such other general and specific plans and universal design guidelines ("Plans and Guidelines") as approved by the City and developed jointly with the City by Developer; (2) to establish architectural controls, design guidelines and theming for the Northern Triangle Properties consistent with the NT Specific Plan; and (3) to develop or cause to be developed the Northern Triangle Properties in accordance with the NT Specific Plan and Plans and Guidelines.

Should a DX Compliance Event occur, City shall have the right, in its sole discretion, to suspend the Developer's Exclusive Rights. For purposes of this Section, the City may not designate

any third parties as a Master Developer, or any similar designation, during any suspensions of the Developer's Exclusive Rights. Developer shall work diligently to cure any DX Compliance Event. Upon Developer's cure of a DX Compliance Event, Developer's Exclusive Rights shall immediately be restored. Should the Developer's Exclusive Rights be suspended under this Section or should this Master Developer Agreement be terminated pursuant to Section 7.02, such suspension or termination will have no effect on (1) any rights the Developer may have pursuant to any Development Agreement(s) that have already been executed in accordance with the terms of this Master Developer Agreement; or (2) any rights that Developer may have to require the City or Agency to enter into a Development Agreement pursuant to the terms of this Master Developer Agreement, including, without limitation, any rights associated with any land under the Ownership or Control, as defined in Exhibit "D", Schedule of Performance, attached hereto, of the Developer, and such rights as provided in Section 7.02.

(ii) Tax Increment. To the extent development efforts are reasonably accomplished, and as long as Developer reasonably complies with the NT Specific Plan, City and Agency agree to cooperate with Developer to maximize and leverage to the highest

degree possible the incremental property tax value created by the master development efforts contemplated herein. In order to help facilitate the development of the NT Properties, the Agency hereby agrees to commit fifty percent (50%) of the unencumbered tax increment revenues generated and realized from the development of properties by the Developer (the "Tax Increment Funds") to fund infrastructure costs associated with the Project (including but not limited to infrastructure required to support the DX facilities). Unencumbered Tax Increment Funds shall mean the portion of tax increment revenues received by the Agency, exclusive of amounts that are otherwise legally required to be passed through to other taxing entities (either by way of agreement or in accordance with the California Redevelopment Law) or amounts that have been pledged for outstanding bond issues prior to the date of this Agreement. Such amounts that are otherwise pledged for existing indebtedness or passed through to other taxing agencies and the applicable formulas through which such distributions are made are more fully described in the Fiscal Consultant Report that is attached hereto as Exhibit "E" and incorporated by this reference. The Agency hereby represents and warrants that: Exhibit "E", Fiscal Consultant Report, sets forth the applicable formula's used to calculate the amount of the Tax Increment Funds that have been

either pledged for outstanding bond issues or passed through to taxing entities prior to the date of this Agreement. Following the date of the Agreement; the agency agrees that no other portions of the Tax Increment Funds shall be pledged or encumbered. Developer acknowledges and agrees that a portion of the Unencumbered Tax Increment Funds, not exceeding ten percent (10%) may have to be used on projects that either increase, improve or preserve the supply of low and moderate income housing, as required by California Redevelopment law. The Agency agrees that it shall cooperate with Developer to minimize the amount of Tax Increment Funds that would be used for low and moderate income housing purposes, and to the extent that such portion of the Tax Increment Funds are used for low and moderate income housing purposes, such portion shall be used for Developer's projects. Infrastructure items to be constructed in connection with the foregoing shall include, but not be limited to, water, sewer, electricity, roads (including the E-220 corridor) and such other infrastructure items as may be required for the development of the Northern Triangle Properties. Implementation of the foregoing may be accomplished through any or all of the following: (i) construction of infrastructure in the Northern Triangle Properties by the City or Agency; (ii) contracting and payment by City or Agency to Developer

for pre-approved construction of infrastructure in the Northern Triangle Properties; (iii) Payment by City or Agency to third parties contracted by Developer and pre-approved by City or Agency for construction of infrastructure in the Northern Triangle Properties; (iv) such other methods as Developer and City may reasonably agree upon. Developer may, from time to time, advance infrastructure funds prior to receipt of all needed Tax Increment Funds for a particular infrastructure project, after the Agency reasonably approves such expenditure, which approval shall not be unreasonably withheld, conditioned, or delayed. To the extent of such advancement of funds, Developer shall have a first priority claim for reimbursement of Tax Increment Funds to reimburse the cost of such approved infrastructure facilities. Moreover, should Developer, in conformity with the NT Specific Plan and with the prior written approval of the Agency (which shall not be unreasonably withheld or delayed), construct interim facilities or phase facilities as part of the Project that have a useful life of at least two (2) years, the costs thereof shall be a Project expense to be paid for with Tax Increment Funds. In connection with the foregoing, the Agency agrees to reasonably pursue the issuance of tax increment revenue bonds based upon the availability of Tax Increment Funds, the proceeds of which would be used for the

development and infrastructure within the Northern Triangle Properties.

Additionally, City and Developer further agree that all City fees imposed as a result of the development of the Northern Triangle Properties, to the extent permitted by law, will be used for the purposes of completing and maintaining the Project infrastructure. In connection therewith, the City agrees that it will not oppose a two percent (2%) Combined Tax Rate of property taxes and any community facilities district taxes for purposes of funding infrastructure (which may be increased from time to time upon mutual agreement of the parties). The City agrees that any fee increases that will impact the Northern Triangle Properties shall only be adopted and implemented in accordance with the provisions of State law, including but not limited to the provisions of Government Code Section 66000 et seq

To the extent Developer installs, at its own cost, infrastructure which is consistent with the NT Specific Plan, and the City or Agency has approved the construction thereof (which approval shall not be unreasonably withheld or delayed), Developer shall be entitled to receive credit against development and related

fees imposed by City for such infrastructure in lieu of paying said fees. In such event, to the extent legally permissible, credits can be used for one category or class of fee to pay for another category or class of fee. Should City lawfully require Developer to build parks, public golf courses, community centers, or similar public purpose structures or improvements as part of City's development review and permitting process, the cost of such construction and development will also, with prior City approval (which shall not be unreasonably withheld or delayed), be fully credited to Developer to satisfy Project conditions and CEQA mitigations.

To the extent City has control, City will cooperate with Developer to pursue park/school combinations whereby Developer shall receive credit toward any park obligations for land dedicated to park purposes (including private recreation centers). City and Developer agree to consider pursuing joint use opportunities first (i.e., library and school or park and fire station) and use their reasonable efforts to implement joint use opportunities. Commercial development within the Northern Triangle Properties shall not be assessed park fees, unless the park is private and said park fees are agreed upon by Developer and City.

Unless otherwise required by law, or as part of the NT Specific Plan, City may not impose upon Developer any requirement for dedication of and construction or improvement of public facilities (including construction of any fire station, police station or library), payment of fees in connection with the foregoing, or making any other contribution required in order to address impacts of development on the Project or within other areas of City. Without Developer's prior written consent, and unless otherwise required by law, City shall not include the Northern Triangle Properties in any assessment or other district formed by or on behalf of City and City shall not support inclusion of the Northern Triangle Properties in any assessment or other district formed by any other governmental entity, unless said assessment or district is a uniform City-wide assessment.

Section 2.06. NT Specific Plan. To facilitate the development of the Northern Triangle Properties, it is the intent of the parties that the following will be incorporated into the NT Specific Plan:

(i) Development Rules. City and Developer agree to jointly and reasonably cooperate in establishing development rules and criteria for inclusion in the NT Specific Plan. Building codes will also be addressed in the NT Specific Plan. The City agrees that it shall not independently initiate any amendment to the NT Specific Plan unless such amendments are required pursuant to State laws.

(ii) Density. The NT Specific Plan shall define the maximum number of units and square footages for both residential and non-residential developments contemplated by this Master Developer Agreement. City and Developer also agree to reasonably agree upon provisions for inclusion in the NT Specific Plan to provide Developer the right to transfer units of square footages and density between planning areas and separate developments within the Project, and moving of uses within the NT Specific Plan.

(iii) Amendments. Once a parcel within the Northern Triangle Properties is zoned by City pursuant to Developer's and the City's agreement herein, the City agrees, that unless otherwise required by State laws, it will not thereafter unilaterally or independently modify or amend the applicable zoning

or other entitlements, including changes that may arise via general plan amendments and updates, specific plans amendments and updates, zoning amendments and updates, Master Plan changes, tentative and final subdivision and parcel map amendments and updates, environmental impact reports and other CEQA approvals and amendment and updates, conditional use permits and amendments, design review approvals, and administrative approvals. The provisions of this Master Developer Agreement and any subsequent Development Agreement, and rights and entitlements related thereto shall be exempt from any City imposed moratoriums, except to the extent required by Federal or State law, and except as may be required by health, safety and welfare requirements.

Section 2.07. Fast Track Approval. City and Developer agree that the effective development of the Northern Triangle Properties requires a fast track approval process for all phases of the Project. To facilitate the foregoing, City agrees to implement such reasonable procedures to further the goals of the fast track approval process, as City and Developer may agree, including, but not limited to, exclusively dedicating plan check and inspection staff to the Project, provided such dedicated staff is at no cost to City.

Section 2.08. Reserve Capacity. City agrees to cooperate with Developer in the establishment of reimbursement districts. Should a third party use infrastructure developed by Developer before Developer has been reimbursed for the cost thereof, City shall cause said third party be subject to a reimbursement district as a condition to said third party's construction of its project, a fair and reasonable proportion of the cost, whether the term of this Master Developer Agreement has expired or not. The fair and reasonable proportion of the cost, as referred to above, shall be adjusted upward, but not downward, to account for the then current costs, as opposed to the actual costs Developer incurred, to install the infrastructure that said third party uses. City shall send written notice to Developer when City establishes a reimbursement district.

With respect to development of the Northern Triangle Properties by Developer, and to the extent City controls, or obtains, water or sewer service, Developer shall receive nothing less than the most favorable terms offered by the City to third parties to obtain water and sewer services from City.

(v) Public Utilities Paid for by Developer. Any and all Franchise agreements that fall under the preview of the Franchise Act of 1937 (California Public Utility Case Section 6201 et. seq.) shall be entered into pursuant to the requirements of said Act. The Developer may apply to the City for any non-exclusive franchise located within the Northern Triangle Properties. Should the franchise be for any item listed in Public Utility Code Section 6202, the Developer must comply with the Franchise Act of 1937. To the extent City has control, City shall offer Developer utility franchises so that Developer has the option to pay for and install certain public utilities within the Northern Triangle Properties. Should Developer do so, Developer shall have the non-exclusive right, unless otherwise provided by law or otherwise, to elect to operate such utilities in accordance with a franchise agreement to be executed by City and Developer (substantially in the form of the franchise agreement attached hereto as Exhibit "F"), except for electric, water, sewer and gas lines, and City shall grant Developer any necessary easements for said utilities. Included in such ownership rights and to the extent not inconsistent with any Federal or State law, would be easement rights to install off site overhead power lines as required to connect with any existing or future services outside of

the Northern Triangle Properties. Similarly, to the extent permitted by law, Developer shall have the right to install and pay for utility conduit for technology purposes, including but not limited to cable lines and fiber optics, within, over, across, and under all public rights of way within the Northern Triangle Properties. Should Developer elect to do so, City shall grant Developer the right to own any such utility conduit and easements for said lines. Included in such rights would be the right to install off site conduit as required to connect with any existing or future services outside of the Northern Triangle Properties, and related easements in favor of Developer

(vi) City Resources. As long as there is not an unreasonably negative impact on construction activities outside the Northern Triangle Properties, City agrees to make City resources available and to exercise all City powers available to support and expedite (a) implementation and completion of the DX Project and land development within the Northern Triangle Properties, and (b) accomplishment of the Master Plan in the most cost effective and efficient manner. City also agrees to limit any CEQA review and mitigation to that which is normal and customary, and to take all actions permitted under its municipal authority to obtain property

for public improvements within the Northern Triangle Properties as well as remove structures and encroachments that are within public easements or rights of way.

(vii) CC&Rs. Developer may create Covenants, Conditions and Restrictions ("CC&Rs") to be recorded on all Development Parcels. The CC&Rs may reflect, among other things: (a) exclusive agreements with third parties for the offering of their services within the Northern Triangle Properties; and (b) Developer having the sole and exclusive rights to enforce the CC&Rs.

(viii) City Maintenance. City and Developer shall cooperate in the establishment of districts to pay for maintenance of parkways, parks, open space, storm drain and detention facilities, and similar items via utility or similar districts, including but not limited to Landscape Maintenance Assessment Districts, Drainage Facilities Assessment Districts, and Park Districts. Developer may initiate proceedings for the formation of any said or similar districts, and City shall in good faith cooperate with Developer and diligently process said application and facilitate, expedite, and endeavor to create, with due diligence, said districts. In addition to the foregoing, City

agrees to cooperate in the creation of a storm drain assessment district to pay for such improvements for the Bell Mountain Wash, of which City and Developer shall reasonably agree necessary for the development of the Project.

(ix) Most Favored Nation. If City enters into any agreements with other property owners or developers concerning land within the Northern Triangle Properties which contain provisions concerning the development thereof, fees, financing programs, City participation in infrastructure and public facilities, or other provisions related to the use of development of such land which are more favorable to such other developers than the provisions of this Master Developer Agreement are to Developer, then Developer shall be entitled to the benefit of such more favorable provisions.

Section 2.09. Ordinance Extension. To the extent that Developer reasonably and diligently moves forward toward development of the NT Specific Plan, City agrees to reasonably extend Ordinance 2145 concerning development approvals for each property within the Northern Triangle Properties.

ARTICLE III

Section 3.01. Off-Site Development. The parties agree that in order to ensure the successful development of the Northern Triangle Properties, it may be necessary to pursue the acquisition and/or development of properties which are located adjacent and/or in proximity to the Northern Triangle Properties. The parties therefore agree to cooperate in good faith in order to facilitate the development of such properties and each party agrees to commit resources in the pursuit of such ventures to the extent deemed commercially reasonable by both parties. With respect to land that is currently within the City's Sphere of Influence Areas, it is the intent of the parties to make sure such areas are subject to this Master Developer Agreement, and to expand or amend the NT Specific Plan to incorporate such areas.

ARTICLE IV

Section 4.01. Costs of Construction and Other Costs. Except as otherwise provided in this Master Developer Agreement or the Development Agreement, the costs of developing the Development Parcels and of constructing all improvements thereon and adjacent

thereto as set forth in the Project Proposal shall be borne by Developer and/or third parties procured by Developer.

Except as otherwise provided in this Master Developer Agreement or the Development Agreement, Developer, the Approved Developers or such other appropriate third parties shall, at their sole cost and expense, cause to be prepared, and shall pay any and all fees pertaining to the review and approval thereof by the City, all required construction, planning and other documents reasonably required by governmental bodies pertinent to the development of the Development Parcels hereunder including, but not limited to, specifications, drawings, plans, maps, permit applications, land use applications, zoning applications and design review documents.

Except as otherwise provided in this Master Developer Agreement or the Development Agreement, Developer and/or the Approved Developers, as applicable, shall pay for any and all costs concerning the design, construction, relocation and securing of permits for utility improvements and connections, including sewers and sewer lines, power lines and poles, water lines, gas lines, cable lines and related vaults, storm drains and vaults, traffic access ways, lighting poles and standards, handicapped access ramps, construction of tree wells and planting of trees. Such parties shall obtain any and all necessary approvals prior to the commencement of applicable portions of said construction, and such parties shall take reasonable precautions to ensure the safety and stability of surrounding properties during said construction.

ARTICLE V

Section 5.01. Supersedure by Subsequent Law. If any Law made or enacted after the date of this Master Developer Agreement by governmental entities other than the Agency prevents or precludes compliance with one or more provisions of this Master Developer Agreement, then the provisions of this Master Developer Agreement shall, to the extent feasible, be reasonably modified or

suspended as may be necessary to comply with such new law, rule or regulation. Immediately after enactment of any such new law, rule or regulation, the parties shall meet and confer in good faith to determine the feasibility of any such modifications or suspension based on the effect such modification or suspension would have on the purposes and intent of this Master Developer Agreement. If such modification or suspension is infeasible in Developer's reasonable business, geotechnical or environmental judgment, then Developer shall have the right to terminate this Master Developer Agreement by written notice to the Agency. In addition, at Developer's election, (i) the Term of this Master Developer Agreement may be extended pursuant to Section 7, and (ii) Developer shall have the right to challenge the new law, rule or regulation, preventing compliance with the terms of this Master Developer Agreement, and, in the event such challenge is successful, this Master Developer Agreement shall remain unmodified and in full force and effect, except that the Term shall be extended by such challenge pursuant to Section 7.01.

ARTICLE VI

Section 6.01. Miscellaneous Covenants of the Agency and Developer/Amendment of Master Developer Agreement. This Master Developer Agreement may be amended from time to time by mutual written consent of the parties.

Section 6.02. Operating Memoranda. The parties acknowledge that the provisions of this Master Developer Agreement require a close degree of cooperation between and amongst the parties, and the refinements and future events may demonstrate that non-material changes are appropriate with respect to the detail of performance of the parties under this Master Developer Agreement. The parties desire, therefore, to retain a certain degree of flexibility with respect to the details of performance of the parties under this Master Developer Agreement. If and when, from time to time during the Term hereof, the parties find that such changes or adjustments are necessary or appropriate, such as the addition of a legal description for portions of the Northern Triangle Properties when such legal description are prepared, they shall effectuate such changes or adjustments through operating

memoranda reasonably approved by the parties which, after execution, shall be attached hereto as addenda and become a part hereof, and may be further changed and amended from time to time as necessary, with further approval by the parties. Any material changes in the parties' obligations shall require the approval of the Agency.

Section 6.03. Other Governmental Permits. Developer shall apply from time to time for other permits and approvals as may be required by other governmental or quasi-governmental agencies having jurisdiction over the Project in connection with the development of, or provision of services to, the Project. The Agency and the City shall fully cooperate with Developer in its efforts to expedite obtaining such permits and approvals in an efficient and timely manner, and provide any documents or certificates reasonably required to process and obtain such permits and approvals.

Section 6.04. Cooperation in the Event of Legal Challenge. If any legal or equitable action or other proceeding is brought by any party, governmental entity or official challenging the validity of any provision of this Master Developer Agreement,

the parties shall cooperate in defending such action or proceeding. If the parties cannot agree on such defense, then each party shall bear its own costs of such defense. In the event the Agency and Developer are unable to select mutually agreeable legal counsel to defend such action or proceeding, each party may select its own legal counsel at each party's expense.

ARTICLE VII

Section 7.01. Initial Term. Provided that Developer reasonably achieves those development events as set forth on attached Exhibit "D", Schedule of Performance, the term of the Master Developer Agreement shall be for twenty (20) years from the Effective Date (the "Term") subject to extension and earlier termination as set forth herein. In the event of an administrative appeal or judicial proceeding related to any term or provision of this Master Developer Agreement, the Term and any associated milestone requirement, as set forth on the attached Exhibit "D", Schedule of Performance, shall automatically be extended for a period equal to the period of time of such challenge.

Section 7.02. Termination and Default. In the event a DX Compliance Event occurs, or the Developer does not achieve the development events within the times set forth in Exhibit "D", the City, the Agency and/or the Authority, subject to the City's provision of notice of default and a six (6) month period during which Developer has the right to cure and/or the ability to enter into good faith negotiations with the City pursuant to the terms of this Master Developer Agreement, shall have the right to terminate this Master Developer Agreement in its entirety in which event the City, Agency and/or Authority, through a formal act, shall have no further obligations to Developer pursuant to this Agreement and this Master Developer Agreement shall be deemed null and void. Notwithstanding the above, should the Developer otherwise be in a material default under the terms of this Master Developer Agreement, then subject to the foregoing provisions, City shall provide Developer with written notice thereof and Developer shall have ninety (90) days from the date of such notice ("Notice Period") to substantially cure. In the event of Developer's failure to substantially cure within the Notice Period, then City shall have the right to terminate this Master Developer Agreement. For the purposes of this section, failure on the part of the parties to reach a consensus on any issue not

defined by or specifically required in this Master Developer Agreement or covered by the NT Specific Plan, including but not limited to specific design, development or technical issues, shall not constitute a material default.

Unless extended by mutual consent of the parties, any land, parcels, and/or properties under Ownership or Control of the Developer, as defined within Exhibit "D", at the time of a termination pursuant to this Section 7.02, shall be entitled to the benefits of this Master Developer Agreement for a period of one (1) year from the date of the said termination of this Master Developer Agreement.

Section 7.03. Extension Term. At the request of the Developer, the Term of the Master Developer Agreement may be extended for up to two (2) five (5) year periods (the "Extension Term"), with the consent of the City, which consent shall not be unreasonably withheld, conditioned, or delayed. City agrees to give its consent should Developer comply with mutually agreed upon milestones reasonably expected to promote the development of the Project, to be reasonably agreed upon and set forth in the Development Agreement. During an Extension Term, the Project

entitlements shall also be extended to run throughout and during any Extension Term.

Section 7.04. Certain Obligations Non-Recourse.

Notwithstanding anything to the contrary set forth herein, no elective or appointive board, commission, officer, agent or employee of the Agency, and no person who is, directly or indirectly, a partner, member, officer, director, shareholder, trustee, employee, beneficiary or agent of Developer, shall be personally liable with respect to any of the obligations of the Agency or Developer herein, and each party shall look solely to the assets of Developer or the Agency (as the case may be) and shall have no right of recourse against the assets of any such other person herein specified.

ARTICLE VIII

General Provisions

Section 8.01. Developer Covenants. Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital

status, sexual preference, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Northern Triangle Properties, nor shall Developer itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Northern Triangle Properties. The foregoing covenants shall run with the land.

Section 8.02. Form of Nondiscrimination and Nonsegregation Clauses. Developer shall refrain from restricting the rental, sale or lease of the Northern Triangle Properties, or any portion thereof, on the basis of race, color, creed, religion, sex, marital status, ancestry or national origin of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

- (a) In deeds: "The grantee herein covenants by and for himself for herself, his or her heirs, executors, administrators and assigns, and all persons

claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, sexual preference, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises herein conveyed, nor shall the grantee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

- (b) In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

"That there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, sexual preference, national origin or ancestry, in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the premises herein leased, nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the premises herein leased."

- (c) In contracts: "There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, sexual preference, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of

the premises, nor shall the transferee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the land."

To the extent required by law, Developer agrees that it will comply with any applicable Federal, State or local labor laws and statutes.

Section 8.03. Transfer of Agency Development Parcels.

After first obtaining the written consent of the Agency, which may not be unreasonably withheld, delayed, or conditioned, Developer shall have the right to assign or transfer all or any portion of its interests, rights or obligations under this Master Developer Agreement or in the Agency Development Parcels to a third party who acquires an interest or estate in the Agency Development Parcels or any portion thereof. If all or any of the portion of the Agency Development Parcels is transferred by Developer to any person or entity, the transferee shall, to the extent relinquished by Developer, succeed to all of Developer's rights under this Master

Developer Agreement as they affect the right to proceed with development of that portion of the Agency Development Parcels transferred to the transferee (the "Transferred Development Parcels"), and, to the extent assigned by Developer, the transferee shall assume all obligations of Developer hereunder which relate to the Transferred Development Parcels. A transfer made in compliance with this Section of all or any part of the Agency Development Parcels to any other person or entity shall release Developer from its obligations hereunder, which relate to the Transferred Development Parcels.

Section 8.04. Severability. If any provision of this Master Developer Agreement or the application of any provision of this Master Developer Agreement to a particular situation is held by a court of competent jurisdiction to be invalid or unenforceable, then, to the extent that the invalidity of unenforceability does not impair the application of this Master Developer Agreement as intended by the parties, the remaining provisions of this Master Developer Agreement, or the application of this Master Developer Agreement to other situations, shall continue in full force and effect.

Section 8.05. Permits and Approval Independent. All Permits and Approvals, and all land use entitlements or approvals generally which may be issued or granted by the Agency with respect to the Northern Triangle Properties, constitute independent actions and approvals by the Agency. If any provision of this Master Developer Agreement or the application of any provision of this Master Developer Agreement to a particular situation is held by a court of competent jurisdiction to be invalid or unenforceable, or if the Agency terminates this Master Developer Agreement for any reason, then such invalidity, unenforceability or termination of this Master Developer Agreement or any part hereof shall not affect the validity or effectiveness of any Permits and Approval or other land use approvals. In such cases, such approvals will remain in effect pursuant to their own terms, provisions, and conditions of approval.

Section 8.06. Further Actions. Each party shall execute and deliver to the other all such other further instruments and documents as may be reasonably necessary to carry out this Master Developer Agreement in order to provide and secure to the other party the full and complete enjoyment of its rights and privileges hereunder.

Section 8.07. Construction. This Master Developer Agreement has been reviewed and revised by legal counsel for both Developer and the Agency, and no presumption or rule that ambiguities shall be construed against the drafting party shall apply to the interpretation or enforcement of this Master Developer Agreement.

Section 8.08. Notices. Any notice under this Master Developer Agreement must be in writing and be personally delivered, delivered by recognized overnight courier service or given by mail or via facsimile. Any notice given by mail must be sent, postage prepaid, by certified or registered mail, return receipt requested.

All notices must be addressed to the parties at the following addresses or at such other addresses as the parties may from time to time direct in writing:

If to Developer: Inland Group, Inc.
3501 Jamboree Road, South Tower
Suite 606
Newport Beach, CA 92660
Attn: Buck Johns
(949) 856-2200
Fax: (949) 856-2313

DesertXpress Enterprises
6750 Via Austi Way, Suite 250
Las Vegas, NV 89119
Attn: Andrew Mack
(702) 491-7463
E-mail: amack@transmaxgroup.com

Transit Real Estate Development, LLC
6750 Via Austi Way, Suite 250
Las Vegas, NV 89119
Attn: Jeffery Kimmel
(702) 491-9038
E-mail: jbkimmel@transmaxgroup.com

With copy to:

Rosenfeld Roberson Johns & Durrant
6725 Via Austi Pkwy, Suite 200
Las Vegas, Nevada 89119
Attn: Efrem A. Rosenfeld, Esq.
(702) 386-8637
E-mail: erosenfeld@lawrosen.com

If to Agency:

Victorville Redevelopment Agency
14343 Civic Drive
Victorville, CA 92392
Attn: Keith Metzler
(760) 955-5032
Fax: (760) 269-0080

With a copy to:

Green, de Bortnowsky & Quintanilla,
LLP
23801 Calabasas Road, Suite 1015
Calabasas, CA 91302-1595
Attn: Andre de Bortnowsky
(818) 704-0195
FAX: (818) 704-4729

If to
Rail Authority:

Southern California Logistics
Rail Authority
18374 Phantom Way
Victorville, CA 92394
Attn: Jon B. Roberts
(760) 243-1900
FAX: (760) 246-3108

If to the City: City of Victorville
 14343 Civic Drive
 Victorville, CA 92392
 Attn: Jon B. Roberts
 (760) 955-5029
 Fax: (760) 269-0011

Any notice will be deemed to have been given, if personally delivered, when delivered, and if delivered by courier service, one (1) Business Day after deposit with the courier service, and if mailed, two (2) Business Days after deposit at any post office in the United States of America, and if delivered via facsimile, the same day as verified; provided that any verification that occurs after 7 p.m. (California time) on the following Business Day.

Section 8.09. Partnership or Joint Venture. Nothing in this Master Developer Agreement shall be construed to render the Agency in any way or for any purposes a partner, joint venture or associate in any relationship with Developer nor shall this Master Developer Agreement be construed to authorize either to act as the Agent for the other.

Section 8.10. Estoppel Certificate. Within ten (10) days following any written request which either party may make from

time to time, the other party to this Master Developer Agreement shall execute and deliver to the requesting party a statement certifying that: (a) this Master Developer Agreement is unmodified and in full force and effect; (b) there are no current uncured defaults under this Master Developer Agreement or specifying the dates and nature of any such default; and (c) any other reasonable information requested. The failure to deliver such a statement within such time shall constitute a conclusive presumption against the party which fails to deliver such statement that this Master Developer Agreement is in full force and effect without modification.

Section 8.11. No Third Party Beneficiary. This Master Developer Agreement is made and entered into for the sole protection and benefit of the parties hereto. No other party shall have any right of action based upon any provision of this Master Developer Agreement.

Section 8.12. Governing Law. This Master Developer Agreement shall be governed and construed in accordance with the laws of the State of California, and venue and jurisdiction of any

action arising out of or relating to this Master Developer Agreement shall lie in San Bernardino County.

Section 8.13. Entire Master Developer Agreement. This Master Developer Agreement and the exhibits hereto constitute the entire agreement between the parties with respect to the purchase and sale of the Northern Triangle Properties, and supersedes all prior agreements and understandings between the parties relating to the subject matter of this Master Developer Agreement.

Section 8.14. Dispute Costs. In the event any dispute between the parties with respect to this Master Developer Agreement result in litigation or other proceeding, the prevailing party shall be reimbursed by the party not prevailing in such proceeding for all reasonable costs and expenses, including, without limitation, reasonable attorneys' and experts' fees and costs incurred by the prevailing party in connection with such litigation or other proceeding and any appeal thereof. Such costs, expenses and fees shall be included in and made a part of the judgment recovered by the prevailing party, if any.

Section 8.15. Waiver. Neither the Agency's nor

Developer's waiver of the breach of any covenant under this Master Developer Agreement will be construed as a waiver of the breach of any other covenants or as a waiver of a subsequent breach of the same covenant.

Section 8.16. Non-Merger. The terms, conditions and provisions of this Master Developer Agreement shall not be deemed merged into any Deed, and shall survive Closing and continue in full force and effect.

Section 8.17. Business Day. A "Business Day" is a day which is not a Saturday, Sunday or legal holiday recognized by the Government of the United States of America. Furthermore, if any date upon which or by which action is required under this Master Developer Agreement is a Saturday, Sunday or legal holiday recognized by the Government of the United States of America, then the date for such action shall be extended to the first day that is after such date and is not a Saturday, Sunday or legal holiday recognized by the Government of the United States of America. In addition to the foregoing, if the date designated as the Closing Date is a Saturday, Sunday or legal holiday recognized by the state or other jurisdiction in which the Closing is to occur or in which

the Real Property is located, then the Closing Date shall be the first day that is after such date and is not a Saturday, Sunday or legal holiday recognized by the Government of the United States of America or such state or jurisdiction. Unless the term "Business Day" is used, all references in this Master Developer Agreement to days or other time periods shall mean calendar days or periods.

Section 8.18. Plurality and Gender. Wherever in this Master Developer Agreement the singular number is used, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders, and vice versa, as the context shall require.

Section 8.19. Counterparts and Exhibits. This Master Developer Agreement is executed in four (4) counterparts, each of which is deemed to be an original. This Master Developer Agreement consists of sixty-seven (67) pages, and, in addition, six (6) exhibits which constitute the entire understanding and agreement of the parties to this Master Developer Agreement.

Section 8.20. Permitted Delays/Force Majeure. In addition to any other specific provisions of this Master Developer

Agreement, performance by either party of its obligations hereunder shall be excused during any period of delay caused at any time by reason of acts of God or civil commotion, riots, strikes, war, terrorism, picketing, or other labor disputes, shortage of materials or supplies, unanticipated conditions in the economy, damage to work in progress by reason of fire, floods, earthquake or other casualties, restrictions imposed or mandated by governmental or quasi-governmental entities, enactment of conflicting Laws (including, without limitation, new or supplementary environmental regulations), any governmental actions or failure to act (except actions or failures to act by the City or the Agency if the City or the Agency is otherwise claiming a delay) litigation, acts or neglect of the other party, or any other cause beyond the reasonable control of a party. Each party shall promptly notify the other party of any delay hereunder as soon as possible after the same has been ascertained

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Developer and the Agency have executed this MASTER DEVELOPER AGREEMENT as of the date first hereinabove written.

RAIL AUTHORITY
Southern California Logistics
Rail Authority

Terry E. Caldwell
Authority Chairman

ATTEST: Authority Secretary

By: Carla Bates

Approved as to Form:

By: [Signature]
Rail Authority Counsel

CITY
City of Victorville

Terry E. Caldwell
Mayor

ATTEST: City Clerk

By: Carla Bates

Approved as to Form:

By: [Signature]
City Attorney

AGENCY
Victorville Redevelopment Agency

Terry E. Caldwell
Chairman

ATTEST: Agency Secretary

By: Carla Bates

Approved as to Form:

By: [Signature]
Agency Counsel

DEVELOPER

INLAND GROUP, INC.

By: [Signature]
Title: President

By: [Signature]
Title: Exec. Vice President

DESERTXPRESS ENTERPRISES, LLC

By: _____
Title: _____

By: _____
Title: _____

TRANSIT REAL ESTATE
DEVELOPMENT, LLC

By: _____
Title: _____

By: _____
Title: _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

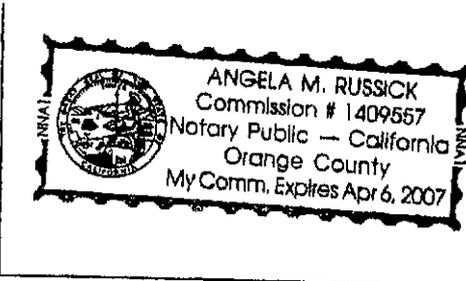
County of ORANGE

) ss.

On 4/21/07, before me, ANGELA M. RUSSICK Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared WILLIAM JOHNS & THOMAS M. BARKER
Name(s) of Signer(s)

- personally known to me
- provided to me on the basis of satisfactory evidence



to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Place Notary Seal Above

WITNESS my hand and official seal
Angela M. Russick
Signature of Notary Public

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- Individual
- Corporate Officer - Title(s): _____
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- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____

Right Thumbprint of Signer

Signer is Representing: _____

DEVELOPER

INLAND GROUP, INC.

By: _____
Title: _____

By: _____
Title: _____

DESERTXPRESS ENTERPRISES, LLC

By: Thomas L. Stone
Title: MANAGER

By: [Signature]
Title: Manager

TRANSIT REAL ESTATE
DEVELOPMENT, LLC

By: Elchi K. Nalfarani
Title: Manager

By: [Signature]
Title: manager.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

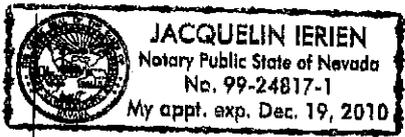
State of California Nevada

County of Clark

) ss.

On March 28 2007, before me Jacquelin Ierien, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Thomas J Stone
Name(s) of Signer(s)



- personally known to me
- provided to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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WITNESS my hand and official seal.

Jacquelin Ierien
Signature of Notary Public

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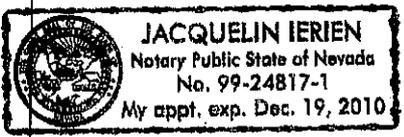
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of ~~California~~ Nevada)
County of Clark) ss.

On March 28 2007, before me, Jacquelin Ierien Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Andrew Mack
Name(s) of Signer(s)

- personally known to me
- provided to me on the basis of satisfactory evidence



to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

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Jacquelin Ierien
Signature of Notary Public

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- Attorney in Fact
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Signer is Representing: _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California Nevada

County of Clark) ss.

On March 28, 2007 before me, Jacquelin Ierien, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Ebbie K. Nakhjavani
Name(s) of Signer(s)

- personally known to me
- provided to me on the basis of satisfactory evidence



to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Place Notary Seal Above

Jacquelin Ierien
Signature of Notary Public

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- Attorney in Fact
- Trustee
- Guardian or Conservator
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CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of ~~California~~ Nevada)
County of Clark) ss.

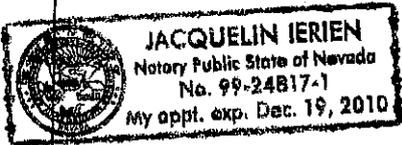
On March 28 2007, before me, Jacquelin Ierien Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Jeffrey Kimmel
Name(s) of Signer(s)

personally known to me

provided to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



Place Notary Seal Above

WITNESS my hand and official seal.

Jacquelin Ierien
Signature of Notary Public

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- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____

Signer is Representing: _____

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EXHIBIT "A"

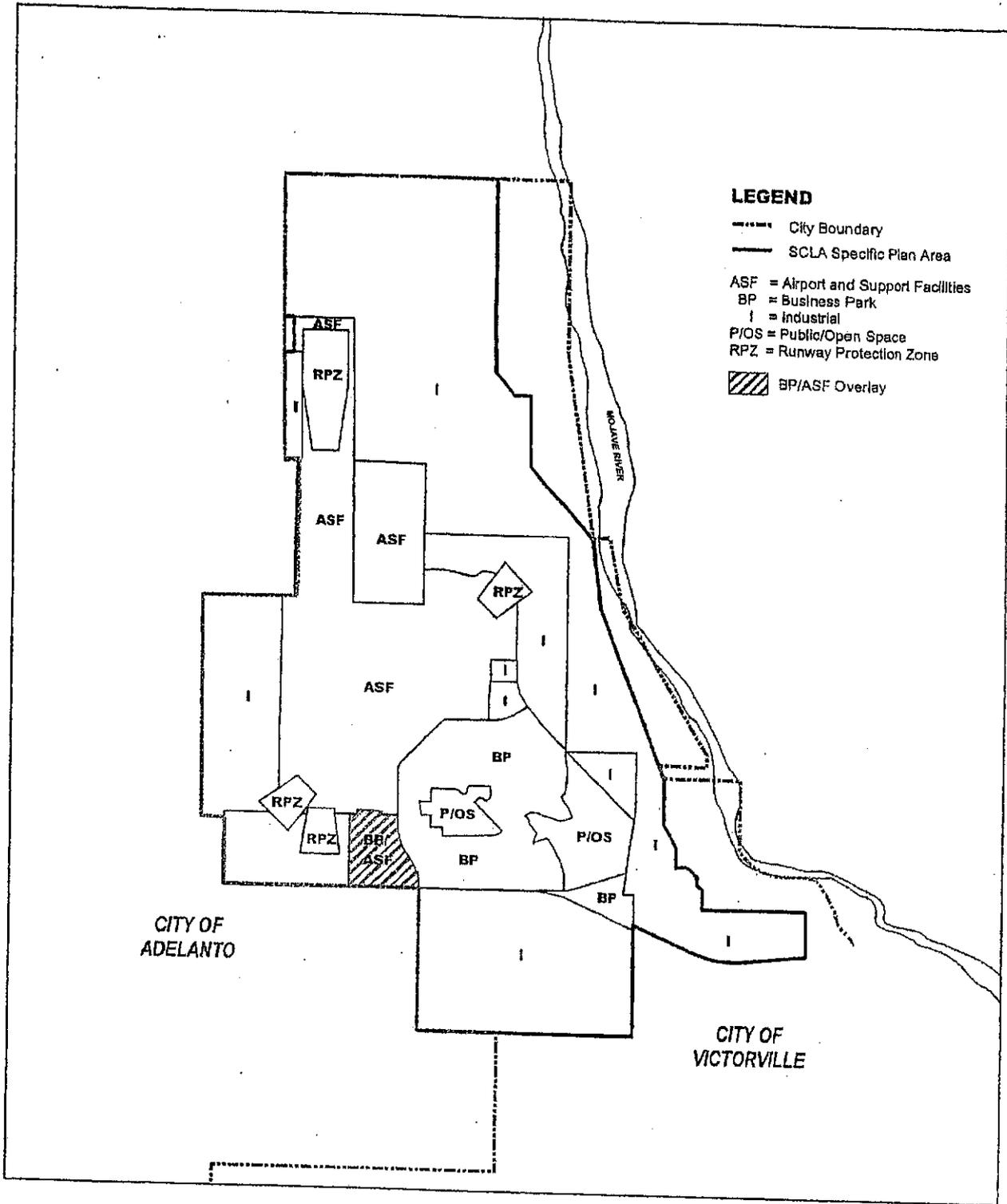
DESCRIPTION OF NORTHERN TRIANGLE PROPERTIES

Exhibit A



EXHIBIT "B"

DESCRIPTION OF SPHERE OF INFLUENCE LAND




 1 INCH = 5,000 FEET

SCLA LAND USE PLAN



PLANNING ■ DESIGN ■ CONSTRUCTION

\\rdata\10102108\gis\arcinfo\exhib\08_scla land use plan.mxd February 27, 2004

EXHIBIT 8

EXHIBIT "C"

DX DEVELOPMENT MILESTONES

The following five (5) milestones are hereby required under this Master Developer Agreement and shall occur during a range of time that will end no later than the listed Milestone Date:

DX MILESTONE	TARGET DATE	DX MILESTONE DATE
Draft Environmental Impact Statement (EIS) Issued by appropriate Governmental Agency	September 2007	March 2010
Final EIS Issued by appropriate Governmental Agency	February 2008	August 2010
Receipt of Certified Record of Decision from the Federal Surface Transportation Board permitting the construction and operation of the DX Project ("Vested Right to Build")	December 2008	November 2011
Commencement of Construction Process	January 2009	January 2012
Commencement of Commercial Operations	December 2012	December 2015

For purposes of this Exhibit C, the following is applicable:

1. The parties agree to cooperate in the extensive effort required to secure the approvals and permits, necessary to obtain the Vested Right to Build. In this regard, Developer shall present regular DX status reports to City ("Status Reports"), which shall include updated information describing progress toward completion of the DX Development Milestones. City shall work and cooperate with Developer to implement the DX project in as timely a manner as possible.
2. It is the intent of this Agreement that the Developer shall use due diligence and take all reasonable actions to achieve the aforementioned DX Milestones. In the event of a delay of a Governmental Agency action, or the filing of an administrative appeal, or judicial proceeding related to any term or provision of this Master Developer Agreement which is not the result of a failure of Developer or Affiliates to exercise due diligence, any of the above DX Milestone Dates shall automatically be extended for a period equaled to the period of time of such delay or challenge.
3. City shall use good faith efforts to assist and support Developer or Affiliates (as defined in Exhibit "D") in resolving any issues that are identified in a Status Report which may potentially lengthen the ability of the Developer to achieve any of the above DX Milestones.

EXHIBIT "D"

SCHEDULE OF PERFORMANCE

1. Developer's Ownership or Control (as hereinafter defined) of six hundred (600) acres of land within the Northern Triangle Properties on or before twelve (12) months following Formal Adoption (as hereinafter defined) of the Specific Plan and the Environmental Impact Report ("EIR") for the same by the City.
2. Developer's Ownership or Control of an aggregate of one thousand (1,000) acres of land within the Northern Triangle Properties on or before twenty-four (24) months following Formal Adoption of the Specific Plan and EIR by the City.
3. Developer's Ownership or Control of an aggregate of one thousand two hundred (1,200) acres of land within the Northern Triangle Properties on or before thirty-six (36) months following Formal Adoption of the Specific Plan and EIR by the City.
4. Developer's Ownership or Control of an aggregate of one thousand five hundred (1,500) acres of land within the Northern Triangle Properties on or before forty-eight (48) months following Formal Adoption of the Specific Plan and EIR by the City.
5. Developer's Ownership or Control of an aggregate of one thousand eight hundred (1,800) acres of land within the Northern Triangle Properties on or before sixty (60) months following Formal Adoption of the Specific Plan and EIR by the City.
6. On or before seventy-two (72) months following Formal Adoption of the Specific Plan and EIR by the City, with respect to Land under Developer's Ownership or Control, there shall have been (since the date of the Developer Agreement) Development of Improvements for an aggregate total of one million two hundred fifty thousand (1,250,000) square feet of building space (in any category of development including, but not limited to, residential, office, industrial, light industrial, retail or commercial). For purposes of this Exhibit D the term "Development of Improvements" shall be deemed to have occurred for a particular building upon (i) issuance by the City of all permits and approvals necessary to commence construction of such building, and (ii) commencement of improvements for such building.

For purposes of this Exhibit D, Developer shall be deemed to have "Ownership or Control" of land when: (i) such land either presently or in the past shall have been owned by Developer in fee (or an Affiliate of Developer); or (ii) such land either presently or in the past shall have been owned in fee by a limited-liability company (or other business entity) to which Developer (or an Affiliate of Developer) shall have been a member or other equity holder; or (iii) such land either presently or in the past shall have been leased by Developer (or an Affiliate of Developer); or (iv) such land is presently subject to an option or other reservation granting Developer the right to (A) acquire such land in fee, or (B) to acquire such land by lease, or (C) develop or improve such land; or (v) such land is presently subject to a joint venture agreement to which Developer (or an Affiliate of Developer) is a party for the development of the land (or similar type of agreement); or (vi) such land is presently subject to a right or reservation in favor of Developer (or an Affiliate of Developer) the practical effect being that Developer (or an Affiliate of Developer) shall have a right to control development on such land or shall receive a financial remuneration as a result of the development of such land. For purposes of this Exhibit D, the term "Affiliate" shall mean an entity which is controlled by, controls, or is under common control with Developer. The term "control" or "controlled" as used above shall mean the ownership, directly or indirectly, of more than fifty percent (50%) of the voting securities of, or more than fifty percent (50%) of the voting interest in, any entity. For purposes of this Exhibit D, "Formal Adoption of the Specific Plan and EIR" shall be deemed to have occurred on the date one (1) day following expiration of any period for administrative appeal or court challenge to adoption by ___ [the City/entity that will be responsible for adopting the Specific Plan and the EIR] ___ of the Specific Plan and the EIR.

Following issuance of a Certified Record of Decision by the Service Transportation Board permitting the construction of the DesertXpress High Speed Train project with its southern California terminus in Victorville the term of the Master Developer Agreement shall remain in effect for the full Term of the Agreement as set forth in Article VII (including any extensions thereof in accordance with the provisions of the Agreement), notwithstanding the fact that no other milestone set forth in this Exhibit D is achieved.

EXHIBIT "E"
FISCAL CONSULTANT REPORT

Southern California Logistics Airport Authority

Fiscal Consultant Report

Fiscal Year 2006-07

October 25, 2006

Southern California Logistics Airport Authority
18374 Readiness Street
Victorville, California 92394



RSG

INTELLIGENT COMMUNITY DEVELOPMENT

309 West 4th Street
Santa Ana, California 92701
Phone: (714) 541-4585
Fax: (714) 541-1175
E-Mail: info@webrsg.com

Fiscal Consultant's Report

Southern California Logistics Airport Authority

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Introduction

This Fiscal Consultant Report ("Report") has been prepared at the request of the Southern California Logistics Airport Authority ("SCLA"). It is our understanding that SCLA will employ this Report to substantiate available tax increment and certain other revenue generated within the Victor Valley Redevelopment Project Area ("Project Area"). The revenue is to fund debt service for SCLA's proposed Tax Allocation Bonds ("Bonds").

SCLA is a joint powers authority comprised of the Victorville Redevelopment Agency and the City of Victorville. It is successor in interest to the Victorville Valley Economic Development Authority ("VVEDA") with respect to all of the rights and obligations associated with the development of the properties comprising former George Air Force Base.

The following tables have been incorporated into this Report:

Table 1:	Redevelopment Plan Limits
Table 2:	Base Year Valuation
Tables 3A-B:	Historic Assessed Valuation and Tax Increment Receipts
Tables 4a-i:	Assessed Valuation by Land Use
Tables 5a-h:	Increases in Assessed Value due to Resales
Table 6:	New Development
Table 7:	Assessment Appeals
Table 8:	Summary of Agreement Terms
Tables 9a-g:	Top Ten Taxpayers
Tables 10A-I:	Tax Increment Revenue Projections

Projected assessed values and tax increment revenues presented in this Report are based upon the following assumptions:

1. Historical growth trends;
2. Trended growth in valuation as permitted by Article XIII A of the California Constitution ("Proposition 13"), and;
3. Assessment and apportionment procedures of the County of San Bernardino ("County").

All tax increment revenue projections have been conservatively estimated to reduce the possibility of overstating future tax increment revenue.

Background

Creation of Victor Valley Economic Development Authority

On January 5, 1989, The Secretary of Defense announced the planned closure of George Air Force Base, California (the "Base"), pursuant to the Base Closure and Realignment Act (Public Law 100-526). The Base subsequently closed December 15, 1992.

Concerned about the potential negative economic impacts of the impending closure, elected officials of the County of San Bernardino, the Cities of Adelanto, Hesperia and Victorville, and the Town of Apple Valley held a series of organizational meetings and established a joint powers authority, the Victor Valley Economic Development Authority, to set in motion a joint reuse planning effort. An agreement was finalized in October 1989 to which the County of San Bernardino, the City of Hesperia, the City of Victorville and the Town of Apple Valley became signatories (the "Member Jurisdictions" or "Participating Jurisdictions"). The City of Adelanto elected not to participate in the joint reuse planning effort at that time although they have subsequently joined.

In recognition of the impact that closure of the Base would have on the surrounding communities, the California State Legislature passed, and the Governor signed, Assembly Bill 419 in September 1989 ("Eaves Bill"). This legislation amended the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.; hereinafter also referred to as "Redevelopment Law" or "CRL") and granted special authority to permit the redevelopment of George Air Force Base and other lands "in proximity to" the military facility.

Among the special provisions of the amending legislation was the granting of authority to create a joint powers agency "which shall have and exclusively exercise powers of an agency in furtherance of the redevelopment of a project area approved by the joint powers agency" (Section 33492.40(b) formerly Health and Safety Code 33020.5). Subsequently, VVEDA amended its operating agreement to reflect its recognition of and adoption of the provisions of the Eaves Bill and re-established itself as a separate joint powers agency, retaining the same member jurisdictions.

The Victor Valley Economic Development Authority was formed pursuant to Government Code Section 6500 et seq., and authorized by Section 33492.40(b) of the CRL to secure a redevelopment project for the properties within, immediately adjacent to or in proximity to the former George Air Force Base. VVEDA's purpose is to plan for the use and reuse of the Base and to acquire, own, maintain and operate it as a commercial and general aviation airport. The reuse of the Air Base for civil aviation and non-aviation uses is essential to the region's retention of jobs and its future economic stability and growth.

Redevelopment Plan and Amendments

VVEDA adopted the initial Redevelopment Plan for the 1993 Victor Valley Redevelopment Project on December 28, 1993 by Ordinance No. 2. Ordinance No. 4 first amended the Redevelopment Plan on December 28, 1994. Amendment No. 1 allowed VVEDA to collect tax increment revenues for up to forty-five years following the Redevelopment Plan's adoption date. Ordinance No. 5 amended the Plan for the second time on June 11, 1997. Amendment No. 2 implemented special legislation, which was subsequently updated by new special legislation changing the base year to fiscal year 1997-98. The 1998 Amendment No. 3 to the Redevelopment Plan amended the Plan on April 22, 1998 by Ordinance No. 7 and allowed for the power of eminent domain in certain primarily nonresidential areas in the Project Area within portions of the San Bernardino County unincorporated territory and portions of the Town of Apple Valley.

Amendment No. 4 became effective July 12, 2000. This amendment added approximately 15,705 acres (excluding public rights-of-way) in the Cities of Adelanto and Victorville and the County of San Bernardino to the original 44,813 acres for a total of 60,518 acres.

Amendment No. 5 became effective on December 23, 2003, by Ordinance No. 9. Amendment No. 5 expanded the authority for VVEDA to acquire property through the power of eminent domain within certain portions of the unincorporated San Bernardino territory.

Amendment No. 6 became effective on June 23, 2004, by Ordinance No. 10. Amendment No. 6 made certain changes to the text of the Plan which allowed for deferral of VVEDA's deposit of housing set-aside funds pursuant to section 33492.40(e)(2) of the CRL for a specific period not to exceed five (5) years in order to use such funds to facilitate the expeditious funding of much needed infrastructure projects and other general redevelopment activities. The Distribution of Tax Increment section later in this report discusses the effects of Amendment No. 6 on tax increment revenue in greater detail.

Amendment No. 7 became effective on June 8, 2005, by Ordinance No. 11. Amendment No. 7 amended section 539 of the Plan to address the manner in which Amendment No. 6 may be most effectively implemented.

Redevelopment Plan Limitations

Amendment No. 4 also established the new plan limits pursuant to Redevelopment Law. The time limitations presented by Table 1 relate to VVEDA's ability to incur debt, undertake Plan activities, and collect tax increment revenues. CRL Section 33492.40(d) allowed VVEDA to make a determination that the institution of a bond limit and tax increment limit would make it impractical to achieve successful reuse of the Base and redevelopment of the Project Area. For this reason, there is no limit on the amount of bonded indebtedness, or on the amount of tax increment that may be received.

TABLE 1		
REDEVELOPMENT PLAN LIMITS		
Category	Years	Date
TIME LIMITS		
Incur Debt	20 years	July 12, 2020
Plan Effectiveness	30 years	July 12, 2030
Increment Collection	45 years	July 12, 2045
FINANCIAL LIMITS		
Bond Indebtedness	No Limit	
Tax Increment	No Limit	

The Agency has the option to extend the time limits present above by one year as allowed by SB 1045. The Agency does not qualify for any time limit extension allowed by SB 1096.

General Assumptions in the Revenue Projections

Assessed Valuation

The Redevelopment Plan for the Project Area provides that VVEDA may collect tax increment to finance project implementation. Tax increment revenue is generated from increases in the current year total assessed

value above the base year value. Table 2 presents a summary of the Base Year Value provided by the County Auditor-Controller (as of 9/05) broken out by each Member Jurisdiction's share.

TABLE 2	
VICTOR VALLEY REDEVELOPMENT PROJECT AREA	
Base Year Values	
<i>Member Jurisdiction</i>	
Victorville	\$1,166,037,800
SCLAA	7,854,300
SUBTOTAL	1,173,892,100
Hesperia	122,199,200
Apple Valley	436,031,300
San Bernardino County	51,724,800
TOTAL 1993 PROJECT AREA BASE YEAR (1997-98)	1,783,847,400
Amendment Area No. 4	24,956,800
TOTAL PROJECT AREA BASE YEAR	\$1,808,804,200

In August of each year, the County Auditor-Controller provides a report for the Project Area that delineates the current year and base year values. The current year (fiscal year 2006-07) total assessed value for the Project Area is \$4,559,643,957 of which tax increment revenue is generated from the incremental assessed value in excess of the Project Area's base year value of \$1,808,804,200.

Table 3 presents historical assessed values and actual tax increment receipts for fiscal years 2002-03 through 2006-07.

TABLE 2A
VICTOR VALLEY REDEVELOPMENT PROJECT AREA
HISTORICAL ASSESSED VALUATION AND TAX INCREMENT RECEIPTS

Assessed Valuations	2002-03			% Growth Orig Area	2003-04			% Growth Orig Area	2004-05			% Growth Orig Area
	Original Area	4th Amend Area	Combined		Original Area	4th Amend Area	Combined		Original Area	4th Amend Area	Combined	
Local Secured	1,873,929,605	22,230,116	1,896,159,721	23%	2,065,794,914	21,622,881	2,087,417,795	16%	2,476,054,100	23,688,100	2,499,742,200	18%
Secured Utility	2,634,592	-	2,634,592		475,885,108	-	475,885,108		488,900,000	-	488,900,000	
Unsecured	264,618,020	27,957	264,645,977		100,439,171	34,178	100,473,349		105,982,100	31,400	106,013,500	
	2,141,182,217	22,258,073	2,163,440,290		2,641,919,193	22,657,059	2,664,576,252		3,070,936,200	23,619,500	3,094,555,700	
1997-98 Base Year (Per Original & Annual A/C Reports)	(1,783,847,892)	(24,956,814)	(1,808,804,706)		(1,783,847,892)	(24,956,814)	(1,808,804,706)		(1,783,847,400)	(23,619,400)	(1,807,466,800)	
Incremental Value	357,334,325	(2,698,741)	354,635,584		888,071,301	(2,299,755)	885,771,546		1,287,088,800	100	1,287,088,900	
Est Increment @1% ¹	3,573,343	-	3,546,356		8,580,741	-	8,580,741		12,870,888	-	12,870,889	
Actual Allocation Per County A/C ²	2,597,828	-	2,597,828		8,325,051	-	8,325,051		12,856,500	-	12,856,500	
Actual Revenue Received	3,139,285	-	3,139,285		8,302,611	-	8,302,611		15,021,532	-	15,021,532	
Distribution of Revenue Received	% of Total				% of Total				% of Total			
Member Jurisdictions												
Low Mod Housing Fund	527,857	8%			1,690,522	20%			3,004,307	20%		
SCLA	974,781	12%			3,243,680	39%			5,230,048	35%		
Victorville	260,010	3%			505,568	6%			1,273,578	8%		
Apple Valley	108,848	1%			195,344	2%			426,144	3%		
Hesperia	50,575	1%			74,894	1%			127,493	1%		
County	44,855	1%			43,715	1%			58,742	0%		
Prior Contribution Fund	232,353	3%			412,412	5%			849,310	6%		
	2,298,180				6,136,135				11,070,512			
Pass Throughs to Affected Districts	840,085	27%			2,165,076	28%			3,950,921	28%		
	3,139,285	54%			8,302,611	100%			15,021,532	100%		

Assessed Valuations	2005-06			% Growth Orig Area	2006-07		
	Original Area	4th Amend Area	Combined		Original Area	4th Amend Area	Combined
Local Secured	3,029,148,200	32,133,409	3,061,281,609	27%	3,997,274,334	58,424,680	4,055,699,014
Secured Utility	482,300,000	-	482,300,000		470,600,000	-	470,600,000
Unsecured	115,385,900	29,109	115,415,009		135,051,672	41,357	135,093,029
	3,626,834,100	32,162,500	3,658,996,600		4,602,926,006	58,466,037	4,659,391,943
1997-98 Base Year (Per Original & Annual A/C Reports)	(1,783,847,400)	(24,956,800)	(1,808,804,200)		(1,783,847,400)	(24,956,800)	(1,808,804,200)
Incremental Value	1,842,986,700	7,205,700	1,850,192,400		2,819,078,606	31,509,137	2,850,587,743
Est Increment @1% ¹	18,429,867	-	18,501,924		28,190,786	-	28,505,877
Actual Allocation Per County A/C ²	18,996,347	-	18,996,347				
Actual Revenue Received	23,661,908	-	23,661,908				
Distribution of Revenue Received	% of Total				% of Total		
Member Jurisdictions							
Low Mod Housing Fund	4,732,982	20%					
SCLA	8,735,165	27%					
Victorville	2,212,817	9%			Not Available		
Apple Valley	696,570	3%					
Hesperia	180,245	1%					
County	61,090	0%					
Adelanto	26,553	0%					
Prior Contribution Fund	2,484,835	11%					
	16,739,757						
Pass Throughs to Affected Districts	6,922,151	29%					
	23,661,908	100%					

¹ "Est Increment @ 1%" is based on incremental value for the entire Project Area presented on the San Bernardino County Auditor-Controller annual report "PI163 Agency Net Valuations Report."

² Each year, San Bernardino County issues report "PI715R01 Redevelopment Agency Percentages for Tax Charge Year" showing the tax increment for each Tax Rate Area. The "Actual Allocation Per County A/C" shows the VVEDA Project Area tax increment based on this report. The actual revenue received by the VVEDA Agencies is based on this report rather than report PI163. The County indicates that the difference in these two reports is related to corrections made to the tax roll during the fiscal year.

Table 3B presents the historic assessed value for the Victorville and SCLA portions of the Project Area.

TABLE 3B

VICTOR VALLEY REDEVELOPMENT PROJECT AREA
HISTORICAL ASSESSED VALUATION - VICTORVILLE AND SCLA SUBAREAS

	2002-03	2003-04	2004-05	2005-06	2006-07
Victorville					
Total	1,268,321,600	1,399,618,600	1,688,509,500	2,101,436,000	2,858,551,477
Base Year	1,166,037,800	1,166,037,800	1,166,037,800	1,166,037,800	1,166,037,800
Increment	102,283,800	233,580,800	522,471,700	935,398,200	1,692,513,677
SCLA					
Total	84,673,600	454,585,600	531,774,400	524,995,300	520,210,897
Base Year	7,854,300	7,854,300	7,854,300	7,854,300	7,854,300
Increment	76,819,300	446,731,300	523,920,100	517,141,000	512,356,597

Assessed Valuation by Land Use Category

Tables 4a-i present the secured value by land use for the entire Project Area as well as for each member jurisdiction.

TABLE 4a
VICTOR VALLEY REDEVELOPMENT PROJECT AREA
ASSESSED VALUE BY LAND USE - COMBINED

Land Use Category	Secured Value	%
Commercial	\$309,462,241	6.79%
Industrial	664,508,559	14.57%
Residential	2,888,887,021	63.36%
Vacant	546,577,463	11.99%
Public	12,858,979	0.28%
Professional	122,784,197	2.69%
Miscellaneous	14,565,497	0.32%
Total Project Area	\$4,559,643,957	100.00%

TABLE 4b
VICTOR VALLEY REDEVELOPMENT PROJECT AREA
ASSESSED VALUE BY LAND USE - VICTORVILLE

Land Use Category	Secured Value	%
Commercial	\$241,834,919	8.67%
Industrial	79,457,851	2.85%
Residential	2,030,331,668	72.83%
Vacant	346,015,315	12.41%
Public	10,212,768	0.37%
Professional	71,734,553	2.57%
Miscellaneous	8,171,396	0.29%
Total Project Area	\$2,787,758,470	100.00%

TABLE 4c
VICTOR VALLEY REDEVELOPMENT PROJECT AREA
ASSESSED VALUE BY LAND USE - SCLA

Land Use Category	Secured Value	%
Commercial	\$10,819,398	2.13%
Industrial	496,972,486	97.84%
Miscellaneous	174,440	0.03%
Total Project Area	\$507,966,324	100.00%

TABLE 4d
VICTOR VALLEY REDEVELOPMENT PROJECT AREA
ASSESSED VALUE BY LAND USE - VICTORVILLE AMENDMENT IV

Land Use Category	Secured Value	%
Residential	\$456,711	13.57%
Vacant	2,908,101	86.43%
Total Project Area	\$3,364,812	100.00%

TABLE 4c VICTOR VALLEY REDEVELOPMENT PROJECT AREA ASSESSED VALUE BY LAND USE - COUNTY		
Land Use Category	Secured Value	%
Commercial	\$670,495	0.87%
Industrial	51,430,333	66.97%
Residential	13,643,879	17.77%
Vacant	10,882,503	14.17%
Public	129,506	0.17%
Miscellaneous	39,363	0.05%
Total Project Area	\$76,796,079	100.00%

TABLE 4f VICTOR VALLEY REDEVELOPMENT PROJECT AREA ASSESSED VALUE BY LAND USE - COUNTY AMENDMENT IV		
Land Use Category	Secured Value	%
Residential	\$1,418,183	9.46%
Vacant	13,538,121	90.52%
Total Project Area	\$14,956,304	100.00%

TABLE 4g VICTOR VALLEY REDEVELOPMENT PROJECT AREA ASSESSED VALUE BY LAND USE - APPLE VALLEY		
Land Use Category	Secured Value	%
Commercial	\$55,138,780	6.26%
Industrial	32,967,665	3.74%
Residential	602,860,796	68.47%
Vacant	130,283,629	14.80%
Public	2,139,143	0.24%
Professional	51,049,644	5.80%
Miscellaneous	6,072,196	0.69%
Total Project Area	\$880,511,853	100.00%

TABLE 4h VICTOR VALLEY REDEVELOPMENT PROJECT AREA ASSESSED VALUE BY LAND USE - HESPERIA		
Land Use Category	Secured Value	%
Commercial	\$738,549	0.30%
Industrial	3,060,093	1.22%
Residential	239,457,259	95.80%
Vacant	6,352,391	2.54%
Public	363,306	0.14%
Total Project Area	\$249,951,598	100.00%

TABLE 4i VICTOR VALLEY REDEVELOPMENT PROJECT AREA ASSESSED VALUE BY LAND USE - ADELANTO AMENDMENT IV		
Land Use Category	Secured Value	%
Commercial	\$260,100	0.68%
Industrial	630,131	1.64%
Residential	718,525	1.87%
Vacant	36,597,403	95.46%
Public	24,256	0.06%
Miscellaneous	108,102	0.28%
Total Project Area	\$38,338,517	100.00%

Source: San Bernardino County Assessor, MetroScan.

The above tables show that more than half of the secured valuation in the Project Area as well as the Victorville portion is residential property. For the area under SCLA's jurisdiction, the vast majority of the assessed value is industrial property with commercial property being the only other significant category.

Growth Assumptions

The following assumptions have been made in the tax increment projections related to the secured roll, unsecured roll, unitary utility, and new development:

- a. Secured Roll. The projections assume a 2% annual increase in the secured assessed valuation, which is the maximum annual increase permitted by Proposition 13. Since its passage in 1976, there have been five occurrences when the inflationary adjustment was less than 2%. This occurred once in the early 1980s, and in fiscal years 1995-96, 1996-97, 1999-00, and 2004-05; for the latter fiscal years, actual increases imposed by Proposition 13 were 1.19%, 1.11%, 1.85%, and 1.87%, respectively. However, since real estate values have stabilized, the projections assume a 2% inflationary growth.
- b. Unsecured Roll. Unsecured values are not subject to inflationary increases and are instead carried at actual value. Although the growth of unsecured valuations will continue to vary from one year to the next, a 2% increase in unsecured valuations has been assumed in the entire Project Area over projection period.
- c. Utility Roll. The secured utility roll is also assumed to increase at a 2% annual rate.
- d. Changes in Ownership. Property sales that occurred in the Project Area between January 1, 2006 and September 30, 2006 will be reflected in the 2007-08 assessed values. Tables 5a-h show the increase in assessed value due to resales.
- e. New Development. New development that occurred in the Project Area between January 1, 2006 and September 30, 2006 will be reflected in the 2007-08 assessed values. Table 6 shows the projected new development in the Victorville portion of the Project Area.

Increase in Assessed Value Due to Resales

The following tables 5a-h show the increase in Assessed Value due to resales that occurred in 2006.

TABLE 5a					
VICTOR VALLEY REDEVELOPMENT PROJECT AREA					
INCREASES IN ASSED VALUE DUE TO RESALES - COMBINED					
Month	Properties Sold	Cumulative Sales Value	Cumulative Presale Value	Increase / (Decrease)	Percentage
January-06	167	\$51,849,318	\$26,346,716	\$25,502,602	96.80%
February-06	154	49,003,273	22,488,187	26,515,086	117.91%
March-06	261	82,040,600	29,072,579	52,968,021	182.19%
April-06	241	83,224,909	29,551,314	53,673,595	181.63%
May-06	248	86,373,350	29,780,939	56,592,411	190.03%
June-06	263	86,287,500	28,496,585	57,790,915	202.80%
July-06	211	67,219,872	27,879,566	39,340,306	141.11%
August-06	194	61,465,049	26,874,670	34,590,379	128.71%
September-06	121	37,176,446	14,560,267	22,616,179	155.33%
	1860	\$604,640,317	\$235,050,823	\$369,589,494	157.24%
Projected increase in 2007-08 Secured Values due to Sales:				\$369,589,494	
Total Project Area 2006-07 Value:				\$4,659,391,943	
Percentage increase in 2007-08 Values due to Sales:				7.93%	

TABLE 5b					
VICTOR VALLEY REDEVELOPMENT PROJECT AREA					
INCREASES IN ASSED VALUE DUE TO RESALES - VICTORVILLE					
Month	Properties Sold	Cumulative Sales Value	Cumulative Presale Value	Increase / (Decrease)	Percentage
January-06	122	\$39,902,818	\$20,157,263	\$19,745,555	97.96%
February-06	115	38,445,273	15,858,229	22,587,044	142.43%
March-06	210	67,882,100	21,881,708	46,000,392	210.22%
April-06	188	68,594,500	21,722,017	46,872,483	215.78%
May-06	191	68,562,200	21,361,728	47,200,472	220.96%
June-06	196	64,433,000	19,193,638	45,239,362	235.70%
July-06	162	50,899,000	18,042,720	32,856,280	182.10%
August-06	148	47,336,549	19,488,627	27,847,922	142.89%
September-06	88	29,450,509	10,649,042	18,801,467	176.56%
	1420	\$475,505,949	\$168,354,972	\$307,150,977	182.44%
Projected increase in 2007-08 Secured Values due to Sales:				\$307,150,977	
Total Subarea 2006-07 Value:				\$2,858,551,477	
Percentage increase in 2007-08 Values due to Sales:				10.74%	

TABLE 5c					
VICTOR VALLEY REDEVELOPMENT PROJECT AREA					
INCREASES IN ASSED VALUE DUE TO RESALES - VICTORVILLE ADDED AREA					
Month	Properties Sold	Cumulative Sales Value	Cumulative Presale Value	Increase / (Decrease)	Percentage
January-06	1	\$34,500	\$3,250	\$31,250	961.54%
February-06	1	88,000	5,034	82,966	1648.11%
March-06	1	15,000	1,337	13,663	1021.91%
April-06	1	175,000	26,520	148,480	559.88%
May-06	0	0	0	0	0.00%
June-06	1	280,000	40,386	239,614	593.31%
July-06	0	0	0	0	0.00%
August-06	0	0	0	0	0.00%
September-06	0	0	0	0	0.00%
	5	\$592,500	\$76,527	\$515,973	674.24%
Projected increase in 2007-08 Secured Values due to Sales:					\$515,973
Total Subarea 2006-07 Value:					\$3,268,194
Percentage increase in 2007-08 Values due to Sales:					15.79%

TABLE 5d					
VICTOR VALLEY REDEVELOPMENT PROJECT AREA					
INCREASES IN ASSED VALUE DUE TO RESALES - SAN BERNARDINO COUNTY					
Month	Properties Sold	Cumulative Sales Value	Cumulative Presale Value	Increase / (Decrease)	Percentage
January-06	5	\$2,556,000	\$281,767	\$2,274,233	807.13%
February-06	2	205,000	40,737	164,263	403.23%
March-06	1	206,000	80,110	125,890	157.15%
April-06	2	235,000	27,575	207,425	752.22%
May-06	2	157,650	185,427	-27,777	-14.98%
June-06	3	208,000	81,411	126,589	155.49%
July-06	3	436,144	208,805	227,339	108.88%
August-06	2	475,000	46,048	428,952	931.53%
September-06	1	10,000	1,369	8,631	630.46%
	21	\$4,488,794	\$953,249	\$3,535,545	370.89%
Projected increase in 2007-08 Secured Values due to Sales:					\$3,535,545
Total Subarea 2006-07 Value:					\$79,759,991
Percentage increase in 2007-08 Values due to Sales:					4.43%

TABLE 5e

VICTOR VALLEY REDEVELOPMENT PROJECT AREA
INCREASES IN ASSED VALUE DUE TO RESALES - COUNTY ADDED AREA

Month	Properties Sold	Cumulative Sales Value	Cumulative Presale Value	Increase / (Decrease)	Percentage
January-06	5	\$480,500	\$110,098	\$370,402	336.43%
February-06	3	150,000	44,219	105,781	239.22%
March-06	2	255,000	193,759	61,241	31.61%
April-06	7	431,091	236,932	194,159	81.95%
May-06	2	308,000	104,112	203,888	195.84%
June-06	4	1,184,000	111,204	1,072,796	964.71%
July-06	1	98,732	75,715	23,017	30.40%
August-06	2	497,000	69,570	427,430	614.39%
September-06	2	85,000	7,901	77,099	975.81%
	28	\$3,489,323	\$953,510	\$2,535,813	265.95%
Projected increase in 2007-08 Secured Values due to Sales:					\$2,535,813
Total Subarea 2006-07 Value:					\$14,956,304
Percentage increase in 2007-08 Values due to Sales:					16.95%

TABLE 5f

VICTOR VALLEY REDEVELOPMENT PROJECT AREA
INCREASES IN ASSED VALUE DUE TO RESALES - APPLE VALLEY

Month	Properties Sold	Cumulative Sales Value	Cumulative Presale Value	Increase / (Decrease)	Percentage
January-06	21	\$5,691,000	\$4,432,489	\$1,258,511	28.39%
February-06	22	7,621,000	5,420,439	2,200,561	40.60%
March-06	31	10,438,500	5,320,611	5,117,889	96.19%
April-06	22	7,468,318	3,998,638	3,469,680	86.77%
May-06	35	12,470,500	6,150,830	6,319,670	102.74%
June-06	38	14,064,000	5,942,525	8,121,475	136.67%
July-06	27	10,626,500	7,324,531	3,301,969	45.08%
August-06	22	8,552,500	5,114,720	3,437,780	67.21%
September-06	20	5,711,937	3,212,081	2,499,856	77.83%
	238	\$82,644,255	\$46,916,864	\$35,727,391	76.15%
Projected increase in 2007-08 Secured Values due to Sales:					\$35,727,391
Total Subarea 2006-07 Value:					\$895,985,936
Percentage increase in 2007-08 Values due to Sales:					3.99%

TABLE 5g
VICTOR VALLEY REDEVELOPMENT PROJECT AREA
INCREASES IN ASSED VALUE DUE TO RESALES - HESPERIA

Month	Properties Sold	Cumulative Sales Value	Cumulative Presale Value	Increase / (Decrease)	Percentage
January-06	9	\$2,464,500	\$1,305,045	\$1,159,455	88.84%
February-06	8	2,369,500	1,089,940	1,279,560	117.40%
March-06	11	3,073,500	1,554,258	1,519,242	97.75%
April-06	19	6,293,000	3,517,997	2,775,003	78.88%
May-06	15	4,470,000	1,888,589	2,581,411	136.68%
June-06	17	5,790,500	3,089,560	2,700,940	87.42%
July-06	13	4,079,741	2,025,818	2,053,923	101.39%
August-06	17	4,371,000	2,131,639	2,239,361	105.05%
September-06	5	1,540,000	579,056	960,944	165.95%
	114	\$34,451,741	\$17,181,902	\$17,269,839	100.51%

Projected increase in 2007-08 Secured Values due to Sales: \$17,269,839
 Total Subarea 2006-07 Value: \$248,417,705
 Percentage increase in 2007-08 Values due to Sales: 6.95%

TABLE 5h
VICTOR VALLEY REDEVELOPMENT PROJECT AREA
INCREASES IN ASSED VALUE DUE TO RESALES - ADELANTO

Month	Properties Sold	Cumulative Sales Value	Cumulative Presale Value	Increase / (Decrease)	Percentage
January-06	4	\$720,000	\$56,804	\$663,196	1167.52%
February-06	3	124,500	29,589	94,911	320.76%
March-06	5	170,500	40,796	129,704	317.93%
April-06	2	28,000	21,635	6,365	29.42%
May-06	3	405,000	90,253	314,747	348.74%
June-06	4	328,000	37,861	290,139	766.33%
July-06	5	1,079,755	201,977	877,778	434.59%
August-06	3	233,000	24,066	208,934	868.17%
September-06	5	379,000	110,818	268,182	242.00%
	34	\$3,467,755	\$613,799	\$2,853,956	464.97%

Projected increase in 2007-08 Secured Values due to Sales: \$2,853,956
 Total Subarea 2006-07 Value: \$38,241,439
 Percentage increase in 2007-08 Values due to Sales: 7.46%

Source: Sales information is derived from MetroScan, and is current through September, 2006. Information is deemed reliable, but is not guaranteed.

No sales occurred in the SCLA portion of the Project Area in 2006. In the Victorville portion, a very strong real estate market generated \$475.5 million in property sales that will increase assessed value by \$307.2 million (a 10.74% increase). For the Combined Project Area, \$604.6 million in property sales will increase assessed value by \$369.6 million (an 7.93% increase).

New Development

RSG analyzed building permit data for the Victorville portion of the Project Area to project the increase to assessed value due to new development. Table 6 shows the new development in the Victorville portion of the Project Area that was completed in 2006. The assessed value associated with this development will be added to the 2007-08 assessment roll.

Month	New Assessed Value		
	Commercial	Residential	Total
January	\$397,958	\$603,584	\$1,001,542
February	359,000	6,409,634	6,768,634
March	0	11,242,512	11,242,512
April	0	3,670,195	3,670,195
May	633,272	9,892,281	10,525,553
June	434,353	2,956,552	3,390,905
July	1,784,693	4,887,312	6,672,005
August	210,042	1,465,847	1,675,889
September	622,897	1,987,209	2,610,106
October	0	591,473	591,473
November	0	0	0
December	0	0	0
2006 Totals	\$4,442,215	\$43,706,599	\$48,148,814
Total Value Added to 2007-08 Assessment Roll			\$48,148,814
Total 2006-07 Assessed Value			\$4,659,391,943
Percentage Increase Due to New Development			1.03%

Source: City of Victorville

The \$48.1 million of new development the first three quarters of 2006 represents a 1.03% increase in the Project Area assessed value. Note that the assessed value for new development is generally higher than the building permit value. However, to maintain a conservative approach, RSG used the building permit value.

Assessment Appeals

Property taxpayers that wish to dispute the value of their property may file an assessment appeal with the County Assessor. In most cases, an assessment appeal is filed because the applicant believes that present market conditions cause the property to be worth less than its assessed value. Because of the large number of appeals filed in San Bernardino County in the mid-1990's, the County Assessor substantially decreased values on a number of properties in the Project Area causing the values of the Project Area to fall below the initial 1993 Base Year Value. The effect of these appeals resulted in legislation to change the Base Year to 1997-98. Since that time, appeals have decreased substantially and have had little effect in values in the Project Area.

Table 7 presents a summary of the appeals activity in Victorville and SCLA's portion of the Project Area.

TABLE 7 VICTOR VALLEY REDEVELOPMENT PROJECT AREA ASSESSMENT APPEALS HISTORY					
	2002	2003	2004	2005	2006
Total Appeals on File	25	36	35	19	3
Withdrawn/Late/Denied	15	18	16	5	1
Appeals Stipulated/Reduced	3	3	7	3	0
Appeals Pending	7	15	12	11	2
Resolved Appeals Summary					
Assessor's Original Value	\$19,115,888	\$16,146,338	\$49,342,430	\$1,573,270	\$543,257
Applicant Opinion of Value	\$13,897,619	\$7,012,501	\$17,970,313	\$827,570	\$404,097
Requested Reduction of Value	\$5,218,249	\$9,133,837	\$31,372,117	\$745,700	\$139,160
% Reduction Requested	27.3%	56.6%	63.8%	47.4%	25.6%
Assessor Reduced Value	\$2,876,686	\$1,241,706	\$26,928,749	\$855,349	\$0
% Reduction Granted	15.6%	7.7%	54.6%	54.4%	0.0%
Pending Appeals Summary					
Assessor's Original Value	\$8,873,888	\$36,944,274	\$55,003,289	\$33,114,877	\$549,485
Applicant Opinion of Value	\$3,203,667	\$23,474,930	\$17,277,131	\$21,015,247	\$408,797
Requested Reduction of Value	\$5,670,101	\$13,469,344	\$37,726,158	\$12,099,630	\$140,688
% Reduction Requested	64%	36%	69%	37%	28%
Potential Reductions Summary					
Total Pending Appeals	47				
Pending Appeals Roll Value	\$134,485,613				
Applicant Opinion of Value	\$65,379,892				
Total Requested Reduction of Value	\$69,105,921				
Total Potential Value Loss	\$69,105,921				
Project Area 2006-07 Assessed Value	\$4,659,391,943				
Loss as a % of 2006-07 Assessed Value	1.48%				

Source: San Bernardino County Clerk of the Board of Supervisors

The above table shows that there are 47 unresolved appeals in the Victorville and SCLA portions of the Project Area. These unresolved appeals create a potential loss of \$69.1 million (or 1.48% of the Project

Area Assessed Value). The Tax Increment Projections (Tables 10A-I) do not include any projected reduction due to assessment appeals.

Top Ten Taxpayer Appeals

Eight of the unresolved appeals shown in Table 7 were filed in 2003 by Cemex California Concrete LLC ("Cemex"), which is the largest taxpayer in the Victorville portion of the Project Area and the second largest taxpayer overall. Based on information provided by the San Bernardino County Clerk of the Board of Supervisors, Cemex actually filed a single appeal on the value of 118 parcels—20 of which are within the VVEDA Project Area and 98 are outside of the project area. On this single appeal, Cemex requested that the total Assessed Value be reduced from the roll value of \$295 million to \$185 million. Because this appeal included parcels inside and outside the Project Area, RSG listed the 8 parcels within the Victorville and SCLA portions of the Project Area as separate appeals on Table 7 and assumed that the applicant requested value for each parcel is a proportionate share of the requested reduction based on the current roll value. This results in a potential loss of \$12.6 million of Assessed Value if the value of each parcel is reduced by the assumed factor. As this only represents 0.3% of the Assessed Value in the Project Area, RSG did not project any reduction in Assessed Value due to appeals.

Additionally, there are two unresolved appeals for General Electric (the fifth largest taxpayer overall), one filed in 2004 and one filed in 2005. The 2004 appeal requests a total reduction of \$17.7 million. The 2005 appeal requests a total reduction of \$1.9 million. While this does represent nearly all of General Electric's value in the Project Area, it is still only 0.4% of the Project Area Assessed Value.

High Desert Power Trust 2000-A v. State Board of Equalization, et al.

The State Board of Equalization originally assessed the High Desert Power Plant at a value of \$473,400,000 for the 2003 property tax assessment year. High Desert Power Trust 2000-A ("HDPT") petitioned for reassessment, contending that the correct value was only \$224,471,394. Following HDPT's petition, the Board reassessed the plant at a value of \$429,600,000. HDPT then filed the above referenced action on July 6, 2005, seeking a refund of property taxes paid for 2003. High Desert alleges five causes of action.

The first cause of action challenges the jurisdiction of the State Board of Equalization to make an assessment of the power plant on the grounds that the plant was not a "public utility" within the meaning of the applicable law. We do not regard this cause of action as meritorious.

The second through the fifth causes of action all challenge the assessed valuation of the power plant. These causes of action are summarily alleged with no underlying facts specified. The second cause of action claims that the Board's valuation methodology was wrong for various reasons, including the use of an incorrect "replacement cost new value indicator," the failure to consider obsolescence, the failure to consider the risk of new technology, the use of an improper land value, and other matters. The third cause of action claims there was no substantive evidence to support the Board's valuation. The fourth cause of action claims discriminatory taxation based upon the application of a different method of taxing than that applied to other taxpayers similarly situated. The fifth cause of action claims that the Board's valuation does not represent fair market value. Though not precisely alleged, presumably HDPT will at trial again contend that the correct value of the power plant was only \$224,471,394. Agency legal counsel contends that the State Board's valuation was correct or perhaps even low.

There are currently no outstanding assessment appeals on this property.

County Collections/Delinquencies

The Agency has not been placed on the County's "Teeter Plan", which stabilizes property tax payments at 100% of anticipated receipts. Consequently, delinquent property taxes do impact the Agency's tax increment revenues. Since fiscal year 2000-01, the delinquency rate in San Bernardino County has averaged 3.7%. The County Auditor-Controller does not track delinquency rates by Redevelopment Project so the Project Area's delinquency rate is not available.

Tax Increment Revenue Sharing Agreements

Taxing Entity Payments

Payments Required by the Amended Redevelopment Plan

Section 703 of the Amended Redevelopment Plan provides that the following taxing entities are excluded from the definition of Tax Increment and therefore will receive 100% of their share of tax increment: Apple Valley Fire Protection District; Mojave Water Agency; Baldy Mesa County Water District; Mojave River County Water District; Apple Valley Park District; and Hesperia Park District. Although the Plan envisioned that the County Auditor-Controller would make these payments prior to distributing tax increment to VVEDA, this has not been the practice and instead the VVEDA treasurer makes payments to these entities.

The Plan also provides for the Cities of Victorville, Apple Valley and Hesperia to receive tax increment generated from application of their City entities tax rate to the portion of the Project Area within their city's jurisdiction that exceeds 5.2935%. VVEDA retains any revenue generated by the first 5.2935% of the city's tax rate. The County of San Bernardino is also paid increment generated by the portion of their tax rate that exceeds 5.2935% and VVEDA retains revenue from the first 5.2935%.

CRL Section 33401 Payments

Prior to 1994, CRL Section 33401 allowed redevelopment agencies to pay to any other entity collecting property taxes within the redevelopment project area a portion of tax increment revenues to alleviate any financial burden related to the redevelopment project. VVEDA entered into such agreements with the County Superintendent of Schools, Adelanto Elementary School District, Victorville Elementary School District, Oro Grande Elementary School District, Victor Valley High School District, Apple Valley Unified School District, Hesperia Unified School District, and Victor Valley Community College District. Pursuant to these agreements the County Superintendent receives 100% of their share of tax increment revenue, and all other districts receive 32.5% of their share of tax increment revenue.

CRL Section 33607.5 Payments

The 4th Amendment Area is subject to statutory pass through payments required by CRL Section 33607.5. Because any tax increment generated by the 4th Amendment has not been included in the revenue projections presented in this Report, these payments are also not included.

Distribution of Tax Increment

The Member Jurisdictions entered in the "Fourth Amended and Restated Joint Exercise of Powers Agreement Creating Victorville Economic Development Authority" in June 2000. This agreement provides that all tax increment generated by the former GAFB parcels (after deduction of the pass through payments discussed above) will be used on GAFB or for projects in proximity to, and directly benefiting GAFB, with the understanding that Victorville will set aside 20% thereof for the low and moderate-income housing fund. For the portion of the Project Area within each Member Jurisdiction's territory, 20% must be allocated to that jurisdiction's housing fund. Of the balance: 40% is allocated to the Member Jurisdiction for use in the Member's territory; 40% is allocated for used on the GAFB parcels; 20% is placed into a separate reimbursement fund to repay Prior Contributions (start-up funds), and once paid, to reimburse Member Contributions (operating funds contributed in excess of that jurisdiction's stated share). For the City of Adelanto, the shares are

instead 50% to GAFB parcels, 25% to Adelanto territory and 25% to reimburse VVEDA for prior expenses and when this is repaid, this 25% goes to Adelanto.

Amendment No. 6 Affordable Housing Fund Deferral

Amendment No. 6 to the Redevelopment Plan will provide VVEDA an opportunity, for a period of five years, to allocate funds that otherwise had to be allocated to the low and moderate income housing ("affordable housing") fund instead for use on non-affordable-housing related projects. Although this may result in less funding for affordable housing during the Deferment Period, Pledged Tax Revenues with respect to the affordable housing portion of existing and future bonds will not be materially reduced because debt service on all bonds is a senior lien on tax increment revenue. Likewise, although this may result in less funding to the non-affordable-housing fund during the Repayment Period, Pledged Tax Revenues with respect to the non-affordable-housing portion of existing and future bonds will not be materially reduced because debt service on all existing bonds is a senior lien on tax increment revenue. Because of the senior lien position, any transfer of affordable housing funds to the non-housing funds must occur after sufficient tax increment has annually been allocated to pay debt service on existing bonds, and repayment of the deferred amount must occur after sufficient tax increment has annually been allocated to pay debt service on existing bonds.

Education Revenue Augmentation Fund Payments

During 2004-05 adopted State legislation required redevelopment agencies to make payments to the Educational Revenue Augmentation Fund ("ERAF"). The total state-wide ERAF payment for redevelopment agencies for fiscal years 2004-05 and 2005-06 is \$250 million per year. VVEDA's portion of this payment for 2005-06 is \$646,940. Dividing this payment proportionately by total assessed value, RSG projects SCLA's portion of the ERAF payments to be \$93,647 and Victorville's portion to be \$374,846. RSG assumes that the ERAF payment will be paid using existing funds or supplemental revenue and therefore Tables 10A-F do not include the ERAF payment.

Pass Through Payments

Table 8 presents a summary of the pass through payments and tax increment distribution requirements.

TABLE B

SUMMARY OF AGREEMENT TERMS

<p><i>Pursuant to Section 703 of Plan</i></p> <p>Taxing Entities excluded from Tax Increment definition: Apple Valley Fire Protection District (WF01) Mojave Water Agency (WY20) Baldy Mesa County Water District (WW05) Mojave River County Water District (VW02) Apple Valley Park District (VP01) Hesperia Park District (VP02)</p> <p>City Member Share to VVEDA use (Section 703(b)(1)(a)) Victorville - 5.2935% to VVEDA from increment generated within its boundaries Apple Valley - same Hesperia - same <i>This means that the remainder of each city's 1% share gets passed through to the City</i></p> <p>County of San Bernardino 5.2935% to VVEDA from increment generated in unincorporated areas AND 5.2935% to VVEDA from municipally incorporated areas</p>
<p><i>Pursuant to School Pass Thru Agreements</i></p> <p>Tax increment excludes over-ride rates, unitary utility revenue, State subventions (Homeowner)</p> <p>Low/mod is not deducted prior to calculation of payment</p> <p>Districts get 32.6% of their share (except Supt of Schools)- may deposit into Dist Capital Fund held by VVEDA Supt of Schools gets 100% of their share If deposits not made within 30 Days of receipt, interest rate of 1% per 30 day period</p> <p>Payments shall not be subordinate to VVEDA bonds & indebtedness</p>
<p><i>Pursuant to JPA Agreement</i></p> <p>All GAFB generated Tax Increment for use on GAFB with understanding that Victorville will set aside 20% thereof for low/mod</p> <p>97/98 & 98/99 increment be used on GAFB (no longer applicable)</p> <p>20% of Each Part Jur TI allocated for low/mod - and allocated to each Member to be used in its own portion of the PA</p> <p>Remaining Balance of Each Participating Jurisdictions' Tax Increment: 40% allocated for use in such Members Territory 40% allocated for use on GAFB parcels</p> <p>20% placed into separate reimbursement fund to pay Prior Contributions and once paid, to pay reimburse Member Contributions Once Prior & Member Contributions are reimbursed, then TI is 50%:50% GAFB:Member</p> <p>For Adelanto, 50% to GAFB; 25% to Adelanto territory; 25% reimburse Authority and when paid off, this 25% goes to Adelanto</p>

Developer Agreement Payments

Based on discussions with SCLA staff, it has been determined that SCLA has not entered into any disposition and development agreements or owner participation agreements that require SCLA to make payments from tax increment revenue.

Top Ten Taxpayers

Using the County's 2006-07 Secured Roll, the top ten largest taxpayers within the Project Area as well as in each member agency's jurisdiction have been identified and are listed on Tables 9a-g below. Table 9a shows the top ten taxpayers for the combined Project Area. Table 9b shows the top ten taxpayers for the Victorville and SCLA Project Areas. The remaining tables show the top ten taxpayers for each individual subarea.

TABLE 9a				
VICTOR VALLEY REDEVELOPMENT PROJECT AREA				
TOP TEN TAXPAYERS - COMBINED				
	Owner Name	# of Parcels	Total Assessed Value	% of Total
1	High Desert Power Trust	1	\$470,600,000	10.10%
2	Cemex California Cement LLC	19	52,914,462	1.14%
3	Riverside Cement Co.	28	50,746,569	1.09%
4	Apple Valley Ranchos Water Co.	6	30,480,766	0.65%
5	General Electric Co.	1	24,630,486	0.53%
6	Empire Homes	88	19,646,011	0.42%
7	Lowe's HIW Inc.	1	18,553,962	0.40%
8	Bear Valley Partners LP	11	15,865,909	0.34%
9	KB Home	276	13,859,859	0.30%
10	Western Land Properties	4	12,476,130	0.27%
			\$709,774,154	15.23%
2006-07 Total Assessed Value			\$4,659,391,943	

TABLE 9b				
VICTOR VALLEY REDEVELOPMENT PROJECT AREA				
TOP TEN TAXPAYERS - VICTORVILLE AND SCLA PORTIONS				
	Owner Name	# of Parcels	Total Assessed Value	% of Total
1	High Desert Power Trust	1	\$470,600,000	13.93%
2	Cemex California Cement LLC	9	52,710,162	1.56%
3	General Electric Company	1	20,461,547	0.61%
4	Lowe's H I W Inc.	1	18,553,962	0.55%
5	Bear Valley Partners LP	11	15,865,909	0.47%
6	KB Home	276	13,859,859	0.41%
7	Centex Homes	9	11,362,500	0.34%
8	Victorville 200 LTD	1	10,946,502	0.32%
9	Glen L. Ludwig Trust	41	10,885,483	0.32%
10	Greentree Capital LP	2	10,423,768	0.31%
			\$635,669,692	18.81%
2006-07 Victorville and SCLA Assessed Value			\$3,378,762,374	

TABLE 9c				
VICTOR VALLEY REDEVELOPMENT PROJECT AREA				
TOP TEN TAXPAYERS - VICTORVILLE PORTION				
	Owner Name	# of Parcels	Total Assessed Value	% of Total
1	Cemex California Cement LLC	9	\$52,710,162	1.84%
2	Empire Homes	88	19,646,011	0.69%
3	Lowe's H I W Inc.	1	18,553,962	0.65%
4	Bear Valley Partners LP	11	15,865,909	0.56%
5	KB Home	276	13,859,859	0.48%
6	Centex Homes	9	11,362,500	0.40%
7	Victorville 200 LTD	1	10,946,502	0.38%
8	Glen L. Ludwig Trust	41	10,885,483	0.38%
9	Greentree Capital LP	2	10,423,768	0.36%
10	Lakritz Family Partnership	2	8,718,552	0.30%
			\$172,972,708	6.05%
2006-07 Total Assessed Value			\$2,858,551,477	

Note: This table covers both the original and added area for Victorville.

TABLE 9d				
VICTOR VALLEY REDEVELOPMENT PROJECT AREA				
TOP TEN TAXPAYERS - SCLA PORTION				
	Owner Name	# of Parcels	Total Assessed Value	% of Total
1	High Desert Power Trust	1	\$470,600,000	90.46%
2	General Electric Company	1	24,630,486	4.73%
3	Southern California Aviation LLC	1	5,418,268	1.04%
4	Sumiden Wire Products Corp.	1	3,000,000	0.58%
5	McDonnell Douglas Corporation	1	2,208,994	0.42%
6	Victorville Aerospace LLC	1	1,539,100	0.30%
7	Leading Edge Aviation Services	1	1,530,000	0.29%
8	May Manufacturing	1	1,199,789	0.23%
9	Pacific Aviation Group	1	1,144,037	0.22%
10	ATA Airlines	1	877,527	0.17%
			\$512,148,201	98.45%
2006-07 Total Assessed Value			\$520,210,897	

TABLE 9e				
VICTOR VALLEY REDEVELOPMENT PROJECT AREA				
TOP TEN TAXPAYERS - SAN BERNARDINO COUNTY PORTION				
	Owner Name	# of Parcels	Total Assessed Value	% of Total
1	Riverside Cement Company	18	\$50,403,339	63.19%
2	Calmat Co.	7	2,125,084	2.66%
3	Riva Capital Holdings Inc.	3	601,571	0.75%
4	Cutting Edge Concrete Svcs Inc.	1	578,888	0.73%
5	Osborne Family Trust	1	540,550	0.68%
6	Season's Land Corporation	9	507,390	0.64%
7	Adelanto 60 Limited Partnership	1	463,246	0.58%
8	Jessica A. Samson	2	450,021	0.56%
9	Thacker Family Limited Partnership	1	447,380	0.56%
10	Steven Bae	1	368,240	0.46%
			\$56,485,709	70.82%
2006-07 Total Assessed Value			\$79,759,991	

Note: This table covers both the original and added area for San Bernardino County.

TABLE 9f				
VICTOR VALLEY REDEVELOPMENT PROJECT AREA				
TOP TEN TAXPAYERS - APPLE VALLEY PORTION				
	Owner Name	# of Parcels	Total Assessed Value	% of Total
1	Apple Valley Ranchos Water Co.	5	\$30,479,942	3.40%
2	Western Land Properties	4	12,476,130	1.39%
3	Los Ranchos FSPE LLC	3	9,915,012	1.11%
4	American Stores Properties Inc.	1	7,084,468	0.79%
5	Cambridge Homes Inc.	9	5,999,860	0.67%
6	Wal-Mart Stores Inc.	1	5,397,668	0.60%
7	Bearwood Partners	1	4,725,959	0.53%
8	Lakritz Family Partnership	3	4,551,000	0.51%
9	K Hovnanian Forecast Homes Inc.	2	4,380,084	0.49%
10	Rancho Manzanita LP	1	3,462,451	0.39%
			\$88,472,574	9.87%
	2006-07 Total Assessed Value		\$895,985,936	

TABLE 9g				
VICTOR VALLEY REDEVELOPMENT PROJECT AREA				
TOP TEN TAXPAYERS - HESPERIA PORTION				
	Owner Name	# of Parcels	Total Assessed Value	% of Total
1	Roger F Graham Trust	1	\$2,713,891	1.09%
2	Garnik Mkrttchyan	4	624,222	0.25%
3	Michael J Bigbee	1	586,578	0.24%
4	Debra J Harl	2	551,820	0.22%
5	Jerald & Sheryl Hane	2	489,600	0.20%
6	Linda J Resendez	1	470,000	0.19%
7	Pedro R Lozano	1	460,000	0.19%
8	David De Alba	1	404,430	0.16%
9	Chris Grieve	1	400,000	0.16%
10	Rosalba Carrasco	1	400,000	0.16%
			\$7,100,541	2.86%
	2006-07 Total Assessed Value		\$248,417,705	

TABLE 9h				
VICTOR VALLEY REDEVELOPMENT PROJECT AREA				
TOP TEN TAXPAYERS - ADELANTO PORTION				
	Owner Name	# of Parcels	Total Assessed Value	% of Total
1	LP High Desert Land Co. LLC	22	\$7,101,532	18.57%
2	Winfield Properties LLC	2	2,040,000	5.33%
3	Senafar Investments	1	1,619,903	4.24%
4	LHC High Desert Land LLC	1	900,000	2.35%
5	Frank & Sonja Tanner Trust	2	832,320	2.18%
6	Rancho 106AC LLC	1	816,000	2.13%
7	Northwest Pipe Company	9	598,529	1.57%
8	Berman Family Trust	1	561,000	1.47%
9	Dora Land Inc.	8	553,581	1.45%
10	Season's Land Corp	17	464,165	1.21%
			\$15,487,030	40.50%
2006-07 Total Assessed Value			\$38,241,439	

Source: San Bernardino County Assessor, California State Board of Equalization, MetroScan.

In the Combined Project Area, the top ten taxpayers represent \$710 million or 15.23% of the assessed value in the Project Area. In the Victorville portion of the Project Area, the top ten taxpayers represent \$173 million or 6.05% of the total assessed value. In the SCLA portion, the top ten taxpayers represent \$512 million or 98.45% of the assessed value. The top ten taxpayers in these two areas combined represent \$636 million or 18.81%.

Tax Increment Revenue Projections

Tables 10A-I present the tax increment revenue projections for the Project Area, based upon the assumptions described in this Report.

High Desert Power Ground Lease and Development Agreement

SCLA has entered into a ground lease and development agreement with High Desert Power Trust ("HDPT") to effectuate development of a minimum 750-megawatt electric generating power plant. Section 2.02 of the agreement provides that, beginning three years from the agreement (2/2004), if SCLA is not receiving net tax increment revenues of at least \$2,000,000 annually from the power plant development, HDPT will pay SCLA "an amount equal to the difference between the amount of tax increment revenues that SCLA has actually received in such Lease Years as tax increment revenues attributable to the Project, exclusive of pass through payments to affected taxing entities, and \$2,000,000" (the "Additional Revenue") provided that the maximum amount of the Additional Revenue in any given Lease Year shall not exceed \$1,000,000.

Staff of the State Board of Equalization ("SBE") has confirmed that the 2006-07 valuation assigned to the power plant is \$470.6 million. This valuation will result in gross property taxes of approximately \$4.7 million; therefore, the net tax increment revenues generated by the power plant starting in 2006-07 will exceed \$2,000,000 so the projections assume no Additional Revenue payments will be triggered.

Developer of the power plant, Constellation Power Source, Inc. ("Constellation") has entered into a Master Power Purchase and Sale Agreement with the State of California Department of Water Resources ("CDWR") under which the Power Plant will deliver energy to the State system. The delivery period is for seven years and nine months. The price CDWR will pay is (a) \$12,100,000 per month as a "capacity payment"; (b) \$2.25 MWh for each MWh of delivered energy as a "variable operation and maintenance cost"; and (c) a monthly fuel cost.

In 2002 the State Legislature adopted Assembly Bill 81 (adding Sections 100.9 and 721.5 to the Revenue and Taxation Code). This bill provides that commencing with the January 1, 2003 property tax lien date, the State Board of Equalization annually assesses electric generation facilities that have a generating capacity of 50 megawatts or more that are owned by an electrical corporation. The bill also requires that the assessed value of electric generation facilities required to be assessed by the State Board of Equalization will be allocated exclusively to the county in which the facility is located, and that the revenues derived from the assessment of this property be allocated among the jurisdictions in the same percentage shares as revenues derived in that tax rate area in which it is located. Essentially this means that the VVEDA Project Area will be allocated all of the tax increment generated by the Power Plant.

Development within the SCLA Area and Victorville Area

In-Place Development

For 2006-07 the total assessed valuation of properties within the Southern California Logistics Airport ("SCLA") territory is \$520 million. After deduction of the \$7.8 million base year value of the SCLA area, and the \$482.3 million of value associated with the power plant, the remaining \$41.8 million in value represents new growth associated with other private development activity within SCLA.

Within the Victorville portion of the VVEDA Project Area, the assessed value increased from \$2,103,584,400 in 2005-06 to \$2,858,551,477 in 2006-07, a 35.9% annual growth. Because of the large amount of vacant land and the level of new housing construction occurring within the City of

Victorville, it is anticipated that substantial growth increases will continue into the future.

Future Development

Agency staff indicates that the SCLA in conjunction with the City of Victorville and its Redevelopment Agency has created the Southern California Logistics Rail Authority (the "Rail Authority") in response to increased demand from large industrial users. The Rail Authority has completed a Specific Plan Amendment that incorporates significant portions of SCLA and approximately 2,000 adjacent acres. Build-out of the SCLA Specific Plan and rail service project is expected to generate approximately 1,500 rail facility jobs and 18,000 jobs related to industrial users. The project is envisioned in three phases: (1) 2002 to 2005 - Complete entitlements, commence replacement of existing public rail right-of-way and construct lead track from BNSF Main Line to SCLA; (2) 2005 to 2010 - 950-acre Inter-Modal rail facility, 650-acre Multi-Modal rail facility and approximately 584 acres of industrial use (6.4 million square feet of building area), and all off-site rail improvements; and (3) 2010 to 2015 - construct approximately 1,190 acres of industrial use in the expansion area (12.3 million square feet of building area).

Environmental review for the first phase of the rail project was completed in April 2004. To date, physical construction of the rail spur has been delayed until a formal announcement from BNSF is made, committing the Inter-Modal to SCLA. However, it is estimated that 90% of the rail design and land acquisition for right of way is complete.

In addition to the rail project, California Building Systems has recently completed the construction of two aircraft hangers totaling approximately 175,000 square feet of building space. The first hangar amounts to approximately 75,000 square feet and is occupied by Pratt & Whitney. The second hangar is being occupied by Liberty west, an aviation company specializing in the maintenance, repair and overhaul of aircraft. This second hangar is approximately 100,000 square feet of building space and is large enough to accommodate the new Airbus A-380 aircraft. Two additional hangers totaling approximately 180,000 sq.ft. are currently planned for construction. These two new hangars will permit the expansion of Leading Edge, an aircraft painting company currently under contract to paint the United Airlines and JetBlue fleet.

Stirling Airports International, the master developer for SCLA, has also recently entered into a partnership with Dividend Capital Trust (DCT) who operates as a real estate investment trust (REIT). The partnership is proposing to immediately construct an estimated 1 million sq.ft. of building space on a total of 82-acres as speculative development

to accommodate the expansion and relocation of manufacturing & distribution users.

Pledged Revenues

Only the SCLA and Victorville's portion of tax increment generated from the VVEDA Project Area will be pledged to the payment of debt service on the Bonds. The component parts of the pledge include: SCLA portion, SCLA's 50% portion of the Excess Prior Contribution Fund, Victorville's Non-Housing Participant Share, and Victorville's portion of the Excess Prior Contribution Fund. Table 10A presents a summary of the Total Pledged Revenue.

We trust that this information provides the bond financing team with an adequate basis for determining SCLA's ability to meet debt service requirements for the Bonds. While RSG has taken precautions to assure the accuracy of the data used in the formulation of these tax increment revenue projections, we cannot ensure that projected valuations will be realized. Future events and conditions that cannot be controlled or predicted with certainty may affect actual values presented in this Report.

TABLE 10A
VICTOR VALLEY REDEVELOPMENT PROJECT AREA
 Tax Increment Projections

SUMMARY OF ALL WVEDA AREAS AND TOTAL PLEDGED REVENUE

P L A N Y R	YEAR	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS LOW/ MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL PASS THROUGH (Special Dist, Member Juris, & Schools)	TO MEMBER JURISDICTION	TO SCLA	WVEDA/ VICTORVILLE RDA ADDITIONAL PLEDGE					TOTAL NON- HOUSING PLEDGE REVENUE
							TO PRIOR CONTRIB FUND ¹	PRIOR CONTRIB REPAY ¹	50% EXCESS PRIOR CONTRIB TO SCLA	Victorville's Participant Share	Victorville's 50% Excess Prior Contrib	
	Base Yr. 93/94											
7	2006-07	28,494,962	5,698,992	7,680,959	4,893,193	7,753,012	2,468,323	0	1,234,162	3,562,303	890,334	13,439,811
8	2007-08	33,604,005	6,720,801	9,077,267	5,940,886	8,867,557	2,996,675	0	1,498,337	4,431,319	1,107,421	15,904,634
9	2008-09	34,637,846	6,927,569	9,357,822	6,135,094	9,121,869	3,094,641	0	1,547,320	4,569,099	1,141,842	16,380,100
10	2009-10	35,692,364	7,138,473	9,643,988	6,333,186	9,381,267	3,194,566	0	1,597,283	4,709,574	1,176,951	16,665,075
11	2010-11	36,767,972	7,353,594	9,938,057	6,534,680	9,644,772	3,295,958	0	1,647,979	4,852,850	1,212,758	17,358,360
12	2011-12	37,865,092	7,573,018	10,238,009	6,740,204	9,913,547	3,399,379	0	1,699,689	4,998,993	1,249,281	17,861,511
13	2012-13	38,984,155	7,796,831	10,543,959	6,949,839	10,187,698	3,504,868	0	1,752,434	5,148,058	1,286,534	18,374,724
14	2013-14	40,125,599	8,025,120	10,856,028	7,163,666	10,467,332	3,612,467	0	1,806,233	5,300,104	1,324,533	18,898,202
15	2014-15	41,289,871	8,257,974	11,174,339	7,381,770	10,752,559	3,722,217	0	1,861,109	5,455,191	1,363,291	19,432,150
16	2015-16	42,477,430	8,495,486	11,499,016	7,604,235	11,043,490	3,834,163	0	1,917,092	5,613,380	1,402,825	19,976,776
17	2016-17	43,686,739	8,737,748	11,830,186	7,831,150	11,340,239	3,948,348	0	1,974,174	5,774,733	1,443,149	20,532,295
18	2017-18	44,924,275	8,984,855	12,167,990	8,062,604	11,642,924	4,064,816	0	2,032,928	5,939,313	1,484,280	21,098,925
19	2018-19	46,184,521	9,236,904	12,512,530	8,298,686	11,951,652	4,183,514	0	2,091,807	6,107,184	1,526,234	21,676,887
20	2019-20	47,469,972	9,493,994	12,863,970	8,539,491	12,266,575	4,304,788	0	2,152,394	6,278,413	1,569,026	22,266,408
21	2020-21	48,781,133	9,756,227	13,222,440	8,786,111	12,587,786	4,428,385	0	2,214,192	6,453,066	1,612,675	22,867,720
22	2021-22	50,118,516	10,023,703	13,588,079	9,035,643	12,915,422	4,554,454	0	2,277,227	6,631,213	1,657,196	23,481,058
23	2022-23	51,482,647	10,296,529	13,961,030	9,291,187	13,249,610	4,683,045	0	2,341,522	6,812,922	1,702,608	24,106,662
24	2023-24	52,874,061	10,574,812	14,341,441	9,591,841	13,590,482	4,814,207	0	2,407,103	6,998,266	1,748,928	24,744,779
25	2024-25	54,293,303	10,858,661	14,729,460	9,817,708	13,938,172	4,947,992	0	2,473,996	7,187,316	1,796,174	25,395,658
26	2025-26	55,740,930	11,148,186	15,125,239	10,088,893	14,292,815	5,084,454	0	2,542,227	7,380,148	1,844,365	26,059,555
27	2026-27	57,217,510	11,443,502	15,528,934	10,365,501	14,654,551	5,223,644	0	2,611,822	7,576,836	1,893,520	26,736,730
28	2027-28	58,723,621	11,744,724	15,940,703	10,647,641	15,023,522	5,365,619	0	2,682,809	7,777,458	1,943,659	27,427,448
29	2028-29	60,259,854	12,051,971	16,360,707	10,935,425	15,399,672	5,510,432	0	2,755,216	7,982,092	1,994,800	28,131,980
30	2029-30	61,826,812	12,365,362	16,789,111	11,228,964	15,783,750	5,658,142	0	2,829,071	8,190,819	2,046,964	28,850,603
31	2030-31	63,425,109	12,685,022	17,226,244	11,527,819	16,174,234	5,808,281	0	2,904,140	8,403,682	2,100,166	29,582,222
32	2031-32	65,055,372	13,011,074	17,676,160	11,832,651	16,572,527	5,961,422	0	2,980,711	8,620,803	2,154,432	30,328,474
33	2032-33	66,718,240	13,343,648	18,133,033	12,143,580	16,978,787	6,117,626	0	3,058,813	8,842,267	2,209,784	31,089,651
34	2033-34	68,414,366	13,682,873	18,599,045	12,460,728	17,393,172	6,276,954	0	3,138,477	9,068,159	2,266,243	31,866,051
35	2034-35	70,144,414	14,028,883	19,074,376	12,784,219	17,815,844	6,439,469	0	3,219,734	9,298,570	2,323,831	32,657,979
36	2035-36	71,909,063	14,381,813	19,559,214	13,114,179	18,246,970	6,605,233	0	3,302,617	9,533,588	2,382,570	33,465,745
37	2036-37	73,709,005	14,741,801	20,053,749	13,450,739	18,686,719	6,774,314	0	3,387,157	9,773,307	2,442,485	34,289,668
38	2037-38	75,544,946	15,108,989	20,558,175	13,794,030	19,135,262	6,946,775	0	3,473,388	10,017,821	2,503,598	35,130,068
39	2038-39	77,417,606	15,483,521	21,072,669	14,144,185	19,592,777	7,122,686	0	3,561,343	10,267,224	2,565,933	35,987,277
40	2039-40	79,327,719	15,865,544	21,597,493	14,501,346	20,059,441	7,302,116	0	3,651,058	10,521,616	2,629,515	36,861,630
41	2040-41	81,276,034	16,255,207	22,132,793	14,865,649	20,535,439	7,485,133	0	3,742,567	10,781,096	2,694,368	37,753,469
42	2041-42	83,263,315	16,652,653	22,678,800	15,237,238	21,020,957	7,671,812	0	3,835,906	11,045,765	2,760,518	38,663,146
43	2042-43	85,290,343	17,058,069	23,235,726	15,616,259	21,516,185	7,862,223	0	3,931,112	11,315,727	2,827,992	39,591,016
44	2043-44	87,357,910	17,471,582	23,803,792	16,002,861	22,021,318	8,056,443	0	4,028,222	11,591,089	2,896,815	40,537,444
45	2044-45	89,466,829	17,893,366	24,383,218	16,397,194	22,536,553	8,254,548	0	4,127,274	11,871,958	2,967,014	41,502,800
	Total	2,260,275,326	452,055,065	613,698,903	408,814,501	579,683,587	205,972,845	0	102,986,422	298,650,994	74,636,536	1,055,957,540

¹The Agency is going to pay off the prior contribution fund from existing funds and therefore no further pledge of tax increment revenues is required. Per the agreement, revenue that would have gone to the Prior Contribution Fund will instead be split with 50% going to SCLA and 50% going back to the member jurisdiction.

TABLE 103
VICTOR VALLEY REDEVELOPMENT PROJECT AREA
 Tax Increment Projections

P L A N Y E R	VICTORVILLE AREA										
	1	2	3	4	5 =(2+3+4-BY)	6 =(5*1%)	7 =(6*20%)	8 =(6*27.41%)	9 =(6-7-8)*40%	10 =(6-7-8)*40%	11 =(6-7-8)*20%
	YEAR	SECURED & UNSECURED ASSESSED VALUE * W/ GROWTH @ 2.00%	ASSESSED VALUE INCREASE DUE TO SALES	ASSESSED VALUE INCREASE DUE TO NEW DEVELOPMENT	NET INCREMENTAL VALUATION INCREASE	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL PASS THROUGHS (Special Dist. & Schools) 27.41%	TO MEMBER JURIS- DICTIONS 40%	TO SCLA 40%	TO PRIOR CONTRIB FUND 20%
BY	1997-98	1,166,037,800			0	0					
7	2006-07	2,858,551,477			1,692,513,677	16,925,137	3,385,027	4,639,180	3,560,372	3,560,372	1,780,186
8	2007-08	2,915,722,507	307,150,977	48,148,814	2,104,984,498	21,049,845	4,209,969	5,769,763	4,428,045	4,428,045	2,214,023
9	2008-09	3,336,442,743			2,170,404,943	21,704,049	4,340,810	5,949,080	4,565,664	4,565,664	2,282,832
10	2009-10	3,403,171,598			2,237,133,798	22,371,338	4,474,268	6,131,984	4,706,035	4,706,035	2,353,017
11	2010-11	3,471,235,030			2,305,197,230	23,051,972	4,610,394	6,318,546	4,849,213	4,849,213	2,424,606
12	2011-12	3,540,659,731			2,374,621,931	23,746,219	4,749,244	6,508,839	4,995,255	4,995,255	2,497,627
13	2012-13	3,611,472,926			2,445,435,126	24,454,351	4,890,870	6,702,938	5,144,217	5,144,217	2,572,109
14	2013-14	3,683,702,384			2,517,664,584	25,176,545	5,035,329	6,900,919	5,296,159	5,296,159	2,648,080
15	2014-15	3,757,376,432			2,591,338,632	25,913,386	5,182,677	7,102,859	5,451,140	5,451,140	2,725,570
16	2015-16	3,832,523,960			2,666,486,160	26,664,862	5,332,972	7,308,839	5,609,220	5,609,220	2,804,610
17	2016-17	3,909,174,440			2,743,136,640	27,431,366	5,486,273	7,518,938	5,770,462	5,770,462	2,885,231
18	2017-18	3,987,357,928			2,821,320,128	28,213,201	5,642,640	7,733,238	5,934,929	5,934,929	2,967,465
19	2018-19	4,067,105,087			2,901,067,287	29,010,673	5,802,135	7,951,825	6,102,685	6,102,685	3,051,343
20	2019-20	4,148,447,189			2,982,409,389	29,824,094	5,964,819	8,174,784	6,273,796	6,273,796	3,136,898
21	2020-21	4,231,416,132			3,065,378,332	30,653,783	6,130,757	8,402,202	6,448,330	6,448,330	3,224,165
22	2021-22	4,316,044,455			3,150,006,655	31,500,067	6,300,013	8,634,168	6,626,354	6,626,354	3,313,177
23	2022-23	4,402,365,344			3,236,327,544	32,363,275	6,472,555	8,870,774	6,807,939	6,807,939	3,403,969
24	2023-24	4,490,412,651			3,324,374,851	33,243,749	6,648,750	9,112,111	6,993,155	6,993,155	3,496,577
25	2024-25	4,580,220,904			3,414,183,104	34,141,831	6,828,366	9,358,276	7,182,076	7,182,076	3,591,038
26	2025-26	4,671,825,322			3,505,787,522	35,057,875	7,011,575	9,609,364	7,374,775	7,374,775	3,687,387
27	2026-27	4,765,261,829			3,599,224,029	35,992,240	7,198,448	9,865,473	7,571,328	7,571,328	3,785,664
28	2027-28	4,860,567,065			3,694,529,265	36,945,293	7,389,059	10,126,705	7,771,812	7,771,812	3,885,906
29	2028-29	4,957,778,407			3,791,740,607	37,917,406	7,583,481	10,393,161	7,976,306	7,976,306	3,988,153
30	2029-30	5,056,933,975			3,890,896,175	38,908,962	7,781,792	10,664,946	8,184,889	8,184,889	4,092,445
31	2030-31	5,158,072,654			3,992,034,854	39,920,349	7,984,070	10,942,168	8,397,645	8,397,645	4,198,822
32	2031-32	5,261,234,107			4,095,196,307	40,951,863	8,190,393	11,224,933	8,614,655	8,614,655	4,307,327
33	2032-33	5,366,458,789			4,200,420,989	42,004,210	8,400,842	11,513,354	8,836,006	8,836,006	4,418,003
34	2033-34	5,473,787,965			4,307,750,165	43,077,502	8,615,500	11,807,543	9,061,783	9,061,783	4,530,892
35	2034-35	5,583,263,724			4,417,225,924	44,172,259	8,834,452	12,107,616	9,292,076	9,292,076	4,646,038
36	2035-36	5,694,928,999			4,528,891,199	45,288,912	9,057,782	12,413,691	9,526,976	9,526,976	4,763,488
37	2036-37	5,808,827,579			4,642,789,779	46,427,898	9,285,580	12,725,887	9,766,573	9,766,573	4,883,286
38	2037-38	5,925,004,131			4,758,966,331	47,589,663	9,517,933	13,044,327	10,010,962	10,010,962	5,005,481
39	2038-39	6,043,504,213			4,877,466,413	48,774,664	9,754,933	13,389,135	10,280,238	10,280,238	5,130,119
40	2039-40	6,164,374,297			4,998,336,497	49,983,365	9,996,673	13,700,440	10,514,501	10,514,501	5,257,250
41	2040-41	6,287,661,783			5,121,623,993	51,216,240	10,243,248	14,038,371	10,773,848	10,773,848	5,386,924
42	2041-42	6,413,415,019			5,247,377,219	52,473,772	10,494,754	14,383,051	11,038,383	11,038,383	5,519,191
43	2042-43	6,541,683,319			5,375,645,519	53,756,455	10,751,291	14,734,644	11,308,208	11,308,208	5,654,104
44	2043-44	6,672,516,986			5,506,479,186	55,064,792	11,012,958	15,093,259	11,583,430	11,583,430	5,791,715
45	2044-45	6,805,967,325			5,639,929,525	56,389,295	11,279,859	15,459,047	11,864,156	11,864,156	5,932,078
	Total	188,157,906,408	307,150,977	48,148,814	141,871,694,199	1,418,718,942	250,699,280	343,583,363	263,685,503	263,685,503	131,842,751

TABLE 10C

VICTOR VALLEY REDEVELOPMENT PROJECT AREA

Tax Increment Projections

SOUTHERN CALIFORNIA LOGISTICS AIRPORT (SCLA)

P L A N Y R	1	2	3	4	5	6	7	8	9	10
	YEAR	SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	ASSESSED VALUE INCREASE DUE TO SALES	NET INCREMENTAL VALUATION INCREASE	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL PASS THROUGHS (Special Dist, Member Juris, & Schools) 25.05%	TO MEMBER JURIS- DICTIONS 0%	TO SCLA 100%	TO PRIOR CONTRIB FUND 0%
BY	1997-98	7,854,300		0	0					
7	2006-07	520,210,897		512,356,597	5,123,566	1,024,713	1,283,453	0	2,815,400	0
8	2007-08	530,615,115	0	522,760,815	5,227,608	1,045,522	1,309,516	0	2,872,571	0
9	2008-09	541,227,417		533,373,117	5,333,731	1,066,746	1,336,100	0	2,930,885	0
10	2009-10	552,051,966		544,197,666	5,441,977	1,088,395	1,363,215	0	2,990,366	0
11	2010-11	563,093,005		555,238,705	5,552,387	1,110,477	1,390,873	0	3,051,037	0
12	2011-12	574,354,865		566,500,565	5,665,006	1,133,001	1,419,084	0	3,112,921	0
13	2012-13	585,841,962		577,987,662	5,779,877	1,155,975	1,447,859	0	3,176,042	0
14	2013-14	597,558,802		589,704,502	5,897,045	1,179,409	1,477,210	0	3,240,426	0
15	2014-15	609,509,978		601,655,678	6,016,557	1,203,311	1,507,147	0	3,306,098	0
16	2015-16	621,700,177		613,845,877	6,138,459	1,227,692	1,537,684	0	3,373,083	0
17	2016-17	634,134,181		626,279,881	6,262,799	1,252,560	1,568,831	0	3,441,408	0
18	2017-18	646,816,864		638,962,564	6,389,626	1,277,925	1,600,601	0	3,511,099	0
19	2018-19	659,753,202		651,898,902	6,518,989	1,303,798	1,633,007	0	3,582,184	0
20	2019-20	672,948,266		665,093,966	6,650,940	1,330,188	1,666,060	0	3,654,691	0
21	2020-21	686,407,231		678,552,931	6,785,529	1,357,106	1,699,775	0	3,728,648	0
22	2021-22	700,135,376		692,281,076	6,922,811	1,384,562	1,734,164	0	3,804,085	0
23	2022-23	714,138,083		706,283,783	7,062,838	1,412,568	1,769,241	0	3,881,029	0
24	2023-24	728,420,845		720,566,545	7,205,665	1,441,133	1,805,019	0	3,959,513	0
25	2024-25	742,989,262		735,134,962	7,351,350	1,470,270	1,841,513	0	4,039,567	0
26	2025-26	757,849,047		749,994,747	7,499,947	1,499,989	1,878,737	0	4,121,221	0
27	2026-27	773,006,028		765,151,728	7,651,517	1,530,303	1,916,705	0	4,204,509	0
28	2027-28	788,466,148		780,611,848	7,806,118	1,561,224	1,955,433	0	4,289,462	0
29	2028-29	804,235,471		796,381,171	7,963,812	1,592,762	1,994,935	0	4,376,115	0
30	2029-30	820,320,181		812,465,881	8,124,659	1,624,932	2,035,227	0	4,464,500	0
31	2030-31	836,726,584		828,872,284	8,288,723	1,657,745	2,076,325	0	4,554,653	0
32	2031-32	853,461,116		845,606,816	8,456,068	1,691,214	2,118,245	0	4,646,609	0
33	2032-33	870,530,338		862,676,038	8,626,760	1,725,352	2,161,003	0	4,740,405	0
34	2033-34	887,940,945		880,086,645	8,800,866	1,760,173	2,204,617	0	4,836,076	0
35	2034-35	905,699,764		897,845,464	8,978,455	1,795,691	2,249,103	0	4,933,661	0
36	2035-35	923,813,759		915,959,459	9,159,595	1,831,919	2,294,478	0	5,033,197	0
37	2036-37	942,290,034		934,435,734	9,344,357	1,868,871	2,340,762	0	5,134,724	0
38	2037-38	961,135,835		953,281,535	9,532,815	1,906,563	2,387,970	0	5,238,282	0
39	2038-39	980,358,552		972,504,252	9,725,043	1,945,009	2,436,123	0	5,343,911	0
40	2039-40	999,965,723		992,111,423	9,921,114	1,984,223	2,485,239	0	5,451,652	0
41	2040-41	1,019,965,037		1,012,110,737	10,121,107	2,024,221	2,535,337	0	5,561,549	0
42	2041-42	1,040,364,338		1,032,510,038	10,325,100	2,065,020	2,586,438	0	5,673,643	0
43	2042-43	1,061,177,625		1,053,317,325	10,533,173	2,106,635	2,638,560	0	5,787,979	0
44	2043-44	1,082,395,057		1,074,540,757	10,745,408	2,149,082	2,691,725	0	5,904,601	0
45	2044-45	1,104,042,958		1,096,188,658	10,961,887	2,192,377	2,745,953	0	6,023,557	0
	Total	31,905,047,768	0	31,551,604,268	315,516,043	63,103,209	79,036,769	0	173,376,065	0

TABLE 10D

VICTOR VALLEY REDEVELOPMENT PROJECT AREA

Tax Increment Projections

SAN BERNARDINO COUNTY AREA

P L A N Y E R	1	2	3	4	5	6	7	8	9	10
	YEAR	SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	ASSESSED VALUE INCREASE DUE TO SALES	NET INCREMENTAL VALUATION INCREASE	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL PASS THROUGH (Special Dist. Member Juris. & Schools) 27.00%	TO MEMBER JURIS-DICTIONS 40%	TO SCLA 40%	TO PRIOR CONTRIB FUND 20%
BY				=(2 + 3 - 8Y)	=(4 * 1%)	=(5 * 20%)	=(5 * 0.27)	=(4 - 5 - 6)*40%	=(4 - 5 - 6)*40%	=(4 - 5 - 6)*20%
7	1997-98	51,724,800		0	0					
8	2006-07	79,759,991		28,035,191	280,352	56,070	75,695	59,435	59,435	29,717
9	2007-08	81,355,191	3,535,545	33,165,936	331,659	66,332	89,548	70,312	70,312	35,156
10	2008-09	86,588,551		34,863,751	348,638	69,728	94,132	73,911	73,911	36,956
11	2009-10	88,320,322		36,595,522	365,955	73,191	98,808	77,583	77,583	38,791
12	2010-11	90,086,728		38,361,928	383,619	76,724	103,577	81,327	81,327	40,664
13	2011-12	91,888,463		40,163,663	401,637	80,327	108,442	85,147	85,147	42,573
14	2012-13	93,726,232		42,001,432	420,014	84,003	113,404	89,043	89,043	44,522
15	2013-14	95,600,756		43,875,956	438,760	87,752	118,465	93,017	93,017	46,509
16	2014-15	97,512,772		45,787,972	457,880	91,576	123,628	97,070	97,070	48,535
17	2015-16	99,463,027		47,738,227	477,382	95,476	128,893	101,205	101,205	50,603
18	2016-17	101,452,268		49,727,488	497,275	99,455	134,264	105,422	105,422	52,711
19	2018-19	105,550,960		53,826,160	538,262	107,652	145,331	114,111	114,111	57,056
20	2019-20	107,661,979		55,937,179	559,372	111,874	151,030	118,587	118,587	59,293
21	2020-21	109,815,219		58,090,419	580,904	116,181	156,844	123,152	123,152	61,576
22	2021-22	112,011,523		60,286,723	602,867	120,573	162,774	127,808	127,808	63,904
23	2022-23	114,251,754		62,526,954	625,270	125,054	168,823	132,557	132,557	66,279
24	2023-24	116,636,789		64,811,989	648,120	129,624	174,992	137,401	137,401	68,701
25	2024-25	118,867,524		67,142,724	671,427	134,285	181,285	142,343	142,343	71,171
26	2025-26	121,244,875		69,520,075	695,201	139,040	187,704	147,383	147,383	73,691
27	2026-27	123,669,772		71,944,972	719,450	143,890	194,251	152,523	152,523	76,262
28	2027-28	126,143,168		74,418,368	744,184	148,837	200,930	157,767	157,767	78,883
29	2028-29	128,666,031		76,941,231	769,412	153,882	207,741	163,115	163,115	81,558
30	2029-30	131,239,352		79,514,552	795,146	159,029	214,689	168,571	168,571	84,285
31	2030-31	133,864,139		82,139,339	821,393	164,279	221,776	174,135	174,135	87,068
32	2031-32	136,541,422		84,816,622	848,166	169,833	229,005	179,811	179,811	89,906
33	2032-33	139,272,250		87,547,450	875,475	175,095	236,378	185,601	185,601	92,800
34	2033-34	142,057,695		90,332,895	903,329	180,666	243,899	191,506	191,506	95,753
35	2034-35	144,898,849		93,174,049	931,740	186,348	251,570	197,529	197,529	98,764
36	2035-36	147,796,826		96,072,026	960,720	192,144	259,394	203,673	203,673	101,836
37	2036-37	150,752,762		99,027,962	990,280	198,056	267,375	209,939	209,939	104,970
38	2037-38	153,767,818		102,043,018	1,020,430	204,086	275,516	216,331	216,331	108,166
39	2038-39	156,843,174		105,118,374	1,051,184	210,237	283,820	222,851	222,851	111,425
40	2039-40	159,980,038		108,255,238	1,082,552	216,510	292,289	229,501	229,501	114,751
41	2040-41	163,179,638		111,454,838	1,114,548	222,910	300,928	236,284	236,284	118,142
42	2041-42	166,443,231		114,718,431	1,147,184	229,437	309,740	243,203	243,203	121,602
43	2042-43	169,772,096		118,047,296	1,180,473	236,095	318,728	250,260	250,260	125,130
44	2043-44	173,167,538		121,442,738	1,214,427	242,885	327,895	257,459	257,459	128,729
45	2044-45	176,630,888		124,905,088	1,249,051	249,812	337,246	264,801	264,801	132,400
	Total	4,915,896,061	3,535,545	2,850,439,608	28,504,396	5,700,879	7,696,187	6,042,932	6,042,932	3,021,466

TABLE 10E
VICTOR VALLEY REDEVELOPMENT PROJECT AREA
 Tax Increment Projections

P L A N Y E R	APPLE VALLEY AREA									
	1	2	3	4	5	6	7	8	9	10
	YEAR	SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	ASSESSED VALUE INCREASE DUE TO SALES	=(2+3) TOTAL ASSESSED VALUE	=(3 + •BY) NET INCREMENTAL VALUATION INCREASE	=(4 * 1%) ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	=(5 * 20%) LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	=(5 * 0.27) LESS ALL PASS THROUGHS (Special Dist. Member Juris. & Schools) 27.00%	=(4 - 5 - 6)*40% TO MEMBER JURIS- DICTIONS 40%	=(4 - 5 - 6)*40% TO SCLA 40%
BY 1997-98	436,031,300		436,031,300	0	0					
7 2006-07	895,985,936		895,985,936	459,954,636	4,599,546	919,909	1,241,878	975,104	975,104	487,552
8 2007-08	913,905,655	35,727,391	949,633,046	513,601,746	5,136,017	1,027,203	1,386,725	1,088,836	1,088,836	544,418
9 2008-09	968,625,707		968,625,707	532,594,407	5,325,944	1,065,189	1,438,005	1,129,100	1,129,100	564,550
10 2009-10	987,998,221		987,998,221	551,966,921	5,519,669	1,103,934	1,490,311	1,170,170	1,170,170	585,085
11 2010-11	1,007,758,185		1,007,758,185	571,726,885	5,717,269	1,143,454	1,543,663	1,212,061	1,212,061	606,030
12 2011-12	1,027,913,349		1,027,913,349	591,882,049	5,918,820	1,183,764	1,598,082	1,254,790	1,254,790	627,395
13 2012-13	1,048,471,616		1,048,471,616	612,440,316	6,124,403	1,224,881	1,653,589	1,298,373	1,298,373	649,187
14 2013-14	1,069,441,048		1,069,441,048	633,409,748	6,334,097	1,266,819	1,710,206	1,342,829	1,342,829	671,414
15 2014-15	1,090,829,869		1,090,829,869	654,798,569	6,547,986	1,309,597	1,767,956	1,388,173	1,388,173	694,086
16 2015-16	1,112,646,467		1,112,646,467	676,615,167	6,766,152	1,353,230	1,826,861	1,434,424	1,434,424	717,212
17 2016-17	1,134,899,396		1,134,899,396	698,868,096	6,988,681	1,397,736	1,886,944	1,481,600	1,481,600	740,800
18 2017-18	1,157,597,384		1,157,597,384	721,566,084	7,215,661	1,443,132	1,948,228	1,529,720	1,529,720	764,860
19 2018-19	1,180,749,331		1,180,749,331	744,718,031	7,447,180	1,489,436	2,010,739	1,578,802	1,578,802	789,401
20 2019-20	1,204,364,318		1,204,364,318	768,333,018	7,683,330	1,536,666	2,074,499	1,628,866	1,628,866	814,433
21 2020-21	1,228,451,604		1,228,451,604	792,420,304	7,924,203	1,584,841	2,139,535	1,679,931	1,679,931	839,966
22 2021-22	1,253,020,637		1,253,020,637	816,989,337	8,169,893	1,633,979	2,205,871	1,732,017	1,732,017	866,009
23 2022-23	1,278,081,049		1,278,081,049	842,049,749	8,420,497	1,684,099	2,273,534	1,785,145	1,785,145	892,573
24 2023-24	1,303,642,670		1,303,642,670	867,611,370	8,676,114	1,735,223	2,342,551	1,839,336	1,839,336	919,668
25 2024-25	1,329,715,524		1,329,715,524	893,684,224	8,936,842	1,787,368	2,412,947	1,894,611	1,894,611	947,305
26 2025-26	1,356,309,834		1,356,309,834	920,278,534	9,202,785	1,840,557	2,484,752	1,950,990	1,950,990	975,495
27 2026-27	1,383,436,031		1,383,436,031	947,404,731	9,474,047	1,894,809	2,557,993	2,008,498	2,008,498	1,004,249
28 2027-28	1,411,104,751		1,411,104,751	975,073,451	9,750,735	1,950,147	2,632,698	2,067,156	2,067,156	1,033,578
29 2028-29	1,439,326,846		1,439,326,846	1,003,295,546	10,032,955	2,006,591	2,708,898	2,126,987	2,126,987	1,063,493
30 2029-30	1,468,113,383		1,468,113,383	1,032,082,083	10,320,821	2,064,164	2,786,622	2,188,014	2,188,014	1,094,007
31 2030-31	1,497,475,651		1,497,475,651	1,061,444,351	10,614,444	2,122,889	2,865,900	2,250,262	2,250,262	1,125,131
32 2031-32	1,527,425,164		1,527,425,164	1,091,393,864	10,913,939	2,182,788	2,946,763	2,313,755	2,313,755	1,156,877
33 2032-33	1,557,973,667		1,557,973,667	1,121,942,367	11,219,424	2,243,885	3,029,244	2,378,518	2,378,518	1,189,259
34 2033-34	1,589,133,141		1,589,133,141	1,153,101,841	11,531,018	2,306,204	3,113,375	2,444,576	2,444,576	1,222,288
35 2034-35	1,620,915,804		1,620,915,804	1,184,884,504	11,848,845	2,369,769	3,199,188	2,511,955	2,511,955	1,255,978
36 2035-36	1,653,334,120		1,653,334,120	1,217,302,820	12,173,028	2,434,606	3,286,718	2,580,682	2,580,682	1,290,341
37 2036-37	1,686,400,802		1,686,400,802	1,250,369,502	12,503,695	2,500,739	3,375,998	2,650,783	2,650,783	1,325,392
38 2037-38	1,720,128,818		1,720,128,818	1,284,097,518	12,840,975	2,568,195	3,467,063	2,722,287	2,722,287	1,361,143
39 2038-39	1,754,531,394		1,754,531,394	1,318,500,094	13,185,001	2,637,000	3,559,950	2,795,220	2,795,220	1,397,610
40 2039-40	1,789,622,022		1,789,622,022	1,353,590,722	13,535,907	2,707,181	3,654,695	2,869,612	2,869,612	1,434,806
41 2040-41	1,825,414,463		1,825,414,463	1,389,383,163	13,893,832	2,778,766	3,751,335	2,945,492	2,945,492	1,472,746
42 2041-42	1,861,922,752		1,861,922,752	1,425,891,452	14,258,915	2,851,783	3,849,907	3,022,890	3,022,890	1,511,445
43 2042-43	1,899,161,207		1,899,161,207	1,463,129,907	14,631,299	2,926,260	3,950,451	3,101,835	3,101,835	1,550,918
44 2043-44	1,937,144,431		1,937,144,431	1,501,113,131	15,011,131	3,002,226	4,053,005	3,182,360	3,182,360	1,591,180
45 2044-45	1,975,887,320		1,975,887,320	1,539,856,020	15,398,560	3,079,712	4,157,611	3,264,495	3,264,495	1,632,247
Total	54,868,545,767	35,727,391	54,904,273,158	37,463,021,158	374,630,212	74,926,042	101,150,157	79,421,605	79,421,605	39,710,802

TABLE 10F
VICTOR VALLEY REDEVELOPMENT PROJECT AREA
 Tax Increment Projections

HESPERIA AREA										
P L A N Y E R	1	2	3	4	5	6	7	8	9	10
	YEAR	SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	ASSESSED VALUE INCREASE DUE TO SALES	NET INCREMENTAL VALUATION INCREASE	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL PASS THROUGHS (Special Dist. Member Juris. & Schools) 30.10%	TO MEMBER JURIS- DICTIONS 40%	TO SCLA 40%	TO PRIOR CONTRIB FUND 20%
BY	1997-98	122,199,200		0	0					
7	2005-07	248,417,705		125,218,505	1,262,185	252,437	379,918	251,932	251,932	125,966
8	2007-08	253,386,059	17,269,839	148,456,698	1,484,567	298,913	446,855	296,320	296,320	148,160
9	2008-09	276,069,016		153,869,816	1,538,698	307,740	463,148	307,124	307,124	153,562
10	2009-10	281,590,396		159,391,196	1,593,912	318,782	479,768	318,145	318,145	159,072
11	2010-11	287,222,204		165,023,004	1,650,230	330,046	496,719	329,388	329,388	164,693
12	2011-12	292,966,648		170,767,448	1,707,674	341,535	514,010	340,852	340,852	170,426
13	2012-13	298,825,981		176,626,781	1,766,266	353,254	531,647	352,547	352,547	176,274
14	2013-14	304,802,501		182,603,301	1,826,033	365,207	549,636	364,476	364,476	182,238
15	2014-15	310,898,551		188,699,351	1,886,994	377,399	567,985	376,644	376,644	188,322
16	2015-16	317,116,522		194,917,322	1,949,173	389,835	586,701	389,055	389,055	194,527
17	2016-17	323,458,852		201,259,652	2,012,597	402,519	605,792	401,714	401,714	200,857
18	2017-18	329,928,030		207,728,830	2,077,288	415,458	625,294	414,627	414,627	207,313
19	2018-19	336,526,590		214,327,390	2,143,274	428,655	645,125	427,797	427,797	213,899
20	2019-20	343,257,122		221,057,922	2,210,579	442,116	665,384	441,232	441,232	220,616
21	2020-21	350,122,264		227,923,064	2,279,231	455,846	686,048	454,934	454,934	227,467
22	2021-22	357,124,710		234,925,510	2,349,255	469,851	707,126	468,911	468,911	234,456
23	2022-23	364,267,204		242,068,004	2,420,680	484,136	728,625	483,168	483,168	241,584
24	2023-24	371,552,548		249,353,348	2,493,533	498,707	750,554	497,709	497,709	248,855
25	2024-25	378,983,599		256,784,399	2,567,844	513,569	772,921	512,542	512,542	256,271
26	2025-26	386,563,271		264,364,071	2,643,641	528,728	795,736	527,671	527,671	263,835
27	2026-27	394,294,536		272,095,336	2,720,953	544,191	819,007	543,102	543,102	271,551
28	2027-28	402,180,427		279,981,227	2,799,812	559,962	842,743	558,843	558,843	279,421
29	2028-29	410,224,035		288,024,836	2,880,248	576,050	866,955	574,898	574,898	287,449
30	2029-30	418,428,516		296,229,316	2,962,293	592,459	891,850	591,274	591,274	295,637
31	2030-31	426,797,087		304,597,887	3,045,979	609,196	916,840	607,977	607,977	303,989
32	2031-32	435,333,028		313,133,828	3,131,338	626,268	942,533	625,015	625,015	312,508
33	2032-33	444,039,689		321,840,489	3,218,405	643,681	968,740	642,394	642,394	321,197
34	2033-34	452,920,483		330,721,283	3,307,213	661,443	995,471	660,120	660,120	330,060
35	2034-35	461,978,892		339,779,692	3,397,797	679,569	1,022,737	678,200	678,200	339,100
36	2035-36	471,218,470		349,019,270	3,490,193	698,039	1,050,548	696,642	696,642	348,321
37	2036-37	480,642,840		358,443,640	3,584,436	716,887	1,078,915	715,454	715,454	357,727
38	2037-38	490,255,896		368,056,496	3,680,565	736,113	1,107,850	734,641	734,641	367,320
39	2038-39	500,060,810		377,861,610	3,778,616	755,723	1,137,363	754,212	754,212	377,106
40	2039-40	510,062,026		387,862,826	3,878,628	775,726	1,167,467	774,174	774,174	387,087
41	2040-41	520,263,267		398,064,067	3,980,641	796,128	1,198,173	794,536	794,536	397,268
42	2041-42	530,668,532		408,469,332	4,084,693	816,939	1,229,493	815,305	815,305	407,652
43	2042-43	541,281,903		419,082,703	4,190,827	838,165	1,261,439	836,489	836,489	418,245
44	2043-44	552,107,541		429,908,341	4,299,083	859,817	1,294,024	858,097	858,097	429,049
45	2044-45	563,149,692		440,950,492	4,409,505	881,901	1,327,261	880,137	880,137	440,069
	Total	15,623,670,746	17,269,839	10,752,972,585	107,529,726	21,505,945	32,366,447	21,462,933	21,462,933	10,731,467

TABLE 10G
VICTOR VALLEY REDEVELOPMENT PROJECT AREA
 Tax Increment Projections

ADELANTO AREA										
P L A N Y E R	1	2	3	4	5	6	7	8	9	10
	YEAR	SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	ASSESSED VALUE DUE TO SALES	NET INCREMENTAL VALUATION INCREASE	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL PASS THROUGH (Statutory) 20.00%	TO MEMBER JURIS- DICTIONS 25%	TO SCLA 50%	TO PRIOR CONTRIB FUND 25%
BY				=(2+3-BY)	=(4*1%)	=(5*20%)	=(5*0.2)	=(4+5-6)*40%	=(4+5-6)*40%	=(4+5-6)*20%
7	1997-98	14,452,400		0	0					
8	2006-07	38,241,439		23,789,039	237,890	47,578	47,578	35,684	71,367	35,684
9	2007-08	39,006,268	2,853,956	27,407,824	274,078	54,816	54,816	41,112	82,223	41,112
10	2008-09	42,697,428		28,245,028	282,450	56,490	56,490	42,368	84,735	42,368
11	2009-10	43,551,377		29,098,977	290,990	58,198	58,198	43,648	87,297	43,648
12	2010-11	44,422,404		29,970,004	299,700	59,940	61,403	44,589	89,178	44,589
13	2011-12	45,310,852		30,858,452	308,585	61,717	64,673	45,549	91,097	45,549
14	2012-13	46,217,069		31,764,669	317,647	63,529	68,008	46,527	93,055	46,527
15	2013-14	47,141,411		32,689,011	326,890	65,378	71,409	47,526	95,051	47,526
16	2014-15	48,084,239		33,631,839	336,318	67,264	74,879	48,544	97,088	48,544
17	2015-16	49,045,924		34,593,524	345,935	69,187	78,418	49,583	99,165	49,583
18	2016-17	50,026,842		35,574,442	355,744	71,149	82,028	50,642	101,284	50,642
19	2017-18	51,027,379		36,574,979	365,750	73,150	85,710	51,723	103,445	51,723
20	2018-19	52,047,927		37,595,527	375,955	75,191	89,465	52,825	105,649	52,825
21	2019-20	53,088,885		38,636,485	386,365	77,273	93,296	53,949	107,899	53,949
22	2020-21	54,150,663		39,698,263	396,983	79,397	97,203	55,096	110,191	55,096
23	2021-22	55,233,676		40,781,276	407,813	81,563	101,189	56,265	112,531	56,265
24	2022-23	56,338,350		41,885,950	418,859	83,772	105,254	57,458	114,917	57,458
25	2023-24	57,465,117		43,012,717	430,127	86,025	109,401	58,675	117,351	58,675
26	2024-25	58,614,419		44,162,019	441,620	88,324	113,630	59,917	119,833	59,917
27	2025-26	59,786,708		45,334,308	453,343	90,669	117,944	61,183	122,365	61,183
28	2026-27	60,982,442		46,530,042	465,300	93,060	122,344	62,474	124,948	62,474
29	2027-28	62,202,091		47,749,691	477,497	95,499	126,833	63,791	127,582	63,791
30	2028-29	63,446,132		48,993,732	489,937	97,987	131,411	65,135	130,270	65,135
31	2029-30	64,715,055		50,262,655	502,627	100,525	136,080	66,505	133,010	66,505
32	2030-31	66,009,356		51,556,956	515,570	103,114	142,293	67,541	135,081	67,541
33	2031-32	67,329,643		52,877,143	528,771	105,754	148,630	68,597	137,194	68,597
34	2032-33	68,676,134		54,223,734	542,237	108,447	155,093	69,674	139,348	69,674
35	2033-34	70,049,657		55,597,257	555,973	111,195	161,686	70,773	141,546	70,773
36	2034-35	71,450,650		56,998,250	569,982	113,996	168,411	71,894	143,787	71,894
37	2035-36	72,879,663		58,427,263	584,273	116,855	175,270	73,037	146,074	73,037
38	2036-37	74,337,256		59,884,856	598,849	119,770	182,267	74,203	148,406	74,203
39	2037-38	75,824,001		61,371,601	613,716	122,743	189,403	75,392	150,785	75,392
40	2038-39	77,340,481		62,888,081	628,881	125,776	196,682	76,606	153,211	76,606
41	2039-40	78,887,291		64,434,891	644,349	128,870	204,107	77,843	155,686	77,843
42	2040-41	80,465,037		66,012,637	660,126	132,025	211,680	79,105	158,210	79,105
43	2041-42	82,074,337		67,621,937	676,219	135,244	219,405	80,393	160,785	80,393
44	2042-43	83,715,824		69,263,424	692,634	138,527	227,204	81,706	163,412	81,706
45	2043-44	85,390,141		70,937,741	709,377	141,875	235,321	83,045	166,091	83,045
46	2044-45	87,097,944		72,645,544	726,455	145,291	243,518	84,412	168,823	84,412
	Total	2,148,453,504	2,853,956	1,616,568,660	16,165,987	3,233,137	4,314,254	2,154,574	4,309,147	2,154,574

TABLE 10H
VICTOR VALLEY REDEVELOPMENT PROJECT AREA
 Tax Increment Projections

		VICTORVILLE ADDED AREA									
P L A N Y E R	1	2	3	4	5	6	7	8	9	10	
	YEAR	SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	ASSESSED VALUE INCREASE DUE TO SALES	NET INCREMENTAL VALUATION INCREASE	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	=(4 * 1%)	=(5 * 20%)	=(5 * 0.2)	=(4 - 5 - 6)*40%	=(4 - 5 - 6)*40%	=(4 - 5 - 6)*20%
						LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL PASS THROUGHS (Statutory) 20.00%	TO MEMBER JURIS- DICTIONS 40%	TO SCLA 40%	TO PRIOR CONTRIB FUND 10%	
7	1997-98	1,372,000		0	0						
8	2006-07	2,176,630		804,630	8,046	1,609	1,609	1,931	1,931	483	
9	2007-08	2,220,163	515,973	1,364,136	13,641	2,728	2,728	3,274	3,274	816	
10	2008-09	2,790,858		1,418,858	14,189	2,838	2,838	3,405	3,405	851	
11	2009-10	2,846,675		1,474,675	14,747	2,949	2,949	3,539	3,539	885	
12	2010-11	2,903,609		1,531,609	15,316	3,063	3,063	3,159	3,638	909	
13	2011-12	2,961,681		1,589,681	15,897	3,179	3,179	3,738	3,738	934	
14	2012-13	3,020,915		1,648,915	16,489	3,298	3,298	3,840	3,840	960	
15	2013-14	3,081,333		1,709,333	17,093	3,419	3,419	3,945	3,945	986	
16	2014-15	3,142,960		1,770,960	17,710	3,542	3,542	4,051	4,051	1,013	
17	2015-16	3,205,819		1,833,819	18,338	3,668	3,668	4,271	4,160	1,040	
18	2016-17	3,269,935		1,897,935	18,979	3,796	3,796	4,507	4,271	1,068	
19	2017-18	3,335,334		1,963,334	19,633	3,927	3,927	4,748	4,384	1,096	
20	2018-19	3,402,041		2,030,041	20,300	4,060	4,060	4,993	4,499	1,125	
21	2019-20	3,470,082		2,098,082	20,981	4,196	4,196	5,243	4,616	1,154	
22	2020-21	3,539,483		2,167,483	21,675	4,335	4,335	5,499	4,736	1,184	
23	2021-22	3,610,273		2,238,273	22,383	4,477	4,477	5,759	4,859	1,215	
24	2022-23	3,682,478		2,310,478	23,105	4,621	4,621	6,025	4,983	1,246	
25	2023-24	3,756,128		2,384,128	23,841	4,768	4,768	6,296	5,111	1,278	
26	2024-25	3,831,250		2,459,250	24,593	4,919	4,919	6,573	5,241	1,310	
27	2025-26	3,907,875		2,535,875	25,359	5,072	5,072	6,855	5,373	1,343	
28	2026-27	3,986,033		2,614,033	26,140	5,228	5,228	7,142	5,508	1,377	
29	2027-28	4,065,754		2,693,754	26,938	5,388	5,388	7,436	5,646	1,411	
30	2028-29	4,147,069		2,775,069	27,751	5,550	5,550	7,735	5,786	1,447	
31	2029-30	4,230,010		2,858,010	28,580	5,716	5,716	8,040	5,930	1,482	
32	2030-31	4,314,610		2,942,610	29,426	5,885	5,885	8,446	6,038	1,509	
33	2031-32	4,400,902		3,028,902	30,289	6,058	6,058	8,860	6,148	1,537	
34	2032-33	4,488,920		3,116,920	31,169	6,234	6,234	9,283	6,261	1,565	
35	2033-34	4,578,699		3,206,699	32,067	6,413	6,413	9,714	6,376	1,594	
36	2034-35	4,670,273		3,298,273	32,983	6,597	6,597	10,153	6,493	1,623	
37	2035-36	4,763,678		3,391,678	33,917	6,783	6,783	10,602	6,613	1,653	
38	2036-37	4,858,952		3,486,952	34,870	6,974	6,974	11,059	6,735	1,684	
39	2037-38	4,956,131		3,584,131	35,841	7,168	7,168	11,525	6,859	1,715	
40	2038-39	5,055,254		3,683,254	36,833	7,367	7,367	12,001	6,986	1,746	
41	2039-40	5,156,359		3,784,359	37,844	7,569	7,569	12,486	7,115	1,779	
42	2040-41	5,259,486		3,887,486	38,875	7,775	7,775	12,982	7,247	1,812	
43	2041-42	5,364,675		3,992,675	39,927	7,985	7,985	13,486	7,382	1,845	
44	2042-43	5,471,969		4,099,969	41,000	8,200	8,200	14,001	7,519	1,880	
45	2043-44	5,581,408		4,209,408	42,094	8,419	8,419	14,527	7,659	1,915	
45	2044-45	5,693,037		4,321,037	43,210	8,642	8,642	15,063	7,802	1,951	
	Total	140,628,957	515,973	90,380,930	903,809	180,762	251,428	188,648	188,648	47,162	

TABLE 10)
VICTOR VALLEY REDEVELOPMENT PROJECT AREA
 Tax Increment Projections

SAN BERNARDINO COUNTY ADDED AREA										
P L A N Y E R	1	2	3	4	5	6	7	8	9	10
	YEAR	SECURED & UNSECURED ASSESSED VALUE W/ GROWTH @ 2.00%	ASSESSED VALUE INCREASE DUE TO SALES	NET INCREMENTAL VALUATION INCREASE	ESTIMATED GROSS TAX INCREMENT BASED ON 1% TAX RATE	LESS LOW & MODERATE HOUSING SET ASIDE @ 20% OF TI	LESS ALL PASS THROUGH (Statutory) 20.00%	TO MEMBER JURIS- DICTIONS 25%	TO SCLA 50%	TO PRIOR CONTRIB FUND 25%
BY				=(2 + 3 - 8Y)	=(4 * 1%)	=(5 * 20%)	=(5 * 0.2)	=(4 - 5 - 6)*40%	=(4 - 5 - 6)*40%	=(4 - 5 - 6)*20%
7	1997-98	9,132,400		0	0					
8	2006-07	14,956,304		5,823,904	58,239	11,648	11,648	8,736	17,472	8,736
9	2007-08	15,255,430	2,535,813	8,658,843	86,588	17,318	17,318	12,988	25,977	12,988
10	2008-09	18,147,068		9,014,668	90,147	18,029	18,029	13,522	27,044	13,522
11	2009-10	18,510,009		9,377,609	93,776	18,755	18,755	14,066	28,133	14,066
12	2010-11	18,880,209		9,747,809	97,478	19,496	20,118	14,466	28,932	14,466
13	2011-12	19,257,814		10,125,414	101,254	20,251	21,507	14,874	29,748	14,874
14	2012-13	19,642,970		10,510,570	105,106	21,021	22,925	15,290	30,580	15,290
15	2013-14	20,035,829		10,903,429	109,034	21,807	24,370	15,714	31,429	15,714
16	2014-15	20,436,546		11,304,146	113,041	22,608	25,845	16,147	32,294	16,147
17	2015-16	20,845,277		11,712,877	117,129	23,426	27,349	16,589	33,177	16,589
18	2016-17	21,262,182		12,129,782	121,299	24,280	28,883	17,039	34,078	17,039
19	2017-18	21,687,426		12,555,026	125,550	25,110	30,448	17,498	34,996	17,498
20	2018-19	22,121,175		12,988,775	129,888	25,978	32,044	17,966	35,933	17,966
21	2019-20	22,563,598		13,431,198	134,312	26,862	33,672	18,444	36,889	18,444
22	2020-21	23,014,870		13,882,470	138,825	27,765	35,333	18,932	37,863	18,932
23	2021-22	23,475,167		14,342,767	143,428	28,686	37,027	19,429	38,858	19,429
24	2022-23	23,944,671		14,812,271	148,123	29,625	38,755	19,936	39,872	19,936
25	2023-24	24,423,564		15,291,164	152,912	30,582	40,517	20,453	40,906	20,453
26	2024-25	24,912,035		15,779,635	157,796	31,559	42,315	20,981	41,961	20,981
27	2025-26	25,410,276		16,277,876	162,779	32,556	44,148	21,519	43,037	21,519
28	2026-27	25,918,482		16,786,082	167,861	33,572	46,018	22,068	44,135	22,068
29	2027-28	26,436,851		17,304,451	173,045	34,609	47,926	22,627	45,255	22,627
30	2028-29	26,965,588		17,833,188	178,332	35,666	49,872	23,198	46,397	23,198
31	2029-30	27,504,900		18,372,500	183,725	36,745	51,856	23,781	47,562	23,781
32	2030-31	28,054,998		18,922,598	189,226	37,845	54,497	24,221	48,442	24,221
33	2031-32	28,616,098		19,483,698	194,837	38,967	57,190	24,670	49,340	24,670
34	2032-33	29,188,420		20,056,020	200,560	40,112	59,937	25,128	50,255	25,128
35	2033-34	29,772,188		20,639,788	206,398	41,280	62,739	25,595	51,189	25,595
36	2034-35	30,367,632		21,235,232	212,352	42,470	65,598	26,071	52,142	26,071
37	2035-36	30,974,985		21,842,585	218,425	43,685	68,513	26,557	53,114	26,557
38	2036-37	31,594,485		22,462,085	224,621	44,924	71,486	27,053	54,105	27,053
39	2037-38	32,226,374		23,093,974	230,940	46,188	74,519	27,558	55,116	27,558
40	2038-39	32,870,902		23,738,502	237,385	47,477	77,613	28,074	56,147	28,074
41	2039-40	33,528,320		24,395,920	243,959	48,792	80,769	28,600	57,199	28,600
42	2040-41	34,198,686		25,066,486	250,665	50,133	83,988	29,136	58,272	29,136
43	2041-42	34,882,864		25,750,464	257,505	51,501	87,271	29,683	59,367	29,683
44	2042-43	35,580,521		26,448,121	264,481	52,896	90,619	30,241	60,483	30,241
45	2043-44	36,292,132		27,159,732	271,597	54,319	94,035	30,811	61,621	30,811
	2044-45	37,017,974		27,885,574	278,856	55,771	97,519	31,391	62,783	31,391
	Total	916,840,699	2,535,813	581,477,712	5,814,777	1,162,955	1,622,447	757,344	1,514,687	757,344

EXHIBIT "F"

MODEL FRANCHISE AGREEMENT

NON-EXCLUSIVE FRANCHISE AGREEMENT

BY AND BETWEEN
CITY OF VICTORVILLE
AND

FOR
INTEGRATED SOLID WASTE
MANAGEMENT SERVICES

* * *

**NON-EXCLUSIVE FRANCHISE AGREEMENT
BY AND BETWEEN
WASTE AND RECYCLING SERVICES, LLC
AND
CITY OF VICTORVILLE
FOR
INTEGRATED SOLID WASTE MANAGEMENT SERVICES**

This Non-Exclusive Franchise Agreement for Integrated Solid Waste Management Services, ("Agreement") is entered into this ____ day of _____, 2007, by and between the City of Victorville, a municipal corporation located in the County of San Bernardino ("City of Victorville"), and _____, a California limited liability corporation (the "Company").

RECITALS

WHEREAS, the Legislature of the State of California, by enactment of the California Integrated Waste Management Act of 1989 (California Public Resources Code Section 40000 et. seq.) ("AB 939"), has declared that it is in the public interest to authorize and require local agencies to make adequate provisions for solid waste handling within their jurisdictions to meet the goals and requirements of AB 939; and,

WHEREAS, pursuant to California Public Resources Code Section 40059(a)(2), the City of Victorville has determined that the public health, safety, and well-being require that a Franchise be entered into with a qualified company for the collection, transportation, recycling, processing, and disposal of solid waste and other services to meet the goals and requirements of AB 939; and,

WHEREAS, in addition to waste diversion purposes, the City of Victorville experiences significant accumulation of roadside litter and accumulation of debris and refuse on vacant property within the City of Victorville's jurisdictional boundaries; and

WHEREAS, the Company agrees to and acknowledges that it shall properly collect, transport, recycle, process and dispose of all solid waste collected in the City of Victorville pursuant to the terms and conditions of this Agreement; and

WHEREAS, the City of Victorville and the Company (collectively referred to herein as the "Parties") hereto desire to enter into this Agreement for the collection, transportation, recycling, processing and disposal of solid waste located within the jurisdictional boundaries of the City of Victorville; and

NOW, THEREFORE, in consideration of the Recitals stated above, for good and valuable consideration, and of the terms, conditions, covenants and agreements contained herein, the Parties hereby agree as follows:

ARTICLE 1. DEFINITIONS

Whenever any term used in this Agreement has been defined by Division 30, Part 1, Chapter 2 of the California Public Resources Code, the definitions in the Public Resources Code shall apply unless the term is otherwise defined in this Agreement, in which case this Agreement shall control.

Except as provided in Article 1, words beginning with lower case letters are being used with their common ordinary meanings, not as defined terms. Otherwise, the following capitalized words and terms shall have the following meanings:

1.1 AB 939

"AB 939" means the California Integrated Waste Management Act of 1989 (California Public Resources Code Section 40000 et. seq.), as it may be amended from time to time.

1.2 Affiliate

"Affiliate" means all businesses (including corporations, limited and general partnerships and sole proprietorships) which are directly or indirectly related to the Company by virtue of direct or indirect ownership interest or common management shall be deemed to be "Affiliated with" the Company and included within the term "Affiliates" as used herein. An Affiliate shall include a business in which the Company owns a direct or indirect ownership interest, a business which has a direct or indirect ownership interest in the Company and/or a business which is also owned, controlled or managed by any business or individual which has a direct or indirect ownership interest in the Company. For purposes of determining whether an indirect ownership interest exists, the constructive ownership provisions of Section 318(a) of the Internal Revenue Code of 1986, as in effect on the date of this Agreement, shall apply; provided, however, that (i) "ten percent (10%)" shall be substituted for "fifty percent (50%)" in Section 318(a)(2)(C) and in Section 318(a)(3)(C) thereof; and (ii) Section 318(a)(5)(C) shall be disregarded. For purposes of determining ownership under this section and constructive or indirect ownership under Section 318(a), ownership interest of less than ten percent (10%) shall be disregarded and percentage interests shall be determined on the basis of the percentage of voting interest or value which the ownership interest represents, whichever is greater.

1.3 Agreement

"Agreement" means this Non-Exclusive Franchise Agreement for Integrated Solid Waste Management Services between the City of Victorville and the Company for the Collection, transportation, Recycling, processing and Disposal of Solid Waste located within the jurisdictional boundaries of the City of Victorville, and other services related to meeting the goals and requirements of AB 939, including all exhibits and attachments, and any amendments thereto.

1.4 Billings

"Billings" means any and all statements of charges for services rendered, howsoever made, described or designated by the City of Victorville or the Company, or made by others for the City of Victorville or the Company, to Persons responsible for arranging for Solid Waste removal in accordance with the purposes of this Agreement.

1.5 Bin

"Bin" means a metal container with hinged lids and wheels serviced by a front-end loading truck with a capacity of 1.5 to 8 cubic yards.

1.6 Bulky Items

"Bulky Items" means furniture, household appliances including, but not limited to, stoves, refrigerators, water heaters, washing machines, containers and other large bulky or heavy objects not normally discarded on a regular basis.

1.7 Can

"Can" means a Solid Waste receptacle provided by the Customer and serviced by manual Collection.

1.8 Cart

"Cart" means a plastic container with a hinged lid and wheels serviced by an automated or semi-automated side-loading truck with a capacity of no less than 30 and no greater than 101 gallons.

1.9 Collect/Collection

"Collect" or "Collection" means to take physical possession, transport, and remove Solid Waste within and from the City of Victorville.

1.10 Company

"Company" means Waste and Recycling Services, LLC, a limited liability corporation organized and operating under the laws of the State of California, and its officers, directors, employees, agents, companies and Subcontractors.

1.11 Company Compensation

"Company Compensation" means the revenue received by the Company from Billings in return for providing services in accordance with this Agreement and any amendments to this Agreement.

1.12 Construction and Demolition ("C & D") Waste

"Construction and Demolition Waste" means used or discarded building materials, rubble and packaging resulting from the construction, alteration, repair, moving, remodeling and demolition operations of all building and structures including those accessory thereto, pavement and concrete.

1.13 Containers

"Containers" means any and all types of Solid Waste receptacles, including Cans, Carts, Bins, Roll-off Boxes, and receptacles provided by Customers or the Company.

1.14 Commercial Customer

"Commercial Customer" means that Customer receiving services other than for a Residential Property.

1.15 Commercial Property

"Commercial Property" shall mean all Commercial, Industrial, Institutional or other facilities including, but not limited to, stores and offices, which provide goods or services and, for purposes of this Agreement, dwelling units in residential developments wherein such dwelling units are not provided individual collection services not individually billed as a Customer of the Company, but are instead serviced through central Collection by bin roll-off and/or compactor and billed by a Homeowner's Association or a property manager.

1.16 Customer

"Customer" means the Owner or occupant of any Premises or the Person having the care and control of any Premises in the City of Victorville who receives Refuse Collection service from the Company.

1.17 Disposal

"Disposal" means the ultimate disposition of Solid Waste collected by the Company at a landfill in full regulatory compliance.

1.18 Disposal Cost

"Disposal Cost" means the portion of the fee charged to the Customer that represents the cost of final Disposal of the Refuse collected.

1.19 Disposal Site(s)

"Disposal Site(s)" mean the Solid Waste handling Facility or Facilities utilized for the ultimate Disposal of Solid Waste collected by the Company, as agreed to by the Company and the City of Victorville.

1.20 City of Victorville

"City of Victorville" means the City of Victorville, its directors, officers and assigns. The City Council may delegate, in writing, authority to the City of Victorville Manager, and/or to other employees of the City of Victorville and may permit such employees, in turn, to delegate in writing some or all of such authority to subordinate employees. The Company may rely upon actions taken by such delegates if they are within the scope of the authority properly delegated to them.

1.21 City of Victorville Manager

"City of Victorville Manager" means the City of Victorville Manager, or his designee, of the City of Victorville.

1.22 Effective Date

"Effective Date" means the date this Agreement shall be deemed effective and enforceable between the Parties, as defined in Section 2.3.

1.23 Environmental Laws

"Environmental Laws" means all federal and state statutes, county, and local ordinances concerning public health, safety and the Environment including, by way of example and not limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 USC §9601 et. seq.; the Resource Conservation and Recovery Act, 42 USC §6902 et. seq.; the Federal Clean Water Act, 33 USC §1251 et. seq.; the Toxic Substances Control Act, 15 USC §1601 et. seq.; the Occupational Safety and Health Act, 29 USC §651 et. seq.; the California Hazardous Waste Control Act, California Health and Safety Code §25100 et. seq.; the California Toxic Substances Control Act, California Health and Safety Code §25300 et. seq.; the Porter-Cologne Water Quality Control Act, California Water Code §13000 et. seq.; the Safe Drinking Water and Toxic Enforcement Act, California Health and Safety Code §25249.5 et. seq.; as currently in force or as hereafter amended, and all rules and regulations promulgated thereunder.

1.24 Facility

"Facility" means any plant or site, owned or leased and maintained, operated or used by the Company for purposes of performing under this Agreement.

1.25 Franchise

"Franchise" means the non-exclusive right granted by the City of Victorville to provide Solid Waste services within the City of Victorville.

1.26 Franchise Fee

"Franchise Fee" means the fee paid by the Company to the City of Victorville, or retained by the City of Victorville from service fees remitted to the City of Victorville, for the right to hold the Franchise granted by this Agreement.

1.27 Greenwaste

"Greenwaste" means leaves, grass, weeds, and wood materials from trees and shrubs (not more than six (6) inches in diameter or forty-eight (48) inches in length) and similar materials generated at the Premises.

1.28 Gross Receipts

"Gross Receipts" means any and all revenues, receipts, or compensation in any form received by the Company or its subsidiaries, parent companies or other Affiliates of the Company, for the Collection and transportation of Solid Waste pursuant to this Agreement, including, but not limited to, monthly Customer fees for Collection of Solid Waste, without subtracting Franchise Fees or any other cost of doing business. Sales revenue from the sale of Recyclable Material is included in Gross Receipts; revenue generated from as the operator/owner of landfills and/or transfer stations are excluded to the extent the fees charged this Agreement for such services are no more than the fair market value for such expenses. "Gross Receipts" does include disposal charges, tipping fees, Disposal Costs, AB 939 charges.

1.29 Hazardous Substance

"Hazardous Substance" shall mean any of the following: (a) any substances defined, regulated or listed (directly or by reference) as "Hazardous Substances", "hazardous materials", "Hazardous wastes", "toxic waste", "pollutant" or "toxic substances" or similarly identified as hazardous to human health or the environment, in or pursuant to (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 USC §9601. et. seq. (CERCLA); (ii) the Hazardous Materials Transportation Act, 49 USC §1802 et. seq.; (iii) the Resource Conservation and Recovery Act, 42 USC §6901 et. seq.; (iv) the Clean Water Act, 33 USC §1251 et. seq.; (v) California Health and Safety Code §§25115-25117, 25249.8, 25281, and 25316; (vi) the Clean Air Act, 42 USC §7901 or (vii) California Water Code §13050; (b) any amendments, rules or regulations promulgated hereunder to such enumerated statutes or acts currently existing or

hereafter enacted; and (c) any other hazardous or toxic substance, material, chemical, waste or pollutant identified as hazardous or toxic or regulated under any other applicable federal, state or local environmental Laws currently existing or hereinafter enacted, including, without limitation, friable asbestos, polychlorinated biphenyl's ("PCBs"), petroleum, natural gas and synthetic fuel products, and by-products.

1.30 Hazardous Waste

"Hazardous Waste" means all substances defined as Hazardous Waste, acutely Hazardous Waste, or extremely Hazardous Waste by the State of California in Health and Safety Code §25110.02, §25115, and §25117 or in the future amendments to or recodifications of such statutes or identified and listed as Hazardous Waste by the US Environmental Protection Agency (EPA), pursuant to the Federal Resource Conservation and Recovery Act (42 USC §6901), all future amendments thereto, and all rules and regulations promulgated thereunder.

1.31 Holiday

"Holiday" means January 1, Memorial Day, Labor Day, Independence Day, Thanksgiving Day, and Christmas Day.

1.32 Household Hazardous Waste (HHW)

"Household Hazardous Waste" means Hazardous Waste generated at Residential Premises.

1.33 Owner

"Owner" means the Person holding the legal title to the real property constituting the Premises to which Solid Waste Collection service is to be provided under this Agreement or the Person holding legal title to the Disposal Site, depending upon the context used in this Agreement.

1.34 Person

"Person" means any individual, firm, association, organization, partnership, corporation, business trust, joint venture, the United States, the State of California, the County of San Bernardino, town, the City of Victorville, or special purpose City of Victorville.

1.35 Premises or Property

"Premises" or "Property" means any land or building in the City of Victorville where Solid Waste is generated or accumulated.

1.36 Rate Year

"Rate Year" means the twelve month period from July 1st to June 30th, for each year of the Agreement.

1.37 Recycling

"Recycling" means any process by which materials which would otherwise become Solid Waste are collected (source-separated, co-mingled, or as mixed waste), separated and/or processed and returned to the economic mainstream in the form of raw materials or products or materials which are otherwise salvaged or recovered for reuse.

1.38 Recyclable Materials/Recyclables

"Recyclable Materials" and "Recyclables" means residential, commercial or industrial Source Separated by-products of some potential economic value, set aside, handled, packaged, or offered for Collection in a manner different from Refuse.

1.39 Refuse

"Refuse" means putrescible and non-putrescible solid waste or debris, except sewage, whether combustible or non-combustible.

1.40 Residential Customer

"Residential Customer" means that Customer receiving services for a Residential Property.

1.41 Residential Property

"Residential Property" means property used for residential purposes, including both single-family and apartment dwelling units, irrespective of whether such dwelling units are rental units or are owner-occupied.

1.42 Roll-off Box

"Roll-off Box" means an open-top metal container serviced by a roll-off truck with a capacity of 10 to 50 cubic yards.

1.43 Solid Waste

"Solid Waste" means all putrescible and non-putrescible residential, commercial, and industrial Refuse, Recyclable Material, and Greenwaste, and as otherwise defined in Public Resources Code §40191. Any material that a Customer pays to be hauled away shall be defined to be Solid Waste and not a Recyclable Material.

1.44 State

"State" means the State of California.

1.45 Temporary Bin and Roll-off Service

"Temporary Bin and Roll-off Service" means a temporary metal container with a capacity of one and one-half (1.5) to fifty (50) cubic yards, not intended for permanent use.

1.46 Transformation

"Transformation" means incineration, pyrolysis, distillation, gasification, or biological conversion other than composting. "Transformation" does not include composting.

ARTICLE 2. GRANT AND ACCEPTANCE OF FRANCHISE

2.1 Grant and Acceptance of Franchise

Subject to the terms and conditions of this Agreement, the City of Victorville hereby grants to the Company a non-exclusive Franchise to Collect, transfer, transport, Recycle, process, and Dispose of Solid Waste that accumulates within the City of Victorville and that is offered for Collection to the Company in accordance with this Agreement.

The Company hereby accepts the non-exclusive Franchise on the terms and conditions set forth in this Agreement.

2.2 Non-Exclusive Nature of Franchise

During the term of this Agreement, except as otherwise provided in Section 2.6 below, or as may otherwise be provided by federal or state law, the rights granted to the Company under this Agreement shall be non-exclusive to the Company. The City of Victorville may enter into any agreement with any other Person for the performance of the services herein required to be performed by the Company.

2.3 Effective Date

The Effective Date of this Agreement shall be _____.

2.4 Term of Agreement

Unless otherwise provided in this Agreement and provided that the residential rates for the City of Victorville remain below the average of the residential rates charged to those other jurisdictions served by the Company, as mutually agreed upon by the City of Victorville and the Company, the term of this Agreement shall be for a total of _____ years, commencing at midnight _____, and expiring at midnight _____.

2.5 Delegation of Authority

The administration of this Agreement by the City of Victorville shall be under the supervision and direction of the City of Victorville City Council, and the actions specified in this Agreement, unless otherwise stated, shall be taken by the City of Victorville City Manager.

The administration of this Agreement by the Company and the attendance at the City of Victorville's public meetings by the Company shall be performed by a representative as mutually agreed upon by the City of Victorville City Manager and the Company, and the actions specified in this Agreement, unless otherwise stated, shall be taken by this representative of the Company.

2.6 Limitations on Scope of Franchise

The Franchise granted to the Company shall be non-exclusive. The granting of this Franchise shall not preclude the categories of Solid Waste listed below from being delivered to and collected and transported by others provided that nothing in this Agreement is intended to or shall be construed to excuse any Person from obtaining any authorization from the City of Victorville or other public agency which is otherwise required by law:

- (a) Solid Waste, including Recyclable Materials, which is removed from any Premises by the Customer, and which is transported personally by the Customer or such Premises (or by his or her full-time employees) to a processing or Disposal Facility;
- (b) Recyclable Materials which are source separated at any Premises by the Customer and donated to youth, civic, or charitable organizations and containers delivered for recycling under the California Beverage Container Recycling Litter Reduction Act, Section 14500, et. seq., California Public Resources Code;
- (c) Construction and Demolition Waste that is incidentally removed by a duly licensed construction or demolition company, where the licensed company utilizes its own equipment and employees;
- (d) Animal waste and remains from slaughterhouse or butcher shops for use as tallow;
- (e) By-products of sewage treatment, including sludge, sludge ash, grit and screenings;
- (f) Hazardous Waste and radioactive waste, regardless of its source;
- (g) The casual Collection, removal, Disposal or diversion of Solid Waste by the City of Victorville through the City of Victorville officers or employees in the normal course of their employment with the City of Victorville ;

- (h) City of Victorville employees or agents removing Solid Waste from City of Victorville facilities with City of Victorville owned equipment.

The Company acknowledges and agrees that the City of Victorville may permit other Persons besides the Company to Collect any or all types of the Solid Waste listed in this Section 2.6, including Recyclable Materials, without seeking or obtaining approval of the Company under this Agreement.

This grant to the Company of a non-exclusive Franchise, right and privilege to Collect, transport, or process and Dispose of Solid Waste shall be interpreted to be consistent with state and federal laws, now existing or hereafter enacted during the term of the Franchise, and the scope of this non-exclusive Franchise shall be limited by current and developing state and federal laws with regard to Solid Waste handling, non-exclusive Franchise, control of Recyclable Materials, Solid Waste flow control, and related doctrines. In the event that future interpretations of current law, enactment or developing legal trends limit the ability of the City of Victorville to lawfully provide for the scope of Franchise services as specifically set forth herein, the Company agrees that the scope of the Franchise will be limited to those services and materials which may be lawfully provided for under this Agreement.

2.7 Ownership of Solid Waste

Once Solid Waste is placed in Containers and properly placed at the designated Collection location, ownership and the right to possession shall transfer directly from the Customer to the Company by operation of this Agreement. Subject to the Company's objective to meet the Source Reduction and Recycling goals which apply to the City of Victorville, the Company is hereby granted the right to retain, Recycle, process, Dispose of, and otherwise use such Solid Waste, or any part thereof, in any lawful fashion or for any lawful purpose desired by the Company. Subject to the provisions of this Agreement, the Company shall have the right to retain any benefit resulting from its right to retain, Recycle, process, Dispose of, or reuse the Solid Waste, Greenwaste, and Recyclable Materials which it Collects. Solid Waste, Greenwaste, and Recyclable Materials, or any part thereof, which is disposed of at a Disposal Site or Sites (whether landfill, Transformation Facility, Transfer Station or Processing Facility) shall become the property of the Owner or operator of the Disposal Site(s) once deposited there by the Company.

2.8 Company Status

The Company represents and warrants that:

- a) The Company is duly organized, validly existing and in good standing under applicable laws.
- b) The Company is qualified to transact business in the State of California and has the power to provide services as required by this Agreement.

- c) The Company is not required to submit any notice, report or other filing to any governmental or regulatory authority required to be obtained by any of the foregoing (other than the City of Victorville) in connection with the execution or delivery by the Company of this Agreement or the documents related hereto, or in connection with the consummation of the transactions contemplated hereby.
- d) There are no actions, suits, proceedings, arbitrations, investigations or claims pending or, to the knowledge of the Company after due inquiry, threatened against or affecting the Company's that would have a material adverse affect on the Company's performance hereunder, at law or in equity, or before or by any governmental department, commission, board, bureau, agency or instrumentality.
- e) The execution, delivery and performance by the Company of this Agreement and the documents related hereto, and the consummation of the transactions contemplated by this Agreement will not result in or constitute any of the following: (i) a breach of any material term or provision of any agreement or obligation on the Company; (ii) a material default or an event that, with notice or lapse of time or both, would be a material default, breach or violation of any lease, license, promissory note, conditional sales contracts, commitment, franchise, permit or indenture or other agreement, instrument or arrangement to which the Company is a party or by which the Company or its assets are bound or materially adversely affected; (iii) an event that would permit any party to terminate any agreement or to accelerate the maturity of any indebtedness or other material obligation of the Company; or (iv) any material breach or violation of any law, rule or regulation of any governmental authority, or any order, injunction or decree.
- f) None of the representations and warranties made by the Company contains or will contain any untrue statements of a material fact or omit to state a material fact, necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.
- g) Each of the Company's covenants, representations, and warranties shall survive the execution and termination of this Agreement, subject to the applicable statutes of limitations.

2.9 Company Authorization

The Company has the authority to enter into and perform its obligations under this Agreement. The Board of Directors or partners of the Company (or the shareholders, if necessary) have taken all actions required by law, its articles of incorporation, its bylaws or otherwise to authorize the execution of this Agreement. The Person(s) signing this Agreement on behalf of the Company have authority to do so. The Company shall authorize one employee for the City of Victorville as a single point of contact for issues arising under this Agreement. The City of Victorville may accept that this employee's actions are taken on behalf of and with the full approval of the Company.

2.10 Annexations

This Agreement extends to any territory annexed to the City of Victorville during the term of this Agreement except to the extent that Collection by the Company within that annexed territory would violate the provisions of Public Resources Code Section 49520 or any other state or federal law. In such event, this Agreement shall become effective as to such area at the earliest possible date permitted by law, and the City of Victorville agrees that it shall cooperate with the Company to fulfill any requirement necessary for the Company to serve the annexed area consistent with this section.

2.11 Conditions to the Effectiveness of Agreement

The obligation of the City of Victorville to permit this Agreement to become effective and to perform its undertakings provided for in this Agreement is subject to the satisfaction of each and all of the conditions set out below, each of which may be waived in whole or in part by the City of Victorville.

- a) Accuracy of Representations. Representations and warranties made by the Company throughout this Agreement are accurate, true and correct, in all material respects, on and as of the effective date of this Agreement.
- b) Absence of Litigation. There is no litigation pending in any court challenging the award of this Franchise to the Company or the execution of this Agreement or seeking to restrain or enjoin its performance.
- c) Furnishing of Insurance Bonds. The Company has furnished evidence of the insurance bonds required by Article 8.
- d) Effectiveness of City Council Action. The City of Victorville's action approving this Agreement shall have become effective pursuant to California law prior to the effective date of this Agreement.

ARTICLE 3. FRANCHISE FEE

3.1 Franchise Fee:

3.1.1 Franchise Fee Amount

The Company shall pay the City of Victorville for the privilege, and as the sole and exclusive consideration of the licenses granted hereby, a _____ [percent (___%)] Franchise Fee on all Gross Receipts generated as a result of Company providing service in the City of Victorville pursuant to and during the term of this Agreement.

3.1.2 Time and Method of Payment

During the term of this Agreement, on a quarterly annual basis, the Company shall remit the Franchise Fee on or before the twenty-fifth (25th) day of the month the Franchise Fee

is due, based on the estimated Gross Receipts of the subject quarter. In the event of termination, the balance due for the billing period during which termination occurs shall be paid within thirty (30) calendar days of the termination date. The Company shall provide the City of Victorville annually, within ninety (90) calendar days after March 31st, a certified statement setting forth the total Gross Receipts collected by the Company and the computation of the Franchise Fees due. The difference between the computed Franchise Fees and the submitted estimated payments will be remitted with the certified statement attested to by a Certified Public Accountant or licensed Public Accountant. However, should a dispute arise between the Parties as to the accuracy of the amount of Franchise Fees owed to the City of Victorville, the Company shall pay for the services of an accountant selected by the City of Victorville to perform a comprehensive audit of Gross Receipts collected by the Company and Franchise Fees owed to the City of Victorville.

3.2 Other Fees

Notwithstanding any law to the contrary, the City of Victorville shall reserve the right to set other fees, as it deems reasonably necessary. The amount, time and method of payment and adjustment process will be set similar to Section 3.1 above. Such fees shall be deemed a pass-through expense, and the Company shall be immediately entitled to any necessary adjustments under this Agreement, unless otherwise agreed upon by and between the Parties.

ARTICLE 4. SERVICES

4.1 General Scope of Services

The work to be done by the Company pursuant to this Agreement shall include, but not be limited to, the furnishing of all labor, supervision, equipment, materials, supplies, and all other items necessary to perform the services required. The enumeration of, and specification of requirements for, particular items of labor or equipment shall not relieve the Company of the duty to furnish all others, as may be required, whether numerated elsewhere in the Agreement or not. The work to be done by the Company pursuant to this Agreement shall be accomplished in a thorough and professional manner so that the residents within the City of Victorville are provided reliable, courteous and high-quality Solid Waste Collection at all times.

Unless explicitly stated in this Article 4 or in Article 6, all rates shall be set by resolution of the City of Victorville Board pursuant to this agreement, subject to adjustments during the term of this Agreement pursuant to Article 6.

4.2 Disposal Facilities

The Company shall transport all Refuse collected under this Agreement to a properly licensed transfer station or Transformation Facility. The Company agrees to make reasonable efforts to separate Recyclable Materials from Refuse for diversion from landfill Disposal.

4.3 Residential Collection Services

Customers shall receive automated Solid Waste Collection services except as specifically provided in this Agreement. The Company shall provide Collection services to Residential Customers not less than one (1) time per week. Solid Waste shall be collected from Residential zones Monday through Friday. If the regularly scheduled collection day falls on a Holiday, alternate collection shall be performed on the following day. If the collection day falls on a Friday holiday, collection shall be made on the following Saturday.

4.3.1 Automated Refuse Collection

The Company shall supply new Residential Customers with one ninety six (96) gallon Cart with an option to obtain additional Carts at the rates approved by resolution of the City of Victorville Board pursuant to section 4.1, and shall provide the same to existing Customers at such time as 96 gallon Carts are replaced. The Company shall replace one (1) lost or stolen 96 gallon Cart at no charge. Replacement of a second (2) lost or stolen Cart will be charged to the Customer at the Company's expense. Carts deemed unusable due to damage caused in the course of normal wear and tear shall be replaced at no charge to the Customer.

4.3.2 Automated Curbside Recyclables Collection

The Company shall issue each Customer with a ninety six (96) gallon gray Recycling Cart at no additional charge. The Company will make available additional Recycling Carts to Customers who regularly recycle more than will fit into their existing Recycling Cart(s). No extra fee may be charged for additional Recycling Carts or lost or stolen Recycling Carts. Recyclable Materials are to be commingled in a single Recycling Cart. The Company shall Collect and remove all Recyclable Materials placed in Recycling Carts at the curbside on the same day as Refuse Collection. Recyclable Material Collection from automated Carts within the City of Victorville shall include, but not be limited to, the Collection of:

- Paper – all grades, including: newspaper, catalogs, magazines, junk mail including envelopes, telephone books, cereal boxes, office paper (white, colored, computer & envelopes), cardboard (all grades, including egg cartons);
- Empty aerosol cans;
- Glass Containers – all colors, California Redemption Value and non-redemption value;
- Aluminum – cans, foil and trays;
- Bi-metal, tin – cans, steel cans; and,
- Plastics/resins of all grades CRV, Nos. 1 through 6.

4.3.3 Household Hazardous Waste Collection

The Company shall act as the City of Victorville's agent for legally implementing Household Hazardous Waste ("HHW") collection events in which occupants of Residential Premises are able to conveniently participate at a location in or nearby the City of Victorville. The HHW collection events shall be conducted by the Company at least once every three (3) months during the Term of this Agreement at the Company's sole cost. The Company and City of Victorville will mutually agree to the amount of compensation for this service. The Company shall at its sole cost publish a notice for each such upcoming event in a generally circulated newspaper.

4.3.4 Manual Cart Wheel-Out Service

The Company shall offer wheel-out Collection services to all Residential Customers for an additional fee as agreed upon by and between the Parties. Service will include retrieving Refuse and Recyclables Carts and returning such Carts to the backyard, garage, or other enclosure of such Customers. Disabled persons, identified as those meeting the DMV requirement for a N1-Permanent disabled parking placard, shall receive such service for no additional fee.

4.3.5 Other Residential Services

4.3.5.1 On-Call Bulky Item Collection

The Company shall provide Bulky Item pickup service. Residential Customers shall be entitled to unlimited pickups, with a maximum of four (4) items per pickup, for no additional fee. Residential Customers must provide the Company with at least forty-eight (48) hours notice and the items will be collected on the Customer's regular Collection day. An additional \$20.00 per item may be charged for any item over four (4) items in one pick-up.

4.3.5.2 Christmas Tree Collection Program

The Company shall operate an annual Christmas Tree collection program, for no additional fee. The program shall consist of Roll Off collection at drop off sites in the City of Victorville. The Company shall cooperate with the City of Victorville to determine a reasonable schedule and operation of the Christmas Tree program. In addition, the Company shall at its sole cost publish a notice of the scheduled dates of such a program in a generally circulated newspaper.

4.3.5.3 Used Motor Oil and Filter Recycling

The Company shall collect and recycle all used motor oil and oil filters from all Residential Properties, for no additional fee. Collection shall be provided on the

same day as Recyclables Collection. Collection of used motor oil and filters will be performed in accordance with article 4.3.5.1.

4.3.6 Commencement of Residential Collection Services

Within one (1) week of receiving written or oral notice from the City of Victorville and/or written or oral notice from the Customer, the Company shall deliver Carts to any Residential Customer not already receiving Collection services, and shall make the first Collection on the first regularly scheduled pick-up day following the delivery of the Carts.

4.3.7 Termination of Residential Collection Services

The Company shall terminate Residential Solid Waste Collection services immediately upon written notice from the City of Victorville.

4.4 Commercial Collection Services

4.4.1 Commercial Refuse Collection Service

The Company shall offer Bin service. The Company shall collect and remove all Refuse that is placed in Bins from all Commercial and Construction Customers receiving Bin service as often as deemed necessary by the Customer or the City of Victorville, but in no event less than one (1) time each week, to maintain a sanitary condition and to provide reasonable convenience to Commercial and Construction Customers; the Company shall provide Collection services to food establishments and/or Commercial Customers generating food products no less than two (2) times per week.

Solid Waste shall be collected from Commercial and Construction Customers Monday through Saturday. If the regularly scheduled Collection day falls on a Holiday, alternate Collection shall be performed on the following day, unless the alternate day falls on a Sunday. If the alternate day falls on a Sunday, then Collection shall be performed on the following Monday.

Special consideration shall be given when determining the pick-up area to ensure that the flow of traffic is not impeded. The Company is responsible for replacing locks on Bin enclosures after Collection. The Company shall not be responsible for the cost of constructing Bin enclosures.

The Company shall perform Commercial and Industrial Waste Audits, at its sole cost, as reasonably requested by commercial and industrial waste generators or the City of Victorville.

4.4.1.1 Automated Refuse Collection Service

The Company shall provide automated Refuse Collection service to low volume Commercial Customers requesting such service. A "low volume Commercial Customer" means a Commercial Customer who generates less than ninety six (96) gallons of Refuse on a weekly basis. The Company shall provide such low volume Commercial Customers with a ninety six (96) gallon Cart. This service shall be provided at the same rate as for Residential Customers.

4.4.2 Commercial Recyclable Materials Collection Service

The Company shall Collect and remove, all Recyclable Materials placed in Recycling Bins at least once every week, or more frequently if required to handle the Recyclable Materials generated at the Premises where the Bins are located. The Company shall provide as many Recycling Bins as agreed upon between the Company and the Commercial Customer as necessary to accommodate all Recyclables generated on the Premises. If the Commercial Customer prefers, the Company shall provide Recycling Carts. If a Commercial Customer's Recyclables are regularly contaminated (as defined in Article 1), the Company may remove that Customer's Bin. The Company shall collect the following materials:

- Paper – all grades, including: newspaper, catalogs, magazines, junk mail including envelopes, telephone books, cereal boxes, office paper (white, colored, computer & envelopes), cardboard (all grades, including egg cartons);
- Empty aerosol cans;
- Glass Containers – all colors, California Redemption Value and non-redemption value;
- Aluminum – cans, foil and trays;
- Bi-metal, tin – cans, steel cans; and,
- Plastics/resins of all grades CRV, Nos. 1 through 6.

4.4.2.1 Automated Recyclables Collection Service

The Company shall provide automated Recyclable Materials Collection service to low volume Commercial Customers requesting such service. The Company shall provide such low volume Commercial Customers with a ninety six (96) gallon Cart within one week of receiving written or oral notice from the Commercial Customer or the City of Victorville.

4.4.3 Commencement of Commercial Collection Services

Within one (1) week of receiving notice from the City of Victorville and/or the Customer, the Company shall deliver Bins and/or Carts to any Commercial Customer not already receiving Collection services, and shall make the first Collection on the first regularly scheduled pick-up day following the delivery of the Bins and/or Carts.

4.4.4 Termination of Commercial Collection Services

If any Commercial Customer is more than thirty (30) calendar days past due for any payments due the Company for Commercial Solid Waste Collection services, the Company may terminate such Solid Waste Collection services upon ten (10) calendar days' written notice to the Commercial Customer and the City of Victorville of the Company's intent to terminate the Solid Waste Collection services.

4.5 Other Services

4.5.1 Roll-Off Service

The Company shall offer Temporary Bin and Roll-off Services for the Collection of Refuse, Greenwaste or Construction and Demolition Waste. The Company shall deliver and Collect Temporary Bin and/or Roll-off Boxes at the direction of Customer. Temporary Bins and Roll-off Boxes shall be free of graffiti and in good repair, and must be clearly marked and identifiable as belonging to the Company. Special consideration shall be given when determining the Collection location for Temporary Bins and Roll-off Boxes to ensure that the flow of traffic is not impeded. Understanding that the Company is the experienced party and is the party exposed to liability, the designated Collection location, if disputed by the Customer or the Company, shall be determined by the Company. If, in the City of Victorville's opinion, the location of an existing Collection location is inappropriate for aesthetic or safety reasons, the City of Victorville and the Company shall mutually agree to an alternate Collection location. The Company shall properly cover all open Temporary Bins and Roll-off Boxes during transport to the Disposal Site.

4.5.2 Construction and Demolition Waste Recycling

The Company shall make good faith and reasonable efforts to prevent Construction and Demolition Waste that is suitable for Recycling from being taken to the landfill by transporting it to an alternate facility where it will be processed for reuse. Such efforts include, but are not limited to, contacting and educating building contractors about available Recycling services. The City of Victorville will provide the Company with a minimum list of contractors to contact. The Company shall designate a representative of the Company, and identify same to all contractors, who shall be the primary contact at the Company for Recycling efforts pursuant to this section.

4.5.3 Hazardous Waste Obligation

In the event the City of Victorville decides to undertake provision of Household Hazardous Waste collection events by itself or as part of a multi-agency effort, the Company shall, at the City of Victorville's request, act as an agent for the City of Victorville, and shall arrange for the collection of Household Hazardous Waste. The rates to provide such services shall be mutually agreed to by the City of Victorville and the Company.

4.6 Public Nuisances

The Company shall provide dumpsters at a reduced rate to property owners who are voluntarily willing to abate public nuisances conditions on private property in an effort to reduce the need for code enforcement action. The reduced rate is to be agreed to by the Company and the City of Victorville on a case-by-case basis.

To the extent legally feasible, the Company shall provide clean-up of Bulky Items that are found abandoned or illegally dumped on vacant real property within the City of Victorville. The Parties agree to work co-operatively to develop a program, including frequency and cost, based on each individual site at a rate to be determined by the City of Victorville and the Company.

4.7 Litter Abatement

The Company shall use due care to prevent Solid Waste or fluids from leaking, being spilled and/or scattered during the Collection or transportation process. If any Solid Waste or fluids leak or spill during Collection, the Company shall promptly clean up all such materials. Each Collection vehicle shall carry a broom and shovel at all times for this purpose. The Company shall not transfer loads from one vehicle to another on any public street without prior written approval by the City of Victorville unless it is necessary to do so because of mechanical failure, accidental damage to a vehicle, or a pre-approved method of Solid Waste transfer between vehicles.

4.8 Service Exceptions; Hazardous Waste Notifications

4.8.1 Contaminated Recyclables

The Company shall warn Customers who have non-recyclables in their Recycling Container. If, after two (2) sequential written warnings, the Container continues to be contaminated, the Company may remove the Recycling Container from Customers who fail to properly sort and segregate Recyclable Materials. The Company shall report monthly to the City of Victorville of any such warning notices issued.

4.8.2 Hazardous Materials

The Company reserves the right to inspect Solid Waste put out for Collection, the right to reject Solid Waste observed to be contaminated with Hazardous Waste, and the right not to Collect Hazardous Waste put out with Solid Waste. The Company shall notify all agencies with jurisdiction over Hazardous Materials within the City of Victorville, if appropriate, including the California Department of Toxic Substances Control and Local Emergency Response Providers and the National Response Center, of reportable quantities of Hazardous Waste found or observed in Solid Waste anywhere within the City of Victorville. In addition to other required notifications, if the Company observes any substances which it or its employees reasonably believe or suspect to contain Hazardous Wastes unlawfully disposed of or released on any property located within the City of Victorville, including storm drains, streets or other public rights-of-way, the Company will immediately notify the City of Victorville.

4.8.3 Vacant Lots

Except as otherwise provided in Section 4.6, the Company shall not be required to collect Solid Waste from vacant lots.

4.8.4 Failure to Collect Notices

When Solid Waste is not collected from any Customer, the Company shall notify the Customer in writing, at the time Collection is not made, through the use of a "tag" or otherwise, of the reasons why the Collection was not made.

4.9 Collection Schedules

4.9.1 Schedule, Generally

The hours of Collection shall be at the discretion of the Company, subject to the approval of the City of Victorville Manager, whose approval shall not be unreasonably withheld.

4.9.2 Coordination With Street Sweeping Services

The Company shall coordinate route schedules with the street sweeping schedule of the public rights-of-way within the City of Victorville. The Company shall provide all routes and route schedules to the City of Victorville and work with the City of Victorville and/or County of San Bernardino to resolve conflicts with street sweeping schedules.

4.9.3 Collection Schedule Reviews

The Company shall review its operations plan outlining the Collection routes, intervals of Collection and Collection times for all materials collected under this Agreement with the City of Victorville once annually upon thirty (30) calendar days' written notice requesting said review.

The Company shall notify the City of Victorville twenty (20) calendar days prior to, and Customers not later than fifteen (15) calendar days prior to, any change in operations which results in a change in the day on which Solid Waste Collection occurs. The Company shall not cause any Customer to go more than seven (7) calendar days without service in connection with a Collection schedule change. The City of Victorville's approval of any change of Collection schedule is required prior to such change, and such approval will not be withheld unreasonably.

4.10 Missed Collections; Requested Pick-ups

When notified orally or in writing of a missed pick-up, the Company shall Collect the Refuse and/or Recyclable Materials the following day, including Saturdays, but not Sundays. Requested pick-ups due to Bins filling up prior to normal Collection shall also be responded to the following day, including Saturdays, but not Sundays. If the following day is a Sunday, the requested pick up shall occur no later than the following Monday.

4.11 Customer Service

4.11.1 Company Office

A responsible and qualified representative of the Company shall be available during office hours for communication with the public at the office. The Company's local office for Customer service shall provide bilingual representatives. Normal office hour telephone numbers shall be a toll free call. The Company's local telephone system shall be adequate to handle the volume of calls typically experienced on the busiest days, with a maximum hold time of five (5) minutes for Customers of the City of Victorville. Automated telephone answering systems with menu-driven options must provide callers with an option to connect to a live operator. Telephone answering staff shall be competent to handle questions on the City of Victorville's specific programs. The Company shall also maintain a toll free telephone number for use during other than normal business hours. The Company shall have a representative, answering or message providing/receiving (voice-mail) service available at said after-hours telephone number. After-hours calls shall be responded to on the next business day. The Company shall provide the City of Victorville staff with the telephone number of a live person who may be reached twenty-four (24) hours a day seven days a week, including holidays.

4.11.2 Customer Service Complaints

All service complaints shall be directed to the Company. Daily logs of complaints concerning Collection of Solid Waste and Recyclable Materials shall be retained for a minimum of twenty-four (24) months and shall be available to the City of Victorville at all reasonable times upon request. The City of Victorville Manager or his/her designee may resolve Customer service disputes between the Company and its Customers. The decision of the City of Victorville Manager or his/her designee shall be final and binding as to such disputes.

The Company shall log all complaints received by telephone and said log shall include the date and time the complaint was received, name, address and telephone number of caller, description of complaint, employee recording complaint and the action taken by the Company to respond to and remedy complaint. All written Customer complaints and inquiries shall be date-stamped when received. All complaints shall be initially responded to within one (1) business day of receipt. The Company shall log action taken by the Company to respond to and remedy all complaints.

All Customer service records and logs kept by the Company shall be available to the City of Victorville upon request and at no cost to the City of Victorville. Company shall supply the City of Victorville, within seven (7) days of a written request, copies of all complaints on a form approved by the City of Victorville and the Company shall indicate the disposition of each complaint. The City of Victorville shall, at any time during regular Company business hours, have access to the Company's Customer service department for purposes that may include monitoring the quality of Customer service or researching and auditing the handling and/or processing of Customer complaints.

4.12 Liaisons/Representatives/Coordinators

4.12.1 Government Liaison

The Company shall designate in writing a "Government Liaison", as mutually agreed upon by the Company and the City of Victorville Manager, to work with the City of Victorville and/or the City of Victorville's designated representative(s) on contractual matters and to resolve Customer complaints. The Government Liaison shall be well versed in the City of Victorville's programs and the provisions of this Agreement. The City of Victorville shall be able to contact the Government Liaison via e-mail. The City of Victorville shall be notified in writing of relevant personnel changes.

4.12.2 Recycling Coordinator

The Company shall provide a Recycling Coordinator, as approved by the City of Victorville Manager, to:

- (a) be a liaison between the Company's Solid Waste and Recycling operations and the City of Victorville; and
- (b) assist in preparing grants that enhance public education in regards to Solid Waste and waste reduction issues.

4.13 Education and Public Awareness—Community Events

At the direction of the City of Victorville, the Company shall participate in and promote Recycling and other diversion techniques at community meetings, special events and other local activities. Such participation would normally include providing, without cost to the City of Victorville, Collection of Solid Waste at the event, educational information

(such as flyers, advertisements, newsletters and door-hangers) promoting the goals of the City of Victorville's Solid Waste diversion or Recycling program, and guest speakers at meetings. Education notices, brochures, announcements, flyers, door-hangers and newsletters shall be printed in both the English and Spanish languages. Preparation and mailing to residents and new Customers shall be at the Company's sole expense. The Company shall pay for advertisement of the community day events, not limited to newspapers, flyers, notices, door-hangers, etc., at the Company's sole expense. In addition to the above, the Company shall provide information of all the services available under this Agreement to all Customers at least once a year via the billings sent to the Customers.

At the request of the City of Victorville, the Company shall provide up to twenty (20) portable toilets, annually during the Term of this Agreement, at City of Victorville sponsored special events. The Company shall provide this service at no additional cost to the City of Victorville for a maximum of three (3) events a year.

4.14 Diversion

4.14.1 Diversion, Generally

The minimum amount that shall be diverted through Recycling and Transformation shall be consistent with AB 939 during each year of this Agreement. Transformation shall consist of a maximum of 10% of the total waste stream. Should the City of Victorville not reach the AB 939 diversion goal for its entire waste stream during any year of the Term of this Agreement, the Company agrees to make reasonable efforts to implement programs in order to meet AB 939 compliance as required and to provide equipment necessary in order for the City of Victorville to meet the diversion goal.

4.14.2 Marketing and Sale of Recyclable Materials

The Company shall be responsible for the marketing and sale of all Recyclable Materials collected pursuant to this Agreement. The Company shall retain all proceeds from sale of Recyclable Materials.

4.14.3 End Uses for Greenwaste

The Company shall divert from Disposal of all Christmas Trees and any Greenwaste collected and/or dropped off at the Company site. The Company shall assist in providing end uses for such Greenwaste that maximize diversion credits for the City of Victorville according to regulations established by the California Integrated Waste Management Board. The Company shall retain the proceeds from sales of all resulting Greenwaste products.

4.15 Report of Accumulation of Solid Waste; Unauthorized Dumping

The Company shall direct its drivers to note the addresses of any Premises at which they observe that Solid Waste is accumulating and is not being delivered for Collection; and the address, or other location description, at which Solid Waste has been dumped in an apparently unauthorized manner. The Company shall deliver the address or description to the City of Victorville within five (5) working days of such observation.

4.16 Vehicles

A. General. The Company shall provide Collection vehicles sufficient in number and capacity to efficiently perform the work required by this Agreement. Any additional vehicles/routes that may be required to meet the service standards during the Term of this Agreement, shall be provided at the Company's sole expense. The Company shall have available on Collection days sufficient back-up vehicles for each type of Collection vehicle used to respond to complaints and emergencies. The Company shall provide electronic communication with the route supervisor and commercial and residential Collection vehicles.

B. Specifications. All vehicles used by the Company in providing Refuse, Solid Waste and Recycling Collection services shall be registered with the California Department of Motor Vehicles. All such vehicles shall have water-tight bodies designed to prevent leakage, spillage or overflow.

C. Vehicle Identification. The Company's name, local telephone number, and a unique vehicle identification number designed by the Company for each vehicle shall be prominently displayed on all vehicles, in letters and numbers no less than three (3) inches high. The Company shall not place the City of Victorville's name and/or any City of Victorville logos on the Company's vehicles.

D. Cleaning and Maintenance

- 1) The Company shall maintain all of its properties, vehicles, Facilities, and equipment used in providing service under this Agreement in a good, safe, neat, clean and operable condition at all times.
- 2) Vehicles used in the Collection of Refuse and Recyclable Materials shall be painted, thoroughly washed, and thoroughly steam cleaned on a regular basis so as to present a clean appearance. The City of Victorville may inspect vehicles at any time to determine compliance with this Agreement. The Company shall also make vehicles available to the San Bernardino County Health Department for inspection, at any frequency it requests. The Company agrees to replace or repair any vehicle which is determined to be of unsightly appearance, leaking, or in unsatisfactory operating condition.

3) The Company shall repaint all vehicles used in the Collection of Refuse, Solid Waste and Recyclable Materials within one hundred and twenty (120) calendar days' notice from the City of Victorville, if the City of Victorville reasonably determines that their appearance warrants painting.

4) The Company shall inspect each vehicle daily to ensure that all equipment is operating properly. Vehicles which are not operating properly, or vehicles in such a condition as to be unsafe or excessively noisy, shall be removed from service until repaired and operating properly. The Company shall reasonably perform all scheduled maintenance functions in accordance with the manufacturer's specifications and schedule. The Company shall keep accurate records of all vehicle maintenance, recorded according to date and mileage (or hours of operation) and shall make such records available to the City of Victorville upon request.

5) The Company shall repair, or arrange for the repair of, all of its vehicles and equipment for which repairs are needed because of accident, breakdown or any other cause so as to maintain all equipment in a safe and operable condition. If an item of repair is covered by a warranty, the Company shall obtain warranty performance; however, warranty coverage shall not excuse maintenance obligations to be completed by the Company. The Company shall maintain accurate records of repair, which shall include the date and mileage (or hours of operation), nature of repair and the verification by signature of a maintenance supervisor that the repair has been properly performed.

6) Upon request by the City of Victorville, the Company shall furnish the City of Victorville a written inventory of all Collection equipment, including vehicles and Containers used in providing service, and shall update the inventory upon request, up to once annually. The inventory shall list all equipment by manufacturer, ID number, date of acquisition, type, and capacity.

E. Operation. Vehicles shall be operated in compliance with the California Vehicle Code, and all applicable safety and local ordinances.

Equipment shall comply with US EPA noise emission regulations, currently codified at 40 CFR Part 205 and other applicable noise control regulations, and shall incorporate noise control features throughout the entire vehicle. In no event shall the noise level of equipment used for Collection exceed 75 dba when measured at a distance of 25 feet from the vehicle, five feet from the ground. The Company shall store all equipment in safe and secure locations in accordance with applicable zoning regulations.

F. City of Victorville Inspection Per Code. The City of Victorville may cause any vehicle used in performance of this Agreement to be inspected and tested at any commercially reasonable time and in such manner as may be appropriate to determine that the vehicle is being maintained in compliance with the applicable provisions of the State Vehicle Code, including all Vehicle Code Sections regarding smog equipment

requirements. The City of Victorville may direct the removal of any vehicle from service if that vehicle is found to be in nonconformance with applicable codes. No vehicle directed to be removed from service by the City of Victorville shall be returned to service until it conforms with all applicable codes and its return to service has been approved by the City of Victorville.

G. Correction of Defects. Following any inspection, the City of Victorville Manager or his/her designee shall have the right to cause the Company, at its sole cost and expense, to recondition or replace any vehicle or equipment found to be unsafe, unsanitary or unsightly. The City of Victorville Manager or his/her designee's determination may be appealed to the City of Victorville City Council, whose decision shall be final.

4.17 Bins

The Company shall maintain its Bins in a clean, sound condition, free from putrescible residue. The Company shall inspect all Bins at least once per year during the term of this Agreement, and clean or replace all Bins as necessary, or upon Customer's oral or written request. One (1) free cleaning or replacement shall be provided to each Customer at no additional charge during each calendar year throughout the term of this Agreement. The Company shall perform cleaning or replacement of Bins more frequently if deemed necessary by the Customer or the City of Victorville, for an additional fee, to prevent a nuisance caused by odors or vector harborage. The Company shall provide additional cleanings at \$45 per cleaning to be paid by the Customer, if requested orally or in writing by Customer. Food handling establishments must have Bins cleaned a minimum of every quarter and may be charged for cleanings beyond one per year. The Company shall cause any graffiti to be removed from a Bin within one (1) business day of receipt of any oral or written request by the City of Victorville or Customers. Within six (6) months from the effective date of this Agreement, each Bin placed in the City of Victorville by the Company shall have the name of the Company and the Company's telephone number in letters and numbers no less than three (3) inches high on the exterior of the Bin so as to be visible when the Bin is placed for use.

All specific categories of Bins shall be the same color, except where the City of Victorville states otherwise, and shall have the name of the Company and the Company's telephone number in letters and numbers no less than three (3) inches high.

4.18 Personnel

4.18.1 General

The Company shall furnish such qualified drivers, mechanical, supervisory, clerical, management and other personnel as may be necessary to provide the services required by this Agreement in a satisfactory, safe, economical and efficient manner. All drivers shall be trained and qualified in the operation of vehicles they operate and must possess a valid license, of the appropriate class, issued by the California Department of Motor Vehicles.

The Company shall establish and vigorously enforce an educational program which will train the Company's employees in the identification of Hazardous Waste. The Company's employees shall not knowingly place such Hazardous Waste in the Collection vehicles, nor knowingly dispose of such Hazardous Wastes at the processing Facility or Disposal Site.

The Company shall use its best efforts to assure that all employees present a neat appearance and conduct themselves in a courteous manner. If any employee is found to be discourteous or not to be performing services in the manner required by this Agreement, the Company shall take necessary corrective measures. If the City of Victorville has notified the Company of a complaint related to discourteous or improper behavior, the Company will consider reassigning the employee to duties not entailing contact with the public while the Company is pursuing its investigation and corrective action process.

The Company shall provide suitable operations, health and safety training for all of its employees who use or operate equipment or who are otherwise directly involved in Collection or other related operations.

4.18.2 Identification Required; Uniforms

The Company shall provide its employees, companies, agents and subcontractors with identification for all individuals who may make personal contact with residents or businesses in the City of Victorville. The City of Victorville may require the Company to notify Customers yearly of the form of said identification. The Company shall provide a list of current employees, companies, agents and subcontractors to the City of Victorville upon request. The Company shall require its drivers and helpers to wear, at all times during the scope of employment, clean and standardized uniforms which bear the Company's name.

4.18.3 Fees and Gratuities

The Company shall not permit its employees, agents, or subcontractors to demand or solicit, directly or indirectly, any additional compensation or gratuity from members of the public for the services performed under this Agreement. Notwithstanding the foregoing, employees, agents and subcontractors shall be entitled to receive unsolicited *de minimus* gratuities including, but not limited to, holiday tips or presents.

4.18.4 Non-Discrimination

The Company shall not discriminate in the provision of service or the employment of Persons engaged in performance of this Agreement on account of race, color, religion, sex, age, physical handicap or medical condition in violation of any applicable federal, state or local law.

ARTICLE 5. BILLING

5.1 Residential Customers

The Company shall bill all Residential Customers directly for services provided pursuant to this Agreement, including those who request Temporary Bin or Roll-off Box Services, or additional Bulky Items services not included with Residential Collection at the Company's expense. The Company shall design detailed billing formats to clearly and fully explain all charges to Residential Customers, including any late charges. The City of Victorville must reasonably approve, and may alter, all billing formats. The Company shall only accept cash, personal checks, money orders, major credit cards or electronic payments. The Company may bill Residential Customers monthly in advance. The Company shall retain all billing records for not less than three (3) years. In the event a billing dispute occurs, the City of Victorville shall decide the dispute. In the event an account for a Residential Customer becomes delinquent by more than thirty (30) business days, the Company shall notify the City of Victorville and may thereafter terminate Collection services upon notice as required under this Agreement. Nothing in this Agreement shall prohibit or prevent the Company from pursuing any administrative, equitable or legal remedies to collect any outstanding payments owed to the Company by Customers for Collection services rendered by the Company pursuant to this Agreement.

5.2 Non-Residential Customers

The Company shall bill all Non-Residential Customers directly for services provided pursuant to this Agreement at the Company's expense. The Company shall design detailed billing formats to clearly and fully explain all charges to Non-Residential Customers, including any late charges. The City of Victorville must reasonably approve, and may alter, all billing formats. The Company may bill Non-Residential Customers monthly in advance. The Company shall retain all billing records for not less than three (3) years. In the event a billing dispute occurs, the Company and the City of Victorville will mutually agree on a resolution. Nothing in this Agreement shall prohibit or prevent the Company from pursuing any legal or administrative remedies to collect any outstanding payments owed to the Company by Customers for Collection services rendered by the Company pursuant to this Agreement.

5.2.1 Non-Residential Roll-off Box Requests

For Roll-off Box requests, the Company shall invoice monthly or semi-monthly in arrears with payment due within fifteen (15) or thirty (30) calendar days from the invoice date (i.e., the beginning of the month or the inception of service). The Company may require a security deposit for Roll-off Boxes, with the unused portion refunded to the Customer within five (5) business days of the termination of service.

5.3 Payment to Company

During the term of this Agreement, the Company shall remit the franchise fees and any other fees or charges payable to the City of Victorville monthly pursuant to Section 3.1.2,

notwithstanding whether the Company collects payment due from Residential and Non-Residential Customers for such Solid Waste and Refuse Collection services.

5.3.1 Payment Upon Termination

In the event of termination, the balance due for the billing period during which termination occurs shall be collected from the Customers and paid to the City of Victorville and the Company accordingly within thirty (30) business' days of the termination date.

ARTICLE 6. COMPANY COMPENSATION AND RATES

6.1 General

The Company Compensation provided for in this Article shall be the full, entire and complete compensation due to the Company pursuant to this Agreement for all labor, equipment, materials and supplies, taxes, insurance, bonds, overhead, Disposal, transfer, profit and all other things necessary to perform all the services required and reasonably anticipated by this Agreement in the manner and at the times prescribed.

The City of Victorville and the Company agree that the Company will retain any proceeds from the sale of Recyclable Materials collected by the Company pursuant to this Agreement. However, the amount of said proceeds shall be included in the total amount of Gross Receipts on which the Franchise Fee is calculated.

6.2 Initial Rates

Except for rate increases resulting from increases in Disposal Costs, the Rates for the first two (2) Rate Years shall not exceed those set forth in the resolution described in section 4.1, unless amended by a written amendment to this Agreement entered into by and between the City of Victorville and the Company. Unless and until the rates set forth on Exhibit "A" are adjusted, the Company shall provide the services required by this Agreement, charging no more than the rates authorized by Exhibit "A", except as provided herein and in this Article 6.

6.3 Annual Adjustments to Rates

Beginning with Rate Year 3 and for all subsequent Rate Years, the Company may request an annual adjustment for the following fiscal year by submitting a Rate adjustment request, in writing, to be received by the City of Victorville in person or via certified mail, not later than May 30th.

6.4 Method of Adjustments

6.4.1 General

Pursuant to Section 6.3, the Company may request an annual adjustment to the rates according to the method described below and the formulas set forth in the resolution described in section 4.1, subject to review and approval of the City of Victorville. Any future rate adjustments approved by the City of Victorville shall become effective on July 1 of that particular year, and shall be based on the rates set forth in the resolution described in section 4.1.

6.4.2 Annual Adjustment to Collection Service Rates

Maximum rates shall be adjusted according to the following procedures except for Roll-off Box Rates which shall be adjusted in accordance with Section 6.4.3.

Step One – Determine the rate revenue net for Franchise Fees by deducting the Franchise Fee portion from actual gross rate revenues for the twelve month period ending on the date six months prior to the effective date of the rate adjustment.

Step Two – determine the proportionate share of the Disposal Fee component and the service component of the rate revenue net of Franchise Fees.

Step Three – Calculate the percentage change in the Consumer Price Index for the Los Angeles-Anaheim-San Bernardino area (CPI), the percent change in the Refuse Disposal tipping fee per ton. The change in the CPI shall be for the twelve-month period ending six months prior to the effective date of the rate adjustment and the allowable portion used for the rate adjustment shall be equal to 100% of the change in the CPI. The change in the Refuse Disposal tipping fee shall be based on the change between the most recent tipping fee on which rates are based and the new tipping fee; provided, however, if the Company owns the Disposal Site, the annual change in the Disposal tipping fee shall not exceed the annual change in the CPI.

Step Four – Calculate the weighted percent change in maximum rates by:

1. Multiplying the Refuse Disposal component as a percent of rate revenue net of Franchise Fees by the percent change in the Refuse Disposal tipping fee;
2. Multiplying the service component as a percent of rate revenue net of Franchise Fees by 100% of the percent change in the CPI; and,
3. Adding the results of 1 and 2 above to determine the weighted percent change in rates.

Step Five – Multiply the current monthly rate by the weighted rate adjustment percentage to determine the adjusted rate.

6.4.3 Roll-off Box

Maximum load charges, delivery charges, and overweight charges for Roll-off Box Customers shall be adjusted according to the following procedures.

6.5 Extraordinary Adjustments

The Company or the City of Victorville may request an adjustment to rates at reasonable times other than pursuant to the annual rate adjustment, as provided in Section 6.3 above, for unusual charges or extraordinary increases in the cost of providing services under this Agreement. For each such request, the Company shall prepare a schedule documenting the unusual charges or extraordinary costs. Such request shall be prepared in a form acceptable to the City of Victorville with support for assumptions made by the Company in preparing the estimate. At the time the Company submits the request, the Company shall also provide the City of Victorville with a copy of its most recent certified annual financial statement prepared by a Certified Public Accountant, or a licensed Public Accountant, which shall have been prepared in compliance with Rule 58 of the "Rules and Regulations of the State Board of Accountancy" as established by the California Administrative Code, Title 16, Chapter I. Such Certified Public Accountant or licensed Public Accountant shall be selected by mutual agreement of the parties. The determination of the Certified Public Accountant or licensed Public Accountant for said increase will become effective March 31st of the current year.

6.6 Pass-Through Costs

For any increase in any pass-through costs, including, without limitation tipping fees, increased fuel, gas or diesel costs, Franchise Fees or other fees the City of Victorville may impose, increased costs due to additional services the City of Victorville requests, and additional transportation costs incurred pursuant to section 4.2, upon notification by the Company, the City of Victorville and the City of Victorville City Council shall adopt a resolution at their next regularly scheduled meeting to approve the immediate pass-through of said increase to these accounts billed by the Company.

6.7 Pass-Through Costs

Nothing in this section shall be interpreted to circumvent any Proposition 218 procedures or requirements.

ARTICLE 7. RECORDS, REPORTS AND INFORMATION REQUIREMENTS

7.1 General

The Company shall maintain such accounting, statistical and other records related to its performance under this Agreement as shall be necessary to develop the financial statements and other reports required by this Agreement, at its sole cost and expense. Also, the Company agrees

to conduct data collection, information and record keeping, and reporting activities needed to comply with applicable laws and regulation and to meet the reporting and Solid Waste program management needs of the City of Victorville. To this extent, such requirements set out in this and other Articles of this Agreement shall not be considered limiting or necessarily complete. In particular, this Article is intended to only highlight the general nature of records and reports and is not meant to define exactly what the records and reports are to be and their content. Further, with the written direction or approval of the City of Victorville, the records and reports to be maintained and provided by the Company in accordance with this and other Articles of the Agreement shall be adjusted in number, format, or frequency.

7.1.1 Affiliated Companies

The Company's accounting records shall be maintained on a basis showing the results of the Company's operations under this Agreement separately from operations in other locations, as if the Company were an independent entity providing service only to the City of Victorville. The costs and revenues associated with providing service to the City of Victorville shall not be combined, consolidated or in any other way incorporated with those of other operations conducted by the Company in other locations, or with those of an Affiliate.

If the Company enters into any financial transactions with a related party entity, subject to the approval of the City of Victorville, for the provision of labor, equipment, supplies, services, capital, etc., related to the furnishing of service under this Agreement, that relationship shall be disclosed to the City of Victorville for its prior approval, and in the financial reports submitted to the City of Victorville. In such event, the City of Victorville's rights to inspect records and obtain financial data shall extend to such related party entity or entities. This section shall only apply to situations wherein there will be an increase in the cost or rates charged to any Customers afforded services pursuant to this Agreement.

7.2 Records

7.2.1 General

The Company shall maintain records required to conduct its operations, to support requests it may make to the City of Victorville, and to respond to requests from the City of Victorville in the conduct of the City of Victorville business. Adequate record security shall be maintained to preserve records from events that can be reasonably anticipated such as a fire, theft and earthquake. Electronically maintained data records shall be protected and backed up. All records shall be maintained for three (3) years after the expiration of this Agreement.

The Company agrees that the records of any and all companies conducting operations addressed in the Agreement shall be provided or made available to the City of Victorville and its official representatives during normal business hours. The City of Victorville may review or utilize any of the records described in this section for any purpose whatsoever.

7.2.2 Financial Records

Financial records shall be maintained and expense and revenue information for the City of Victorville shall be segregated from other areas served by the Company.

7.2.3 Solid Waste and Recycling Service Records

Records shall be maintained by the Company for the City of Victorville relating to:

- (a) Customer services and billing;
- (b) Routes;
- (c) Facilities, equipment and personnel used;
- (d) Complaints;
- (e) Missed pick ups;
- (f) Number of Refuse and Recycling Carts; and
- (g) Tons collected, processed, diverted, and disposed by type of service (Cart, Bin, Can, or Roll-off Box), Waste stream (Refuse and Recycling) and Customer (Residential and Commercial).

7.2.4 CERCLA Defense Records

The City of Victorville views the ability to defend against the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and related litigation as a matter of great importance. For this reason, the City of Victorville regards the ability to prove where Solid Waste collected in the City of Victorville was taken for Disposal, as well as where it was not taken, to be matters of concern. The Company shall maintain data retention and preservation systems which can establish where Solid Waste collected in the City of Victorville was landfilled (and therefore establish where it was not landfilled) and provide a copy of the reports required in Section 7.3 for five (5) years after the Term during which Collection services are to be provided pursuant to this Agreement, or to provide copies of such records to the City of Victorville. The Company agrees to notify the City of Victorville at least ninety (90) calendar days before destroying such records. This provision shall survive the expiration of the period during which Collection services are to be provided under this Agreement.

7.2.5 Disposal Records

The Company shall maintain records of Disposal of all Solid Waste collected in the City of Victorville for the period of this Agreement and all extensions to this Agreement or

successor Agreements. In the event the Company discontinues providing Solid Waste services to the City of Victorville, the Company shall provide all records of Disposal or processing of all Solid Waste collected in the City of Victorville within thirty (30) calendar days of discontinuing service. Records shall be in chronological and organized form and readily and easily interpreted.

7.2.6 Other Programs' Records

Records for other programs shall be tailored to specific needs. In general, they shall include:

- (a) Plans, tasks, and milestones; and
- (b) Accomplishments in terms such as dates, activities conducted, quantities of products used, produced or distributed, and numbers of participants and responses.

7.2.7 Payments and Refunds

Should an audit by the City of Victorville disclose that the Franchise Fees or other fees, if any, payable by the Company were underpaid or that Customers were overcharged for the period under review, the Company shall pay to the City of Victorville any underpayment of Franchise Fees and/or refund to the Company's Customers any overcharges for the entire period. Should an audit disclose that Franchise Fees were overpaid, the City of Victorville shall refund to the Company the amount of the overpayment. Any refunds to be made by either party shall be due and payable (30) calendar days following the date of the audit.

7.3 Reports

7.3.1 Report Formats and Schedule

Records shall be maintained in forms and by methods that facilitate flexible use of data contained in them to structure reports, as needed. Reports are intended to compile recorded data into useful forms of information that can be used to, among other things:

- (a) Determine and set rates and evaluate the efficiency of operations;
- (b) Evaluate past and expected progress towards achieving AB 939 goals and objectives;
- (c) Determine needs for adjustment to programs; and
- (d) Evaluate Customer service and complaints.

The Company may propose report formats that are responsive to the objectives and audiences for each report. The format of each report shall be approved by the City of Victorville. The Company agrees to submit all reports on computer discs or by electronic means in a format compatible with the City of Victorville's software/computers at no additional charge, if requested by the City of Victorville. The Company will provide a certification statement by an authorized official of the Company that the report being submitted is true and correct.

Monthly reports shall be submitted within twenty (20) calendar days after the end of each month. Quarterly reports shall be submitted within thirty (30) calendar days after the end of the calendar quarter. If requested, the Company's complaint summary, described in Section 8.3.3(a) below, shall be sent to the City of Victorville Manager within in five (5) days of request. Annual reports shall be submitted before January 31st following the reporting year.

All reports shall be submitted to:

7.3.2 Monthly Reports

The information listed shall be the minimum reported:

- (a) Solid Waste collected, recycled, and disposed of by the Company for each month, sorted by waste stream (Refuse, Recycling, Roll-off Box) and type of Customer (Residential, Commercial/Industrial) in tons, and the Facilities where the tons were processed or disposed.
- (b) Materials Recovered. Statement showing kinds of material and quantity sold (in tons).

7.3.3 Quarterly Reports

The information listed shall be the minimum reported:

- (a) Complaint summary for the quarter summarized by nature of complaints on a compatible computer disk.
- (b) Narrative summary of problems encountered (including scavenging) and actions taken with recommendations for the City of Victorville, as appropriate.
- (c) Number of accounts by category shown for each month for Customers billed by the Company.

- (d) Copies of promotional and public education materials sent during the quarter.
- (e) Other information or reports that the City of Victorville may reasonably request or require.

7.3.4 Annual Report

The Annual Report is to be essentially in the form and content of the monthly and quarterly reports combined, but shall also include:

- (a) A complete inventory of equipment used to provide all services.
- (b) An account list of all commercial Customers billed by the Company, including service address, billing address, service levels (i.e. number of Containers, Container size, and frequency of service) and monthly rates.
- (c) Number of Carts in service by type of Customer (single-family individually billed, Commercial/Industrial), service (Refuse, Recycling).
- (d) The complaint log described in Section 4.11.2.
- (e) CERCLA Defense records required under Section 7.2.4.

7.3.5 AB 939 Reports

The City of Victorville may, at the City of Victorville's option, request the Company to prepare and submit to the California Integrated Waste Management Board the annual AB 939 report, at no additional cost to the City of Victorville, and the Company agrees to cooperate with the City of Victorville and its agents with preparing any necessary related studies or reports.

7.3.6 Financial Report

The City of Victorville may, at the City of Victorville's option, request the Company's annual audited financial reports/statements for the most recently completed fiscal year. The City of Victorville shall pay for the direct cost of reproduction of such copies. Financial statements shall include a supplemental combining schedule showing the Company's results of operations. The financial statements and footnotes shall be prepared in accordance with Generally Accepted Accounting Principles (GAAP) and audited, in accordance with Generally Accepted Auditing Standards (GAAS) by a certified public accountant (CPA) licensed (in good standing). The cost for preparation of the financial statements and audit shall be borne by the Company as a direct cost of service. In addition, the Company shall provide to the City of Victorville the supplemental schedule on a compiled basis.

7.4 Reporting Adverse Information

The Company shall provide the City of Victorville two copies of all reports, pleadings, applications, notifications, Notices of Violation, communications or other material relating specifically to the Company's performance of services pursuant to this Agreement, submitted by the Company to, or received by the Company from, the United States or California Environmental Protection Agency, the California Integrated Waste Management Board, the Securities and Exchange Commission or any other federal, state or local agency, including any federal or state court. Copies shall be submitted to the City of Victorville simultaneously with the Company's filing or submission of such matters with said agencies. The Company's routine correspondence to said agencies need not be routinely submitted to the City of Victorville, but shall be made available to the City of Victorville promptly upon the City of Victorville's written request.

7.5 Right to Inspect Records

The City of Victorville shall have the right to inspect the Company's internal documents or records that are required expressly or by inference pursuant to this Agreement, or any other documents or records of the Company that is necessary to evaluate the Company's performance provided for in this Agreement.

The City of Victorville shall have the right to audit or review the Franchise Fees paid to the City of Victorville. In the event an audit or review of Franchise Fees results in a finding that the Company has underpaid the City of Victorville more than three percent (3%) of the amounts owed the City of Victorville, the Company shall reimburse the City of Victorville for the cost of the audit or review.

ARTICLE 8. INDEMNIFICATION, INSURANCE AND BOND

8.1 Indemnification

The Company hereby agrees to and shall indemnify and hold harmless the City of Victorville, its elected and appointed boards, commissions, officers, employees, volunteers, subcontractors and agents (collectively, Indemnities) from and against any and all loss, liability, penalty, forfeiture, claim, demand, action, proceeding or suit in law or equity of any and every kind and description (including, but not limited to, injury to and death of any Person and damage to property, or for contribution or indemnity claimed by third parties) arising or resulting from and in any way connected with (1) any act or omission to act of the Company, its officers, employees, agents, Companies and/or subcontractors in performing services under this Agreement; (2) the failure of the Company, its officers, employees, agents, Companies and/or subcontractors to comply in all respects with the provisions of this Agreement, applicable laws (including, without limitation, the Environmental Laws), ordinances and regulations, and/or applicable permits and licenses; (3) the acts of the Company, its officers, employees, agents, Companies and/or Subcontractors in performing services under this Agreement for which strict liability is imposed by law (including, without limitation, the Environmental Laws). The Company further agrees to and shall, upon

demand of the City of Victorville, at the Company's sole cost and expense, defend (with attorneys acceptable to the City of Victorville) the Indemnities against any claims, actions, suits in law or equity or other proceedings, whether judicial, quasi-judicial or administrative in nature, arising or resulting from any of the aforementioned events.

The Company, upon demand of the City of Victorville, shall protect the City of Victorville and appear in and defend the Indemnities, in any claims or actions by third parties, whether judicial, administrative or otherwise, including, but not limited to disputes and litigation over the definitions of "Solid Waste" or "Recyclable Material" or the limits of the City of Victorville's authority with respect to the grant of licenses, or agreements exclusive or otherwise, asserting rights under the Dormant Commerce Clause or federal or state laws to provide Solid Waste services in the City of Victorville. This provision shall survive the expiration of the period during which Collection services are to be provided under this Agreement. The City of Victorville and the Company agree to confer following any trial to decide jointly whether to appeal or to oppose any appeal. In the event the City of Victorville and/or the Company decides to appeal, or to oppose any appeal, the Company agrees pay all costs of the appeal.

8.2 Hazardous Substances Indemnification

The Company shall defend, with counsel reasonably acceptable to the City of Victorville, indemnify, protect and hold harmless the Indemnities from and against all claims, damages (including but not limited to special, consequential, natural resources and punitive damages), injuries, costs, (including without limit any and all response, remediation and removal costs), losses, demands, debts, liens, liabilities, causes of action, suits, legal or administrative proceedings, interest, fines, charges, penalties, attorney's fees for the adverse party and expenses (including without limitation attorneys' and expert witness fees and costs incurred in connection with defending against any of the foregoing or in enforcing this indemnity), (collectively, "Damages") of any kind whatsoever, incurred or suffered by, or asserted against, the Indemnities arising from or attributable to the acts or omissions of the Company, its officers, directors, subcontractors, employees, companies or agents, whether or not negligent or otherwise culpable, in connection with or related to the performance of this Agreement, including without limit Damages arising from or attributable to any repair, cleanup or detoxification, or preparation and implementation of any removal, remedial, response, closure or other plan (regardless of whether undertaken due to governmental action) concerning any Hazardous Substance, Hazardous Waste, Household Hazardous Waste, Solid Waste, and/or other waste that has been collected by the Company, stored by the Company, transported by the Company, or disposed by the Company in the City of Victorville. The foregoing indemnity is intended to operate as an agreement pursuant to §107(e) of the Comprehensive Environmental Response, Compensation and Liability Act, CERCLA, 42 USC. §9607(e) and California Health and Safety Code §25364, to defend, protect, hold harmless, and indemnify the Indemnities from liability.

8.3 Insurance

The City of Victorville does not, and shall not, waive any rights against the Company which it may have by reason of the aforesaid hold harmless agreements, because of acceptance by the

City of Victorville or the deposit with the City of Victorville by the Company of the insurance policies described in this provision.

A. Minimum Scope of Insurance.

Coverage shall be at least as broad as:

1. The most recent editions of Insurance Services Office Commercial General Liability coverage ("occurrence" form CG 0001).
2. The most recent editions of Insurance Services Office form number CA 0001 covering Automobile Liability, code 1 "any auto" and endorsement CA 0025.
3. Workers' Compensation insurance as required by the Labor Code of the State of California and Employers Liability insurance.

B. Minimum Limits of Insurance.

The Company shall maintain in force for the Term of this Agreement limits no less than:

1. Comprehensive General Liability: Not less than Five Million Dollars (\$5,000,000) combined single limit per occurrence, for bodily injury, Personal injury and property damage, with any self-insured retention not exceeding One Hundred Thousand Dollars (\$100,000.00) per occurrence. Policy shall also cover:

- (a) premises operations;
- (b) blanket contractual; and
- (c) complete operations.

2. Automobile Liability: Not less than Five Million Dollars (\$5,000,000) combined single limit per accident for bodily injury and property damage, with any self-insured retention not exceeding One Hundred Thousand Dollars (\$100,000.00) per occurrence. Any mobile equipment which is not covered under this policy shall be covered under the Comprehensive General Liability policy.

3. Workers' Compensation and Employers Liability: Workers' Compensation limits as required by the Labor Code of the State of California and Employers Liability limits of One Million Dollars (\$1,000,000) per accident. Also, an excess umbrella liability policy with a minimum of not less than Five Million Dollars (\$5,000,000) per occurrence.

C. Deductibles and Self-Insured Retentions.

Any deductibles or self-insured retentions must be declared to and approved by the City of Victorville. At the option of the City of Victorville, either: (i) the insurer shall reduce or eliminate such deductibles or self-insured retention's as respects the Indemnities; or, (ii) the Company shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses in the amount of such deductibles or self-insured retentions.

D. Other Insurance Provisions.

The policies are to contain, or be endorsed to contain, the following provisions:

1. General Liability and Automobile Liability Coverages

- (a) The Indemnities are to be named as additional insured with respect to the following: liability arising out of activities performed by or on behalf of the Company; products and completed operations of the Company; Premises owned, leased or used by the Company; or vehicles owned, leased, hired or borrowed by the Company. The coverage shall contain no special limitations on the scope of protection afforded to the City of Victorville, its elective and appointive boards, commissions, officials, employees, subcontractors, agents or volunteers.
- (b) The Company's insurance coverage shall be primary insurance with respect to the Indemnities. Any insurance or self-insurance maintained by the City of Victorville, its officials, elective and appointive boards, commissions, employees, subcontractors, agents or volunteers shall be excess of the Company's insurance and shall not contribute with it.
- (c) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Indemnities.
- (d) Coverage shall state that the Company's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

2. Workers' Compensation, Employers Liability, General Liability and Automobile Liability Coverages – The insurer shall agree to waive all rights of subrogation against the Indemnities for losses arising from work performed by the Company for the City of Victorville.

3. All Coverages – Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled by either party, reduced in coverage or in limits except after one hundred twenty

(120) days prior written notice by certified mail, return receipt requested, has been given to the City of Victorville.

E. Acceptability of Insurers. The insurance policies required by this Section shall be issued by an insurance company or companies authorized to do business in the State of California and with a rating in the most recent edition of Best's Insurance Reports of size category VII or larger and a rating classification of A or better.

F. Verification of Coverage. The Company shall furnish the City of Victorville with certificates of insurance and with original endorsements affecting coverage required by this clause. The certificates and endorsements for each insurance policy are to be signed by a Person authorized by that insurer to bind coverage on its behalf. The certificates and endorsements are to be on forms provided by or acceptable to the City of Victorville and are to be received and approved by the City of Victorville before work commences. The City of Victorville reserves the right to require complete, certified copies of all required insurance policies, at any time.

Renewal certificates will be furnished periodically to the City of Victorville to demonstrate maintenance of the required coverage throughout the Term.

G. Companies and Subcontractors. The Company shall include all Companies and Subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each the Company and Subcontractor. All coverages for Companies and Subcontractors shall be subject to all of the requirements stated herein.

H. Required Endorsements.

1. The Workers' Compensation policy shall contain an endorsement in substantially the following form:

"Thirty (30) days prior written notice by certified mail, return receipt requested, shall be given to the City of Victorville in the event of cancellation, reduction in coverage, or non-renewal of this policy. Such notice shall be sent to:

2. The Public Liability policy shall contain endorsements in substantially the following form:

a) "Thirty (30) days prior written notice shall be given to the City of Victorville in the event of cancellation, reduction in coverage, or non-renewal of this policy. Such notice shall be sent to:

b) "The City of Victorville, its officers, elective and appointive boards, commissions, employees, and agents are additional insureds on this policy."

c) "This policy shall be considered primary insurance as respects any other valid and collectible insurance maintained by the City of Victorville, including any self-insured retention or program of self-insurance, and any other such insurance shall be considered excess insurance only."

d) "Inclusion of the City of Victorville as an insured shall not affect the City of Victorville's rights as respects any claim, demand, suit or judgment brought or recovered against the Company. This policy shall protect the Company and the City of Victorville in the same manner as though a separate policy had been issued to each, but this shall not operate to increase the Company's liability as set forth in the policy beyond the amount shown or to which the Company would have been liable if only one party had been named as an insured."

I. Modification of Insurance Requirements. The insurance requirements provided herein may be modified or waived in writing by the City of Victorville Manager, provided the City of Victorville Manager determines such modification or waiver is in the best interest of the City of Victorville considering all relevant factors, including exposure to the City of Victorville and the amount of this Agreement.

8.4 Faithful Performance Bond

Concurrently with execution of this Agreement, the Company shall deliver to the City of Victorville a performance bond, from an admitted surety insurer, in the amount of One Million Dollars (\$1,000,000.00), which secures the faithful performance of this Agreement, including, without limitation, payment of any penalty and the funding of any work to cure a breach of this Agreement. The bond shall contain the original notarized signature of an authorized officer of the surety and affixed thereto shall be a certified and current copy of his power of attorney. The bond shall be unconditional and remain in force during the entire Term of the Agreement and shall be null and void at the conclusion of the Term of this Agreement.

ARTICLE 9. FAILURE TO PERFORM

9.1 City of Victorville's Right to Perform Services

In the event that the Company fails, refuses, or is unable to Collect and Dispose of Solid Waste, as this Agreement requires, at the time and manner provided in this Agreement, for a period of ten (10) continuous days, then the City of Victorville shall have the right, but not the obligation, upon written notice to the Company, to perform, or cause to be performed, such services itself with its own personnel without liability to the Company. Notice of the Company's failure, refusal or neglect to Collect and Dispose of Solid Waste may be faxed to the Company at its principal office and shall be effective immediately. Written confirmation of such faxed notification shall be sent to the Company within twenty-four (24) hours of the faxed notification.

ARTICLE 10. DEFAULT AND REMEDIES

10.1 Events of Default

Each of the following shall constitute an event of default:

- A. Material Breach. A material breach of this Agreement.
- B. Fraud or Deceit. If the Company practices, or attempts to practice any fraud or deceit upon the City of Victorville.
- C. Insolvency or Bankruptcy. If the Company becomes insolvent, unable, or unwilling to pay its debts, files a bankruptcy petition or takes steps to liquidate its assets.
- D. Failure to Maintain Coverage. If the Company fails to provide or maintain in full force and effect the Workers' Compensation, liability, or indemnification coverage as required by this Agreement.
- E. Violations of Regulation. If the Company violates any orders or filings of any regulatory body having jurisdiction over the Company or the City of Victorville relative to this Agreement that materially affects this Agreement or the Company's ability to perform on this Agreement.
- F. Failure to Pay. If the Company fails to make any payments required under this Agreement and/or refuses to provide the City of Victorville, within ten (10) calendar days of the demand therefore, with required information, reports, and/or records in a timely manner as provided for in the Agreement.
- G. Acts or Omissions. Any other act or omission by the Company which materially violates the terms, conditions, or requirements of this Agreement, the California Integrated Management Act of 1989, any Environmental law as it may be amended from time to time, or any law, statute, ordinance, order, directive, rule, or regulation issued thereunder and which is not corrected or remedied within the time set in the written notice of the

violation or, if the Company cannot reasonably correct or remedy the breach within the time set forth in such notice, if the Company should fail to commence to correct or remedy such violation within the time set forth in such notice and diligently prosecute same to completion.

- H. Attachment. There is a seizure of, attachment of, or levy on, the operating equipment of the Company, including without limits its equipment, maintenance or office facilities, or any part thereof, such that the Company cannot perform on this Agreement.
- I. Failure to Provide Assurance of Performance. If the Company fails to provide reasonable assurances of performance as required under Section 10.6.

10.2 Criminal Activity of Company

Should the Company or any of its officers or directors be found guilty of felonious conduct related to the performance of this Agreement, or of felonious conduct related to anti-trust activities, illegal transport or Disposal of Hazardous Substances or toxic materials, or bribery of public officials, the City of Victorville reserves the right to unilaterally terminate this Agreement or impose other such sanctions (which may include financial sanctions, temporary suspensions or any other condition deemed appropriate short of termination) as it shall deem proper.

10.3 Right to Terminate Upon Default

Upon a default by the Company, the City of Victorville shall have the right to terminate this Franchise and this Agreement upon a ten (10) calendar days' written notice if the public health or safety is threatened, or otherwise a thirty (30) calendar days' written notice; provided, however, that the City of Victorville must first give the Company written notice of such breach or default, specifying the particulars thereof and opportunity to cure as provided herein.

10.3.1 Cure Period

The City of Victorville may not terminate this Agreement for cause on the grounds of said breach or default if said default or breach is cured within ten (10) calendar days after the Company receives such notice, or, if the nature of the breach or default is such that more than ten days are required for its cure, then the City of Victorville may not terminate this Agreement for cause if the Company shall commence such cure within such ten (10) day period and thereafter diligently prosecute the same to completion.

10.3.2 Winding Up

On the effective date of termination, the Company shall, unless the notice directs otherwise, immediately discontinue all services in connection with this Agreement and shall use its best efforts to promptly cancel all existing orders and subcontracts insofar as such orders and subcontracts are chargeable to this Agreement. As soon as practicable after receipt of notice of termination, the Company shall submit an invoice showing in detail the services performed under this Agreement to the date of termination. The City

of Victorville shall then pay any unpaid compensation due the Company under this Agreement within thirty (30) business days of receiving a final invoice from the Company.

10.3.3 Exclusive Rights

The City of Victorville's right to terminate this Agreement is not exclusive, and the City of Victorville's termination of this Agreement shall not constitute an election of remedies. Instead, they shall be in addition to any and all other legal and equitable rights and remedies which the City of Victorville may have.

10.4 Excuse from Performance

The Parties shall be excused from performing their respective obligations hereunder in the event they are prevented from so performing by reason of floods, earthquakes, other natural disasters, war, civil insurrection, riots, acts of any government (including judicial action), picketing at Customer Collection locations that blocks access to container pick up points, and other similar catastrophic events which are beyond the control of and not the fault or the cause of the party claiming excuse from performance hereunder. Labor unrest, including but not limited to strike, work stoppage or slowdown, sick-out, picketing, or other concerted job action conducted by the Company's employees or directed at the Company is not an excuse from performance and the Company shall be obligated to continue to provide service notwithstanding the occurrence of any or all of such events. The party claiming excuse from performance shall, within two (2) calendar days after such party has notice of such cause, give the other party notice of the facts constituting such cause and asserting its claim to excuse under this Section. The interruption or discontinuance of the Company's services caused by one or more of the events excused shall not constitute a default by the Company under this Agreement.

Notwithstanding the foregoing, however, if the Company is excused from performing its obligations hereunder for any of the causes listed in this Section for a period of seven (7) calendar days or more, the City of Victorville shall nevertheless have the right, in its sole discretion, to terminate this Agreement by giving ten (10) calendar days' notice.

10.5 Arbitration

Any dispute arising out of or relating to this Agreement, which dispute involves claims or controversies having no monetary value, or are in an amount or amounts, if combined, not exceeding \$25,000, shall be first mediated between the Parties. The party making demand for mediation shall select a panel of three (3) mediators from those mediators listed and approved by the local Superior Court of jurisdiction, and the party not selecting the panel shall choose one (1) of the listed mediators who shall serve in that capacity. The Parties shall share equally in the cost and expenses of the mediation.

Any dispute arising out of or relating to this Agreement, which dispute involves claims or controversies, having a monetary value in an amount or amounts, if combined, not exceeding \$25,000, which dispute was not resolved by mediation as required herein, shall be decided by

arbitration in accordance with the commercial rules of the American Arbitration Association, unless the parties agree otherwise and consent, in writing, to a different method of dispute resolution, including mediation or judicial arbitration.

Any dispute arising out of or relating to this Agreement, or breach thereof, which dispute involves claims or controversies in an amount or amounts, if combined, exceeding \$25,000, shall be settled by arbitration in accordance with the commercial rules of the American Arbitration Association, unless the parties agree otherwise and consent, in writing, to a different method of dispute resolution, including mediation or judicial arbitration. Such controversy or claim shall be submitted to one arbitrator selected from the National Panel of the American Arbitration Association. Cost of arbitration shall be ultimately borne by the non-prevailing party.

Any award rendered by the arbitrator shall be final and judgment shall be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

10.6 Assurance of Performance

The City of Victorville may, at its option and in addition to all other remedies it may have, demand from the Company reasonable assurances of timely and proper performance of this Agreement, in such form and substance as the City of Victorville may require. If the Company fails or refuses to provide satisfactory assurances of timely and proper performance in the form and by the date required by the City of Victorville, such failure or refusal shall be an event of default.

10.7 Liquidated Damages

The City of Victorville finds, and the Company agrees, that as of the time of the execution of this Agreement, it is impractical, if not impossible, to reasonably ascertain the extent of damages which shall be incurred by the City of Victorville as a result of a breach by the Company of certain of its obligations under this Agreement. The factors relating to the impracticability of ascertaining damages include, but are not limited to, the fact that: (i) substantial damage results to members of the public who are denied services or denied quality or reliable service; (ii) such breaches cause inconvenience, anxiety, frustration, and deprivation of the benefits of the Agreement to individual members of the general public for whose benefit this Agreement exists, in subjective ways and in varying degrees of intensity which are incapable of measurement in precise monetary terms; (iii) the services provided under this Agreement might be available at substantially lower costs than alternative services and the monetary loss resulting from denial of services or denial of quality or reliable services is impossible to calculate in precise monetary terms; and, (iv) the termination of this Agreement for such breaches, and other remedies are, at best, a means of future correction and not remedies which make the public whole for past breaches. The Parties further acknowledge that consistent, reliable Solid Waste Collection service is of utmost importance to the City of Victorville and that the City of Victorville has considered and relied on the Company's representations as to its quality of service commitment in awarding the Franchise to it. The Parties further recognize that some quantified standards of performance are necessary and appropriate to ensure consistent and reliable service and performance. The Parties further recognize that if the Company fails to achieve the performance

standards, or fails to submit required documents in a timely manner, the City of Victorville and its residents will suffer damages and that it is and will be impractical and extremely difficult to ascertain and determine the exact amount of damages which the City of Victorville will suffer. Therefore, without prejudice to the City of Victorville's right to treat such non-performance as an event of default under this Article 11, the Parties agree that the following liquidated damage amounts represent a reasonable estimate of the amount of such damages resulting from the events of defaults listed below, considering all of the circumstances existing on the date of this Agreement, including the relationship of the sums to the range of harm to the City of Victorville that reasonably could be anticipated and the anticipation that proof of actual damages would be costly or impractical. In placing their initials at the places provided, each party specifically confirms the accuracy of the statements made above and the fact that each party has had ample opportunity to consult with legal counsel and obtain an explanation of the liquidated damage provisions at the time that the Agreement was made.

Company
Initial Here _____

City of Victorville
Initial Here _____

The Company agrees to pay (as liquidated damages and not as a penalty) the amounts set forth below:

1. Collection Reliability

- (a) For each failure to commence service to a new Customer account within seven (7) days after order, which exceed seven (7) such failures annually:
\$150.00
- (b) For each failure to Collect Solid Waste, which has been properly set out for Collection, from an established Customer account, or accounts, on the scheduled Collection day and not collected within the period described in this Agreement which exceeds ten (10) such failures annually: \$150.00
- (c) For each failure to Collect Solid Waste, which has been properly set out for Collection, from the same Customer on thee (4) consecutive scheduled pickup days: \$150.00

2. Collection Quality

- (a) For each occurrence of uncompensated damage to private property which exceeds five (5) such occurrences annually: \$250.00
- (b) For each occurrence of failure to properly return empty Containers to avoid pedestrian or vehicular traffic impediments: \$150.00
- (c) For each occurrence of excessive noise or discourteous behavior: \$250.00
- (d) For each occurrence of Collecting Solid Waste during unauthorized hours which exceeds

five (5) such occurrences annually: \$250.00

(e) For each failure to replace locks on locking Bins after Collection in accordance with Section 4.6.1 which exceeds three (4) annually: \$ 50.00

(f) For each failure to deliver a Roll Off Box or temporary Bin within 48 hours of a Customer's request
\$150.00

3. Customer Responsiveness

(a) For each failure to initially respond to a Customer complaint within one (1) business day:
\$100.00

(b) For each failure to process Customer complaints to the City of Victorville as required by Article 4 herein:
\$200.00

(c) For each failure to remove graffiti from Containers, or to replace with Containers bearing no graffiti, within one business day of request from the City of Victorville or Customers:
\$100.00

(d) For each failure to carry out responsibilities for establishing service: \$200.00

4. Timeliness of Submissions to the City of Victorville

Any report shall be considered late until such time as a correct and complete report is received by the City of Victorville. For each calendar day a report is late, the daily liquidated damage amount shall be:

(a) Monthly Reports: \$ 25 per day

(b) Quarterly Reports: \$100 per day

(c) Annual Reports: \$350 per day

5. Accuracy of Billing

(a) Each Customer invoice that is not prepared in accordance with the City of Victorville's approved rate schedule that is not cured within 30 calendar days of initial invoicing:
\$250.00

(b) Each occurrence in which a service address is "double billed" with multiple invoices sent to different billing addresses (for examples, both a tenant and an off-site property owner are billed for service at the same location):
\$250.00

6. Implementation of Public Education Plan

- (a) For each day past the agreed upon deadline that the Company fails to perform a task set forth in its public education plan: \$100 per day

Liquidated damages will only be assessed after the Company has been given the opportunity but failed to rectify the damages as described in Section 11.3 of this Agreement.

The City of Victorville may determine the occurrence of events giving rise to liquidated damages through the observation of its own employees or representative or investigation of Customer complaints.

Prior to assessing liquidated damages, the City of Victorville shall give the Company notice of its intention to do so. The notice will include a brief description of the incident(s)/non-performance. The Company may review (and make copies at its own expense) all non-confidential information in the possession of the City of Victorville relating to incident(s)/non-performance. The Company may, within ten (10) calendar days after receiving the notice, request a meeting with the City of Victorville Manager. The Company may present evidence in writing and through testimony of its employees and others relevant to the incident(s)/non-performance. The City of Victorville Manager or his or her designee will provide the Company with a written explanation of his or her determination on each incident(s)/non-performance prior to authorizing the assessment of liquidated damage.

C. Amount. The City of Victorville may assess liquidated damages for each calendar day or event, as appropriate, that the Company is determined to be liable in accordance with this Agreement.

ARTICLE 11. MISCELLANEOUS

11.1 Relationship of Parties

The parties intend that the Company shall perform the services required by this Agreement as an independent contractor engaged by the City of Victorville and not as an officer or employee of the City of Victorville nor as a partner of or joint venture with the City of Victorville. No employee or agent of the Company shall be or shall be deemed to be an employee or agent of the City of Victorville. The Company shall be solely responsible for the acts and omissions of its officers, employees, companies, subcontractors, Affiliates and agents. Neither the Company nor its officers, employees, Subcontractors, Affiliates and agents shall obtain any rights to retirement benefits, workers' compensation benefits, or any other benefits which accrue to the City of Victorville employees by virtue of their employment with the City of Victorville.

11.2 Compliance with Law

In providing the services required under this Agreement, the Company shall comply with all applicable laws, codes, ordinances, resolutions and regulations of the United States, the State of California, the County of San Bernardino and the City of Victorville, now in force and as they may be enacted, issued or amended during the Term of this Agreement. The City of Victorville shall comply with all applicable, laws, codes, ordinances, resolutions, and regulations promulgated by federal, state, regional or local administrative and regulatory agencies and the City of Victorville, now in force and as they may be enacted, issued or amended during the Term of this Agreement.

The Company agrees that, in the performance of this Agreement, it will comply with all immigration laws.

11.3 Assignment

This Agreement is assignable only with the written consent of both Parties. Such consent shall not be unreasonably withheld in the event of (i) an assignment by operation of law, (ii) an assignment to the State of California or to any agency or subdivision of the State or if the City of Victorville undertakes responsibility for the Collection of Solid Waste, or (iii) an assignment to an affiliate, subsidiary or co-subsiary of the Company's parent company where such affiliate or subsidiary has demonstrated to the City of Victorville's reasonable satisfaction the financial and technical ability to perform the services and responsibilities required by this Agreement.

11.4 Subcontracting

The Company shall not engage any companies or subcontractors for Collection, transfer, processing, Recycling or Disposal of Solid Waste without the prior written consent of the City of Victorville.

11.5 Notice

All notices, demands, requests, proposals, proposals, approvals, consents and other communications which this Agreement requires, authorizes or contemplates shall be in writing and shall either be personally delivered to a representative of the parties at the address below or be deposited in the United States mail, first class postage prepaid, addressed as follows:

If to the City of Victorville:

If to the Company:

The address to which communications may be delivered may be changed from time to time by a written notice given in accordance with this Section.

Notice shall be deemed given on the day it is personally delivered or, if mailed, three (3) calendar days from the date it is deposited in the mail.

11.6 Privacy

The Company shall strictly observe and protect the rights of privacy of Customers. Information identifying individual Customers or the composition or contents of a Customer's waste stream shall not be revealed to any Person, governmental unit, private agency, or company, unless upon the authority of a court of law, by statute, or upon valid authorization of the Customer. This provision shall not be construed to preclude the Company from preparing, participating in, or assisting in the preparation of waste characterization studies or waste stream analyses which may be required by AB 939. This provision shall not apply to reports or records provided to the City of Victorville pursuant to this Agreement.

11.7 Proprietary Information, Public Records

The City of Victorville acknowledges that a number of the records and reports of the Company are proprietary and confidential. Regular monthly, quarterly, and annual reports are not proprietary. The Company is obligated to permit the City of Victorville inspection of its records on demand and to provide copies to the City of Victorville where requested. The City of Victorville will endeavor to maintain the confidentiality of all proprietary information provided by the Company. Notwithstanding the foregoing, any documents provided by the Company to the City of Victorville that are public records may be disclosed pursuant to a proper public records request.

11.8 Parties in Interest

Nothing in this Agreement, whether express or implied, is intended to confer any rights on any Persons other than the parties to it and their representatives, successors and permitted assigns.

11.9 Waiver

The waiver by either party of any breach or violation of any provisions of this Agreement shall not be deemed to be a waiver of any breach or violation of any other provision nor of any subsequent breach or violation of the same or any other provision. The subsequent acceptance by either party of any moneys which become due hereunder shall not be deemed to be a waiver of any pre-existing or concurrent breach or violation by the other party of any provision of this Agreement.

11.10 Attorney's Fees

In any action, proceeding or arbitration to enforce or interpret any of the terms or conditions of this Agreement the prevailing party shall be entitled to an award to attorney's fees in the amount reasonably incurred in the prosecution or defense of such action. The term "prevailing party" shall mean the party entitled to recover costs of suit, upon the conclusion of the matter, in accordance with the laws of the State of California.

11.11 Binding on Assigns

The provisions of this Agreement shall inure to the benefit of and be binding on the permitted assigns of the Parties.

11.12 Governing Law

This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

11.13 Jurisdiction and Venue

Any lawsuits between the parties arising out of this Agreement shall be brought and concluded in the courts of the County of San Bernardino, the State of California, which shall have exclusive jurisdiction over such lawsuits.

11.14 Entire Agreement

This Agreement, represents the full and entire Agreement between the parties with respect to the matters covered herein. No verbal agreement or conversation with any office, agent, officer, official or employee of the City of Victorville, either before, during, or after the execution of this Agreement, shall affect or modify any of the terms or obligations herein contained nor such verbal agreement or conversation entitle the Company to any additional payment whatsoever under the terms of this Agreement.

11.15 Section Headings

The article headings and section headings in this Agreement are for convenience of reference only and are not intended to be used in the construction of this Agreement nor to alter or affect any of its provisions.

11.16 Amendment

This Agreement may be amended or modified only by written agreement duly authorized and executed by the Parties hereto.

11.17 Interpretation

This Agreement shall be interpreted and construed reasonably and neither for nor against either party, regardless of the degree to which either party participated in its drafting.

11.18 Severability

If any provision of this Agreement is for any reason deemed to be invalid and unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Agreement which shall be enforced as if such invalid or unenforceable provision had not been contained herein.

IN WITNESS WHEREOF, the City of Victorville and the Company have executed this Agreement as of the day and year first above written at the top of this Agreement.

CITY OF VICTORVILLE
a community services City of Victorville.

By: _____

Its: _____

ATTEST:

APPROVED AS TO FORM:

WASTE AND RECYCLING SERVICES LLC.

By: _____

Its: _____

EXHIBIT "A"

DESCRIPTION OF LAND DEVELOPMENT PROJECT AREA

(Approx. 11,400 acres)

