



SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY

REGULAR MEETING AGENDA
APRIL 28, 2016 8:30 A.M.

Location: City Council Chamber, 15651 East Stafford Street, City of Industry, California

Addressing the Agency:

- ▶ **Agenda Items:** Members of the public may address the Successor Agency on any matter listed on the Agenda. In order to conduct a timely meeting, there will be a three-minute time limit per person for any matter listed on the Agenda. Anyone wishing to speak to the Successor Agency is asked to complete a Speaker's Card which can be found at the back of the room and at each podium. The completed card should be submitted to the Secretary prior to the Agenda item being called and prior to the individual being heard by the Successor Agency.
- ▶ **Public Comments (Non-Agenda Items):** Anyone wishing to address the Successor Agency on an item not on the Agenda may do so during the "Public Comments" period. In order to conduct a timely meeting, there will be a three-minute time limit per person for the Public Comments portion of the Agenda. State law prohibits the Successor Agency from taking action on a specific item unless it appears on the posted Agenda. Anyone wishing to speak to the Successor Agency is asked to complete a Speaker's Card which can be found at the back of the room and at each podium. The completed card should be submitted to the Secretary prior to the Agenda item being called by the Secretary and prior to the individual being heard by the Successor Agency..

Americans with Disabilities Act:

- ▶ In compliance with the ADA, if you need special assistance to participate in any meeting (including assisted listening devices), please contact the Office of the Secretary to the Successor Agency (626) 333-2211. Notification of at least 72 hours prior to the meeting will assist staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting.

Agendas and other writings:

- ▶ In compliance with Government Code Section 54957.5(b), staff reports and other public records permissible for disclosure related to open session agenda items are available at City Hall, 15625 East Stafford Street, Suite 100, City of Industry, California, at the office of the Secretary of the Successor Agency during regular business hours, Monday through Friday, 9:00 a.m. to 5:00 p.m.

-
1. Call to Order
 2. Flag Salute
 3. Roll Call
 4. Public Comment

5. **BOARD MATTERS**

- 5.1 Consideration of the minutes of the January 25, 2016 regular meeting of the Successor Agency to the Industry Urban-Development Agency.

RECOMMENDED ACTION: Approve the minutes, with Board Member Haber abstaining.

- 5.2 Presentation and discussion regarding the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters for the Fiscal Year Ended June 30, 2015; the Independent Auditor's Report on Internal Control Related Matters Identified in the Audit for the Fiscal Year Ended June 30, 2015; and the Auditor's Communications with the Successor Agency for the Fiscal Year Ended June 30, 2015.

RECOMMENDED ACTION: Receive and file the Reports.

- 5.3 Consideration of Resolution No. SA 2016-06 - A RESOLUTION OF THE SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY APPROVING THE PURCHASE AND SALE AGREEMENT BETWEEN THE AGENCY AND LW INVESTMENTS, LLC, FOR THE PROPERTY LOCATED AT 333 SOUTH HACIENDA BOULEVARD, CITY OF INDUSTRY, AND MAKING THE REQUISITE CEQA FINDINGS.

RECOMMENDED ACTION: Adopt Resolution No. SA 2016-06.

- 5.4 Consideration of Resolution No. SA 2016-07 - A RESOLUTION OF THE SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY APPROVING THE PURCHASE AND SALE AGREEMENT BETWEEN THE AGENCY AND THE CITY OF INDUSTRY FOR 1123-1135 HATCHER AVENUE, CITY OF INDUSTRY, AND MAKING THE REQUISITE CEQA FINDINGS.

RECOMMENDED ACTION: Adopt Resolution No. SA 2016-07.

- 5.5 Consideration of a License Agreement with T.E. Roberts, Inc., for Access to Assessor's Parcel No. 8760-009-900, located at 19835 East Walnut Drive North, for Temporary Staging of Construction Materials for the Fairway Drive Grade Separation Project.

RECOMMENDED ACTION: Approve the Agreement.

6. **CLOSED SESSION**

- 6.1 Conference with real property negotiators pursuant to Government Code Section 54956.8:

Property: 19835 East Walnut Drive North, City of Industry

Agency Negotiators: Executive Director and Agency Legal Counsel
Negotiating Parties: Bluesky Investment, LLC, DAUM Property, LLC,
Dunbar Real Estate Holdings, LLC, Nicholas Hung
Supreme Foods,
Under Negotiation: Price and terms

6.2 Conference with real property negotiators pursuant to Government Code
Section 54956.8:

Property: 125 Orange Avenue
Agency Negotiators: Executive Director and Agency Legal Counsel
Negotiating Parties: Sincere Orient Commercial Corporation, Fox
Luggage, Inc., CEG Development, LLC, KM, LLC, and
DP Orange, LLC
Under Negotiation: Price and terms

7. Adjournment. Next regular Successor Agency meeting will be on Thursday, May
26, 2016, at 8:30 a.m.

SUCCESSOR AGENCY

ITEM NO. 5.1

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CALL TO ORDER

The Special Meeting of the Successor Agency to the Industry Urban-Development Agency was called to order by Chairman Radecki at 8:30 a.m., in the City of Industry Council Chamber, 15651 East Stafford Street, California.

FLAG SALUTE

The flag salute was led by Chairman Radecki.

ROLL CALL

PRESENT: Mark Radecki, Chairman
Cory Moss, Vice Chairman
Abraham Cruz, Board Member
Newell Ruggles, Board Member

ABSENT: Roy Haber, Board Member

STAFF PRESENT: Paul J. Philips, Executive Director; James M. Casso, Legal Counsel; Diane M. Schlichting, Assistant Secretary; Josh Nelson, CNC Engineering; and Dean Yamagata, Frazer, LLP.

PUBLIC COMMENTS

There were no public comments.

CONSIDERATION OF THE MINUTES OF THE OCTOBER 8, 2015 SPECIAL MEETING OF THE SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY

MOTION BY VICE CHAIR MOSS, AND SECOND BY BOARD MEMBER RUGGLES TO APPROVE THE MINUTES. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARD MEMBERS:	HABER
ABSTAIN:	BOARD MEMBERS:	NONE

CONSIDERATION OF THE STATEMENT OF INVESTMENT POLICY

MOTION BY BOARD MEMBER RUGGLES, AND SECOND BY VICE CHAIR MOSS TO

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APPROVE AS SUBMITTED. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARD MEMBERS:	HABER
ABSTAIN:	BOARD MEMBERS:	NONE

CONSIDERATION OF RESOLUTION NO. SA 2016-01 - A RESOLUTION OF THE SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY AFFIRMING ITS APPROVAL OF THE PURCHASE AND SALE AGREEMENT BETWEEN THE AGENCY AND THE CITY OF INDUSTRY FOR 150 HACIENDA BOULEVARD, CITY OF INDUSTRY, AND MAKING THE REQUISITE CEQA FINDINGS

Legal Counsel Casso presented a report and responded to questions from Members of the Successor Agency.

MOTION BY VICE CHAIR MOSS, AND SECOND BY BOARD MEMBER CRUZ TO ADOPT RESOLUTION NO. SA 2016-01. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARD MEMBERS:	HABER
ABSTAIN:	BOARD MEMBERS:	NONE

CONSIDERATION OF RESOLUTION NO. SA 2016-02 - A RESOLUTION OF THE SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY AFFIRMING ITS APPROVAL OF THE PURCHASE AND SALE AGREEMENT BETWEEN THE AGENCY AND THE CITY OF INDUSTRY FOR 220 HACIENDA BOULEVARD, CITY OF INDUSTRY, AND MAKING THE REQUISITE CEQA FINDINGS

MOTION BY BOARD MEMBER CRUZ, AND SECOND BY BOARD MEMBER RUGGLES TO ADOPT RESOLUTION NO. SA 2016-02. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARD MEMBERS:	HABER
ABSTAIN:	BOARD MEMBERS:	NONE

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CONSIDERATION OF RESOLUTION NO. SA 2016-03 - A RESOLUTION OF THE SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY AFFIRMING ITS APPROVAL OF THE PURCHASE AND SALE AGREEMENT BETWEEN THE AGENCY AND THE CITY OF INDUSTRY FOR 242 HACIENDA BOULEVARD, CITY OF INDUSTRY, AND MAKING THE REQUISITE CEQA FINDINGS

MOTION BY VICE CHAIR MOSS, AND SECOND BY BOARD MEMBER CRUZ TO ADOPT RESOLUTION NO. SA 2016-03. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARD MEMBERS:	HABER
ABSTAIN:	BOARD MEMBERS:	NONE

CONSIDERATION OF RESOLUTION NO. SA 2016-04 - A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY APPROVING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS 16-17) PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177 FOR THE ONE YEAR FISCAL PERIOD COMMENCING JUNE 1, 2016 AND TAKING CERTAIN RELATED ACTIONS

Mr. Dean Yamagata, Partner with Frazer, LLP, contracted to run the Finance Department for the City and Agency, presented a report and responded to questions from Members of the Successor Agency.

MOTION BY VICE CHAIR MOSS, AND SECOND BY BOARD MEMBER RUGGLES TO ADOPT RESOLUTION NO. SA 2016-04. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARD MEMBERS:	HABER
ABSTAIN:	BOARD MEMBERS:	NONE

CONSIDERATION OF RESOLUTION NO. SA 2016-05 - A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY APPROVING A PROPOSED ADMINISTRATIVE BUDGET FOR THE YEAR PERIOD COMMENCING JUNE 1, 2016 PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177(j) AND TAKING CERTAIN RELATED ACTIONS

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MOTION BY BOARD MEMBER CRUZ, AND SECOND BY VICE CHAIR MOSS TO ADOPT RESOLUTION NO. SA 2016-05. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARD MEMBERS:	HABER
ABSTAIN:	BOARD MEMBERS:	NONE

CONSIDERATION OF AMENDMENT NO. 1 TO CONSULTANT CONTRACT NO. 14-LEIGHTON 13-01 MP 99-31 #26 FOR LEIGHTON CONSULTING TO PERFORM ADDITIONAL GEOTECHNICAL ENGINEERING AND TESTING SERVICES FOR ALL REMAINING PHASES OF THE DIAMOND BAR CREEK IMPROVEMENTS, AS IDENTIFIED IN LINE ITEM NO. 150 OF THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE

Mr. Josh Nelson, Project Manager for CNC Engineering, presented a report for Item Nos. 5.8 through 5.14, as they all pertained to the same project, and responded to questions from Members of the Successor Agency.

MOTION BY VICE CHAIR MOSS, AND SECOND BY BOARD MEMBER CRUZ TO APPROVE THE AMENDMENT. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARD MEMBERS:	HABER
ABSTAIN:	BOARD MEMBERS:	NONE

CONSIDERATION OF WORK AUTHORIZATION NO. 2 FOR CNC ENGINEERING TO PROVIDE ADDITIONAL CONSTRUCTION ADMINISTRATION, INSPECTION, STAKING, AND FINAL DESIGNS AND SPECIFICATIONS FOR ALL THE REMAINING PHASES OF THE DIAMOND BAR CREEK IMPROVEMENTS, AS IDENTIFIED IN LINE ITEM NO. 148 OF THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE

MOTION BY BOARD MEMBER RUGGLES, AND SECOND BY BOARD MEMBER CRUZ TO APPROVE THE WORK AUTHORIZATION. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI
NOES:	BOARD MEMBERS:	NONE

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ABSENT: BOARD MEMBERS: HABER
ABSTAIN: BOARD MEMBERS: NONE

CONSIDERATION OF AMENDMENT NO. 1 TO CONSULTANT CONTRACT NO. 14-SAGE 13-01 MP 99-31 #26 FOR SAGE ENVIRONMENTAL TO PERFORM ADDITIONAL BIOLOGICAL AND REGULATORY COMPLIANCE SERVICE FOR ALL REMAINING PHASES OF THE DIAMOND BAR CREEK IMPROVEMENTS, AS IDENTIFIED IN LINE ITEM NO. 166 OF THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE

MOTION BY BOARD MEMBER CRUZ, AND SECOND BY VICE CHAIR MOSS TO APPROVE THE AMENDMENT. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES: BOARD MEMBERS: CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI
NOES: BOARD MEMBERS: NONE
ABSENT: BOARD MEMBERS: HABER
ABSTAIN: BOARD MEMBERS: NONE

CONSIDERATION OF AMENDMENT NO. 1 TO CONSULTANT CONTRACT NO. 14-PBLA 13-01 MP 99-31 #16 FOR PBLA ENGINEERING TO PERFORM ADDITIONAL GRADING AND DRAINAGE DESIGN AND CONSTRUCTION SUPPORT FOR THE INDUSTRY BUSINESS CENTER IMPROVEMENTS, AS IDENTIFIED IN LINE ITEM NO. 193 OF THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE

MOTION BY VICE CHAIR MOSS, AND SECOND BY BOARD MEMBER CRUZ TO APPROVE THE AMENDMENT. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES: BOARD MEMBERS: CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI
NOES: BOARD MEMBERS: NONE
ABSENT: BOARD MEMBERS: HABER
ABSTAIN: BOARD MEMBERS: NONE

CONSIDERATION OF AMENDMENT NO. 1 TO CONSULTANT CONTRACT NO. 14-LEIGHTON 13-01 MP 99-31 #16 FOR LEIGHTON CONSULTING TO PERFORM GEOTECHNICAL SERVICES, AS IDENTIFIED IN LINE ITEM NO. 194 OF THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE

MOTION BY VICE CHAIR MOSS, AND SECOND BY BOARD MEMBER CRUZ TO APPROVE THE AMENDMENT. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES: BOARD MEMBERS: CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI

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NOES: BOARD MEMBERS: NONE
ABSENT: BOARD MEMBERS: HABER
ABSTAIN: BOARD MEMBERS: NONE

CONSIDERATION OF WORK AUTHORIZATION NO. 2 FOR CNC ENGINEERING TO PROVIDE ADDITIONAL CONSTRUCTION ADMINISTRATION, INSPECTION, STAKING, AND FINAL DESIGNS AND SPECIFICATIONS FOR THE INDUSTRY BUSINESS CENTER IMPROVEMENTS, AS IDENTIFIED IN LINE ITEM NO. 196 OF THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE

MOTION BY BOARD MEMBER CRUZ, AND SECOND BY BOARD MEMBER RUGGLES TO APPROVE THE WORK AUTHORIZATION. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES: BOARD MEMBERS: CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI
NOES: BOARD MEMBERS: NONE
ABSENT: BOARD MEMBERS: HABER
ABSTAIN: BOARD MEMBERS: NONE

CONSIDERATION OF AMENDMENT NO. 2 TO CONSULTANT CONTRACT NO. 14-SCS 13-01 MP 99-31 #16 FOR SCS FIELD SERVICES TO PERFORM ADDITIONAL LANDFILL ENGINEERING SERVICES, AS IDENTIFIED IN LINE ITEM NO. 221 OF THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE

MOTION BY BOARD MEMBER CRUZ, AND SECOND BY BOARD MEMBER RUGGLES TO APPROVE THE AMENDMENT. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES: BOARD MEMBERS: CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI
NOES: BOARD MEMBERS: NONE
ABSENT: BOARD MEMBERS: HABER
ABSTAIN: BOARD MEMBERS: NONE

CONSIDERATION OF CONTRACT COMPLETION DOCUMENTS FOR CONTRACT NO. IBC-0383R, INDUSTRY BUSINESS CENTER 66KV TRANSMISSION LINE RELOCATION PROJECT: INTERNATIONAL LINE BUILDERS, IN THE AMOUNT OF \$663,961.18

Mr. Josh Nelson, Project Manager for CNC Engineering, presented a report and responded

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to questions from Members of the Successor Agency.

MOTION BY BOARD MEMBER CRUZ, AND SECOND BY BOARD MEMBER RUGGLES TO AUTHORIZE THE AGENCY ENGINEER TO EXECUTE AND FILE CONTRACT COMPLETION DOCUMENTS, AND TO RECEIVE AND FILE THE FINAL ACCOUNTING. MOTION CARRIED 4-0, BY THE FOLLOWING VOTE:

AYES:	BOARD MEMBERS:	CRUZ, RUGGLES, VC/MOSS, AND C/RADECKI
NOES:	BOARD MEMBERS:	NONE
ABSENT:	BOARD MEMBERS:	HABER
ABSTAIN:	BOARD MEMBERS:	NONE

ADJOURNMENT

There being no further business, the Successor Agency to the Industry Urban-Development Agency adjourned.

Mark D. Radecki, Chairman

Diane M. Schlichting, Assistant Secretary

SUCCESSOR AGENCY

ITEM NO. 5.2



SUCCESSOR AGENCY TO THE
INDUSTRY URBAN - DEVELOPMENT AGENCY

STAFF REPORT

Date: April 6, 2016

To: Chairman and Members of the Board of Directors
Successor Agency to the Industry Urban-Development Agency

Prepared by: Dean Yamagata – Frazer, LLP

Via: Susan Paragas, Controller

Subject: Successor Agency to the Industry Urban-Development Agency Year
Ended June 30, 2015 Annual Communication Reports

RECOMMENDATION

Receive and file

Background:

The Agency's independent auditors, The Pun Group, LLP, have completed their annual audit of the Agency's financial statements for the year ended June 30, 2015. As part of their audit they have reviewed the Agency's internal accounting controls and have issued the following reports:

- 1) Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters For The Year Ended June 30, 2015 – Exhibit A
- 2) Independent Auditor's Report on Internal Control Related Matters Identified in the Audit For The Year Ended June 30, 2015 – Exhibit B
- 3) Auditor's Communications with the Board of Directors For The Year Ended June 30, 2015 – Exhibit C

Discussion & Analysis:

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

There were weaknesses noted in the Agency's internal control which is reported in Exhibit B.

Independent Auditor's Report on Internal Control Related Matters Identified in the Audit For The Year Ended June 30, 2015

The Auditors' report on internal controls and related matters have identified certain weaknesses with the City's internal controls. Item number 2015-003 in this report relates to the Agency's operation. City Staff has included these findings as part of the remediation process to change and improve the City's internal controls and these items will be addressed during this process.

The Auditor's Communications with the Board of Directors

Statement of Auditing Standards (SAS) No. 114 requires more and documented communications between the auditors and the Board of Directors. This letter provides an opportunity for the auditors to report on any difficulties or major concerns discovered during the audit and to further define their role. They provide commentary on management's responsibilities for accounting policies and estimates that no significant difficulties were encountered in performing the audit, and no disagreements occurred with management.

They point out that management has corrected all known misstatements and none of the misstatements were material either individually or in the aggregate.

Fiscal Impact

There is no fiscal impact as result of this action.

Exhibit A

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters For The Year Ended June 30, 2015**



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

To the Board of Directors
Successor Agency to Industry Urban-Development Agency
City of Industry, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Fiduciary Net Position of the Successor Agency to Industry Urban-Development Agency (the "SA to IUDA"), a component unit of the City of Industry, California (the "City") as of June 30, 2015 and the Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, which collectively comprise the SA to IUDA's basic financial statements, and have issued our report thereon dated February 19, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SA to IUDA's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SA to IUDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the SA to IUDA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the separately issued *Report on Internal Control Related Matters Identified in the Audit for the City of Industry* that we consider to be significant deficiencies as item 2015-003.

To the Board of Directors
of the Successor Agency to Industry Urban-Development Agency
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SA to IUDA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the separately issued *Report on Internal Control Related Matters Identified in the Audit for the City of Industry* as item 2015-003.

SA to IUDA's Response to Findings

The SA to IUDA's response to the findings identified in our audit is described in the separately issued *Report on Internal Control Related Matters Identified in the Audit for the City of Industry*. The SA to IUDA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
February 19, 2016

Exhibit B

**Independent Auditor's Report on Internal Control Related Matters Identified in the Audit
For The Year Ended June 30, 2015**

City of Industry

City of Industry, California

Report on Internal Control Related Matters Identified in the Audit

For the Year Ended June 30, 2015



City of Industry

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To the Honorable Mayor and Members of City Council
of the City of Industry
City of Industry, California

In planning and performing our audit of the financial statements of the City of Industry (the "City") as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses as items 2015-001, 2015-002 and 2015-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany Schedule of Findings and Responses to be significant deficiencies as items 2015-004, 2015-005, 2015-006, and 2015-007.

The City's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, City Council Members, others within the organization, and agencies requiring compliance with generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties.

The Pun Group, LLP

Santa Ana, California
February 19, 2016

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Toll Free: 855-276-4272 • Fax: 949-777-8850
www.pungroup.com

City of Industry
Schedule of Findings and Responses
For the Year Ended June 30, 2015

Finding 2015-001 Contract Management

Criteria:

During the course of the audit, we noted material weaknesses in the City’s internal controls over financial reporting and compliance. Internal control is defined as a process – effected by the City Council, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- reliability of financial reporting;
- effectiveness and efficiency of operations;
- compliance with applicable laws and regulations; and
- adequate safeguard of public resources.

These would include establishing or enhancing guidance in the following areas:

- *Control environment* sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- *Risk assessment* is the entity’s identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be managed.
- *Control activities* are the policies and procedures that help ensure that management directives are carried out.
- *Information and communication* systems support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- *Monitoring* is a process that assesses the quality of internal control performance over time.

The deficiencies noted involve a lack of policies that govern fiscal oversight at the City Council level and policies and related procedures over significant subcontractors and programs and assessment of the risks that the City faces in its financial planning.

Condition:

During our internal control testing over procurement process, we noted that the contracts for 5 out of the 26 vendors we tested were not renewed after the original contract expired or have no contract expiration date.

- Four of the contracts use “continue until terminated” termination clause.
- One contract at the Industry Hill Expo Center expired on June 30, 2002.

In addition, we noted that the City’s *Accounting Department Procedures Manual* does not have specific guidelines on the request for proposal (“RFP”) process for service contract or competitive bid process for capital expenditures in place to promote best value purchasing through fair and open competition.

Cause:

Policies and procedures are not in place to require each contract with termination date. In addition, monitoring controls are not in place to ensure expired contracts are properly renewed in accordance with the City’s procurement policy.

City of Industry
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2015

Finding 2015-001 Contract Management (Continued)

Effect:

When City uses vendors without a valid contract, the City is exposed to risk of litigation due to a non-enforceable contract. With expired contracts or contracts without a termination date, the City does not have a mechanism in place to promote open competition on contracted services and to evaluate whether the service provider is the best qualified company with the most competitive pricing. It could lead to over-paying for the service with the public funds.

Recommendation:

Contracts with clear termination dates enable the City to evaluate all current contracts on ongoing basis. It provides an opportunity for the City to solicit new vendors for the same services in a fair and open environment competitively. Also, by monitoring the contract terms, City management will also evaluate the performance by the contractor and make sure that terms and condition are to satisfaction to the City. We also recommended the City strengthen its purchasing policy to detail out the RFP and competitive bid process.

Management View and Corrective Action Plan:

The City agrees with the finding. The City Council will approve a comprehensive plan by May 2016, to competitively procure or update contracts for all vendors within three years. Contracts will be vetted for scope of work, indemnification, terms and expiration date.

The City entered into an Agreement with PlanetBids on March 10, 2016 to develop an electronic competitive procurement system. This system should be operational by May 2016.

City of Industry
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2015

Finding 2015-002 Internal Control over Other Postemployment Benefits and Exceedingly High Benefits

Criteria:

The City adopted the *Employee Handbook* (the “Handbook”) by Resolution No. CC 2012-16 on August 23, 2012. In accordance to the Handbook, the City pays the following for its employees:

- 100% of the premium for medical, dental and vision insurance for employees and their dependents
- 100% of the life insurance premium for the employees and their dependents with the following coverage:

City Manager, Department Heads	\$50,000
All other employees	\$25,000
Spouse	\$ 2,000
Dependent 5 to 18 years	\$ 2,000
- 100% of the long term disability insurance premium for employee only.
- 100% of the long term care benefits insurance premium for employee and spouse.

In accordance with section IX. Benefit – Q. Retiree Benefits, some employees may be eligible for retiree health benefits depending on in-hire date and years of service with the City. The retiree benefit is determined based on the following vesting rate:

General Employees	Hired before April 26, 1990: 100% at 10 Years of Service Hired on or after April 26, 1990: 100% at 25 Years of Service
Elected and Appointed Officials	100% at 8 Years of Service
Management	100% at 15 Years of Service

Condition:

There were 22 retirees as of July 1, 2015 valuation date.

During the other postemployment benefit census data testing, we noted one of the three retirees tested was in the position of Executive Director at the time of retirement. He was hired in 1989 and retired in 2000, which equates to 11 years of service when retired in 2000 and was below the required 15 years of service. There was a settlement agreement signed by the Chairman of the IUDA, attested by the IUDA Secretary and the Attorney. However, there was no resolution adopted by the City Council to ratify this settlement.

The City paid 100% of the premium for employees’ medical, dental, vision and long-term care benefits insurance. In reviewing the retiree OPEB premium paid schedule, we note that the premium paid by the City for certain retirees were exceedingly high. Total premium paid for retiree benefits was \$451,666 for the year ended June 30, 2015 among the 22 retirees. However, Resolution Number CC 2014-22 was adopted on July 10, 2014 stated the City will pay 100% of the premium of the long-term care benefits.

Cause:

The City provides other postemployment benefits without a cap.

Effect:

Because there is no cap on the retiree postemployment benefit, the City’s actuarial determined other postemployment benefit was projected to be \$11,039,940.

City of Industry
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2015

**Finding 2015-002 Internal Control over Other Postemployment Benefits and Exceedingly High Benefits
(Continued)**

Recommendation:

We recommended the City evaluate its retiree benefit policy to ensure the benefit provided to its employees and retirees are not exceedingly higher than the industry standards.

Management View and Corrective Action Plan:

The City agrees with the finding. To address this issue, the City procured the services of Regional Government Services (RGS) on February 11, 2016. RGS is currently completing a comparative analysis of employee benefits and is reviewing the City's human resources policies. The City is procuring the services of Keenan & Associates in April 2016 to review medical plan benefit levels for existing employees and retirees, to provide the City with options to address these issues in future budget years.

City of Industry
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2015

Finding 2015-003 Industry Convalescent Hospital

Criteria:

As stated in the *Government Auditing Standards*, the concept of accountability for use of public resources and government authority is key to our nation's governing process. Management and officials entrusted public resources are responsible to carry out public functions and providing service to the public effectively, efficiently, economically, ethically, and equitably within the context of the statutory boundaries of the specific government program.

In addition, effective accounting systems require management to estimate an allowance for doubtful accounts. Once those amounts are deemed uncollectible and collections efforts are exhausted, those amounts should be written off as bad debt expense and removed from the accounting records.

Condition:

We noted the following transactions with the Industry Convalescent Hospital (the "Hospital").

- As of June 30, 2015, the unpaid note receivables principal was in the amount of \$20,060,000 with 6% simple interest per annum and the related accrued interest was in the amount of \$22,157,440. The note was for advances made by the City to the Hospital back in 1992 pursuant to resolution adopted by the City Council. There is no repayment schedule as these loans are due on demand. The City management determined that the collectability of this note and accrued interest is uncertain. As a result, the entire \$42,217,440 outstanding balance is being not reported in the financial statements of the City.
- The Hospital also leases the property from the Successor Agency to the Industry Urban-Development Agency at \$1 a year, which is renewed annually. During the year ended June 30, 2015, the City incurred expenses in the amount of \$337,264 relating to contract labor, security and repair and maintenance of the property leased to the Hospital.

Cause:

The Promissory notes between the City and the Hospital does not have all the elements necessary to secure the amount outstanding by the Hospital.

Effect:

It appears that the City did not put in any effort in collecting the promissory note amount of \$20,060,000 to the Hospital. At June 30, 2015, the total unpaid accrued interest totaling \$22,157,440. In addition, the City has been subsidizing the Hospital's operations by charging \$1 rent per year and maintenance to the property.

Recommendation:

We recommended the City to take necessary action to bring the unpaid amount by the Hospital to the City Council and determine a reasonable repayment plan. Also, the City should conduct a review of the expenses incurred on the Hospital property and renegotiate a reasonable rent amount to at cover, at a minimum, the operating and maintenance expenses for the property.

Management View and Corrective Action Plan:

On March 24, 2016, the City Council was updated regarding the Hospital loan and the operating and maintenance costs borne by the City. To address these issues, the City will be developing a policy to establish a plan to resolve the outstanding loan and the costs of the operating and maintenance expenses.

City of Industry
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2015

Finding 2015-004 Related Party Transactions

Criteria:

Many related party transactions are necessary in the normal course of business. In such circumstances, they may carry no higher risk of material misstatement of the financial statements than similar transactions with unrelated parties. However, the nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties. For example, related party transactions may not be conducted under normal market terms and conditions (for example, some related party transactions may be conducted with no exchange of consideration). In addition, related party transactions may be motivated solely or in large measure to engage in fraudulent financial reporting or conceal misappropriation of assets.

Condition:

In our testing of related party transactions, we noted that out of 25 tenants at the properties owned by the Industry Property and Housing Management Authority (“IPHMA”), 18 tenants are current City employees or council members and one tenant is a retiree. All tenants are offered discounted rent from \$600 to \$800 per month, which is below the market value in the same neighborhood.

Cause:

The City does not have an adopted policy relating to the housing benefits for its employee.

Effect:

The City uses public resources in purchasing the property and appears that the use of the property is largely benefits exclusively for its employees of the City.

Recommendation:

We recommended the City charge fair market rent to all the renters of the housing units owned by the City, unless the rental units are acquired/established to fulfill low-moderate income housing requirement.

Management View and Corrective Action Plan:

On December 30, 2015, the City Manager advised all City employees that they were to vacate City owned properties. As of April 14, 2016, only one City employee resides in City owned housing, and by May 2016, no employees will reside in City housing.

On March 31, 2016, the Industry Property and Housing Management Authority asked to review all housing policies and procedures and could consider income-contingent rental rates as an option.

City of Industry
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2015

Finding 2015-005 Accounting Policies and Procedures

Criteria:

Accounting Policies and Procedures would aid the Finance Department and the City in providing training for accounting personnel, communicating and providing a source of reference to approved policies, and maintaining consistency of recording financial transactions.

Condition:

There are two separate sets of books maintained for Civic-Recreational-Industrial-Authority (“CRIA”), a component unit of the City. One is for the capital projects fund maintained by the City’s contracted Finance Department; the other one for the enterprise fund maintained by the contracted management company at the Industry Hill Expo Center (the “Expo Center”). We noted that the Expo Center is not aware of the existing policy and procedure manual maintained by the Finance Department. A separate manual for the Expo Center was created by the management of the Expo Center after the year ended June 30, 2015.

Cause:

The accounting and management function of the Expo Center is decentralized and is provided by CNC Equestrian Management Service Inc. Although the City’s Finance Department has established an *Accounting Department Procedures Manual*, the operation of the Expo Center was not being monitored by the City’s Finance Department and the need for an accounting policy was not required by the management of City or by management of Expo Center.

Effect:

Without the Accounting Policies and Procedures, personnel responsible for the daily work and transactions do not have a clear understanding of their role and responsibilities or the accounting standards applicable to their function. In addition, the absence of standardized procedures has and will create inefficient and inconsistent processing of transactions. Lack of accounting policies and procedures could lead to inconsistency in processing transactions or to process transactions without requiring review and approval.

Recommendation:

We recommended the management of the City and CRIA review the Expo Center accounting and policy manual to ensure consistent internal control policies are in place for the Expo Center.

Management View and Corrective Action Plan:

The City recently hired a Controller who will be reviewing the policies and procedures currently in place at the Expo Center. Any revisions will ensure that consistent internal control policies are implemented for the Expo Center.

City of Industry
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2015

Finding 2015-006 Internal Control over Purchasing Process

Criteria:

Effective internal control over purchasing process provides reasonable assurance that the expenses are properly reported. Management or governing body approval of purchase orders is required for purchases that exceed established limits according to City's policy.

Condition:

In our internal control testing of the procurement process, we noted that the City did not utilize purchase order for two of the recurring vendors as required by the *Accounting Department Procedures Manual*.

Cause:

The lack of reviewing and monitoring process over purchasing process resulted in missing approvals.

Effect:

The City did not follow its purchasing policies and procedures.

Recommendation:

We recommended the City improve its internal control over purchasing process and ensure that purchases orders are issued for all purchases requiring purchases orders.

Management View and Corrective Action Plan:

The City agrees with the finding. The City's policies and procedures for Purchasing will be revised to improve its internal control. City staff has been informed that the purchasing process will require that purchase requisitions be issued for all services and materials. This new procedure will be implemented as soon as staff is trained to use this function on the Financial Software System. The requisitions will require department head/supervisor approvals before a purchase order is issued.

City of Industry
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2015

Finding 2015-007 Internal Control over Payroll and Related Liabilities

Criteria:

Effective internal control over the personnel information and payroll process provides reasonable assurance of the completeness and accuracy of accounting records.

Condition:

During the Payroll Control Testing, we noted an incorrect personal use percentage was used to calculate the auto allowance in calendar year 2014 for one of the City employees. A higher percentage was used, resulting in additional auto allowance.

We also noted that the Payroll Department maintains the payroll master file and that the Human Resources Department does not have access to the payroll system. In addition, the Human Resources Department did not review the changes made by the Payroll Department after new information was updated in the payroll system or in MyCalPERS website.

Cause:

Monitoring controls are not effective to detect incorrect auto allowance allocated to the City's employee. Furthermore, policies and procedures are not in place to ensure there is second review of the information input to the system to provide mitigating control.

Effect:

Incorrect auto allowance was allocated to the City employee. In addition, payroll changes might be process incorrectly due to lack of independent review by the Human Resource Department.

Recommendation:

We recommended the City strengthen its review processes over payroll process to ensure that they are thoroughly evaluated, reviewed, and recorded in order to facilitate accurate record. We also recommended that payroll change report from payroll system and MyCalPERS be review by Human Resource department for each pay period to ensure correct payroll or personnel change information are corrected reflected in the payroll system and in the CalPERS database.

Management View and Corrective Action Plan:

The City agrees with this finding. The City's policies and procedures for Payroll will be reviewed and necessary improvements will be made to its internal control. Payroll will need written documentation from Human Resources to make any changes to personnel information. In addition, the City will be implementing a Human Resources and Payroll module to the City's current Financial Software System that will track personnel data.

Exhibit C

Auditor's Communications with the Board of Directors For The Year Ended June 30, 2015



February 19, 2016

To the Board of Directors
of the Successor Agency to Industry Urban-Development Agency
City of Industry, California

We have audited the financial statements the Successor Agency to Industry Urban-Development Agency (the "SA to IUDA"), a component unit of the City of Industry, California (the "City"), for the year ended June 30, 2015, and have issued our report thereon dated February 19, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated September 24, 2015, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the SA to IUDA. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we also performed tests of the SA to IUDA's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Our responsibility is to plan and perform the audits to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We have been engaged to report on the Schedule of Long-Term Debt, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of this supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriations of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the SA to IUDA are described in Note 1 to the financial statements.

New Accounting Standards

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*). This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement became effective for periods beginning after June 15, 2014 and did not have a significant impact on the SA to IUDA's financial statements for year ended June 30, 2015.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the SA to IUDA's financial statements for year ended June 30, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement establishes standards relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014 and did not have a significant impact on the SA to IUDA's financial statements for year ended June 30, 2015.

No other new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the SA to IUDA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the SA to IUDA's financial statements were:

- Management's estimate of the investment fair market value is based on information provided by the State of California for its investment in the Local Agency Investment Fund, based on market price provided by Bank of America and US Bank, the trustee for investments in the commercial paper and US Treasury Obligation, and investments held by bond trustee. We evaluated the key factors and assumptions used to develop the investment fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 – Summary of Significant Accounting Policies
- Note 2 – Cash and Investments
- Note 3 – Property Held for Sale or Disposition
- Note 4 – Bonds Payable
- Note 8 – Low and Moderate Income Housing
- Note 9 – Transactions with Related Parties
- Note 11 – Subsequent Event

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 19, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Directors
of the Successor Agency to the Industry Urban-Development Agency
City of Industry, California
Page 4

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the Schedule of Long-Term Debt, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the SA to IUDA and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

The PwC Group, LLP

Santa Ana, California

SUCCESSOR AGENCY

ITEM NO. 5.3



SUCCESSOR AGENCY TO THE
INDUSTRY URBAN - DEVELOPMENT AGENCY

MEMORANDUM

TO: Honorable Chairman and Members of the Board of the Successor Agency to the Industry Urban-Development Agency

FROM: James M. Casso, Agency Counsel

DATE: April 28, 2016

SUBJECT: Consideration of Resolution approving an agreement for the purchase and sale of 333 South Hacienda Boulevard, City of Industry to LW Investments, LLC and making CEQA Findings

BACKGROUND: Under the provisions of ABX1 26 (the “Dissolution Act”), redevelopment agencies, including the Industry Urban-Development Agency (“Agency”), were dissolved on February 1, 2012, and successor agencies were designated and vested with the responsibility of winding down the business and fiscal affairs of the former redevelopment agencies.

The Dissolution Act requires the Successor Agency to dispose of all Agency owned property expeditiously, and in a manner that maximizes value. In an effort to comply with the provisions of the Dissolution Act, the Successor Agency plans to enter into a purchase and sale agreement with LW Investments, LLC (the “Developer”) for the property located at 333 South Hacienda Boulevard (the “Property”). The Developer proposes to construct a minimum of 200,000 square feet of commercial, industrial or retail buildings, or other buildings on the Property. For the Property, the Developer will pay to the Agency the appraised value of \$14,350,000.00.

The attached Resolution sets forth the requisite findings pursuant to CEQA and it ensures that the proposed purchase/sale, which awaits Oversight Board and Department of Finance approval, in compliance with California law.

DISCUSSION: Developer will purchase the Property from the Agency for the fair market value of \$14,350,000.00, which is based on an appraisal. Further, at close of escrow, Developer will reimburse the City for the cost of the appraisal and for its legal costs, in an amount not to exceed \$15,000.00. The agreement requires a \$500,000.00 non-refundable deposit at the opening of escrow, and within 10 business days thereafter Developer shall deposit an additional non-refundable \$1,000,000.00, which will be non-refundable 21 days after the purchase agreement is approved.

Close of escrow will occur 90 days after the opening of escrow, however the Developer has the option to request four 30 day extensions.

The Developer’s proposed development of the Property will comply with the City’s General Plan and Zoning Code.

BUDGET IMPACT: Based on an appraisal, the Property was valued at \$14,350,000.00. The Developer has agreed to pay the fair market value of \$14,350,000.00. The value of the Property is based on the 200,000 square feet of usable land area.

RECOMMENDATION: Staff recommends that the Board adopt the attached resolution, approving the Purchase and Sale Agreement between the Agency and Developer for the Property.

Attachments:

Resolution

Purchase and Sale Agreement

RESOLUTION NO. SA 2016-06

A RESOLUTION OF THE SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY APPROVING THE PURCHASE AND SALE AGREEMENT BETWEEN THE AGENCY AND LW INVESTMENTS, LLC, FOR THE PROPERTY LOCATED AT 333 S. HACIENDA BOULEVARD, CITY OF INDUSTRY, AND MAKING THE REQUISITE CEQA FINDINGS

WHEREAS, on December 29, 2011, the California Supreme Court delivered its decision in *California Redevelopment Association v. Matosantos* (“*Matosantos*”), finding Assembly Bill X1 26 (the “Dissolution Act”) largely constitutional; and

WHEREAS, under the Dissolution act and the California Supreme Court’s decision in *Matosantos*, all California redevelopment agencies, including the Industry Urban-Development Agency of the City of Industry (“Agency”), were dissolved on February 1, 2012, and successor agencies, including the Agency, were designated and vested with the responsibility of winding down the business and fiscal affairs of the former redevelopment agencies; and

WHEREAS, on September 22, 2011, the City Council of the City of Industry (the “City”) adopted Resolution No. 2011-20 accepting for the City the role of Successor Agency, in accordance with the provisions of Health & Safety Code Section 34177(j); and

WHEREAS, under the provisions of Health & Safety Code Section 34191.4, once the Department of Finance (“Department”) issues a finding of completion, successor agencies are provided with additional authority to carry out the wind down process, and

WHEREAS, in accordance with Health & Safety Code Section 34191.5, after the issuance of a finding of completion, successor agencies are required to prepare a Long Range Property Management Plan (“LRPMP”), which must identify all Agency owned real property, and address the disposition and use of the real properties; and

WHEREAS, the Agency received its Finding of Completion from the Department on April 26, 2013; and

WHEREAS, the LRPMP was submitted to the Department, and was approved by the Department on February 21, 2014, and

WHEREAS, upon approval of the LRPMP by the Department, all Agency property was transferred to the Agency’s Community Redevelopment Property Trust Fund, and

WHEREAS, the Agency owns certain property located at 333 S. Hacienda Boulevard, City of Industry, California; and

WHEREAS, pursuant to the provisions of the LRPMP, the Agency desires to sell the Property at its highest and best use, maximizing its value, in furtherance of the economic goals and as provided for the City’s General Plan; and

WHEREAS, the Agency desires to sell the Property to the LW Investments LLC (“Developer”), via a Purchase and Sale Agreement (the “Agreement”), subject to Developer’s successful formation as a California limited liability company. The purchase price is \$14,350,000.00,

which represents an amount equal to or greater than the current fair market value of the Property, as determined by an appraisal; and

WHEREAS, the sale of the Property is exempt from the California Environmental Quality Act (“CEQA”) Public Resources Code Section 21000 *et seq.*), pursuant to Section 15061(b)(3) of the CEQA Guidelines. Section 15061(b)(3) of the CEQA Guidelines exempts projects covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The sale of the Property does not involve any land use entitlements that will allow for development on the Property. The sale would not create any public health or safety hazards and would not leave a significant impact on the resources or services within the surrounding area, such as water, sanitary services, surrounding roadways and intersections. Any future development at the Property will be subject to additional environmental review and independent analysis as required by CEQA; and

WHEREAS, the Agency has duly considered all terms and conditions of the proposed Agreement and believes that the redevelopment of the Property in accordance therewith is in the best interests of the Agency and the health, safety and welfare of its residents, maximizes value, is consistent with the provisions of the LRPMP, and is consistent with the public purposes and provisions of applicable state and local laws and requirements.

NOW, THEREFORE, THE SUCCESSOR AGENCY DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The above recitals are true and correct and are incorporated herein by reference.

SECTION 2. All necessary public hearings and opportunities for public testimony and comment have been conducted in compliance with State law and the Municipal Code of the City of Industry.

SECTION 3. The sale of the Property is exempt from the California Environmental Quality Act (“CEQA”) Public Resources Code Section 21000 *et seq.*), pursuant to Section 15061(b)(3) of the CEQA Guidelines. Section 15061(b)(3) of the CEQA Guidelines exempts projects covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The sale of the Property does not involve any land use entitlements that will allow for development on the Property. The sale would not create any public health or safety hazards and would not leave a significant impact on the resources or services within the surrounding area, such as water, sanitary services, surrounding roadways and intersections. Any future development at the Property will be subject to additional environmental review and independent analysis as required by CEQA.

Based on these findings, the City Council adopts the Notice of Exemption and directs staff to file the same as required by law, and approves the sale of the Property.

SECTION 4. The Agency hereby approves the sale of the Property to Developer, for a purchase price of \$14,350,000.00, subject to the terms and conditions set forth in the Purchase Agreement, attached hereto as Exhibit A, and incorporated herein by reference, and subject to Developer's successful formation as a California limited liability company.

SECTION 5. The Agency hereby directs staff to comply with all applicable statutes regarding the distribution of the sales proceeds to the Los Angeles County Auditor-Controller for distribution to the taxing entities.

SECTION 6. The Executive Director is hereby authorized execute the Purchase Agreement on behalf of the Agency, and to take such further actions as may be necessary to carry out the obligations set forth in this Resolution.

SECTION 7. The provision of this Resolution are severable and if any provision, clause, sentence, word or part thereof is held illegal, invalid, unconstitutional, or inapplicable to any person or circumstances, such illegality, invalidity, unconstitutionality, or inapplicability shall not affect or impair any of the remaining provisions, clauses, sentences, sections, words or parts thereof of the Resolution or their applicability to other persons or circumstances.

SECTION 8. The Agency Secretary shall certify to the passage and adoption of this Resolution and enter it into the respective book of original resolutions.

SECTION 9. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED this 28th day of April, 2016, by the following vote:

AYES: AGENCY BOARD MEMBERS:

NOES: AGENCY BOARD MEMBERS:

ABSENT: AGENCY BOARD MEMBERS:

ABSTAIN: AGENCY BOARD MEMBERS:

Mark D. Radecki, Chairman

ATTEST:

Diane M. Schlichting, Assistant Secretary

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES)
CITY OF INDUSTRY)

ASSISTANT SECRETARY'S
CERTIFICATION RE: ADOPTION OF
SUCCESSOR AGENCY TO THE
INDUSTRY URBAN-DEVELOPMENT
AGENCY RESOLUTION

I, Diane M. Schlichting, Assistant Secretary of the Successor Agency to the Industry Urban-Development Agency, do hereby certify that the foregoing Resolution No. SA 2016-___ was duly passed and adopted at a meeting of the Successor Agency to the Industry Urban-Development Agency on April ___, 2016, by the following vote, to wit:

AYES: AGENCY BOARD MEMBERS:

NOES: AGENCY BOARD MEMBERS:

ABSENT: AGENCY BOARD MEMBERS:

ABSTAIN: AGENCY BOARD MEMBERS:

Diane M. Schlichting, Assistant Secretary
Successor Agency to the Industry Urban-
Development Agency

PURCHASE AGREEMENT
[333 S. HACIENDA BOULEVARD]

SUCCESSOR AGENCY TO THE
INDUSTRY URBAN-DEVELOPMENT AGENCY
“**Agency**”

LW INVESTMENTS, LLC
a California limited liability company
“**Developer**”

April 28, 2016

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**PURCHASE AGREEMENT
[333 S. HACIENDA BOULEVARD]**

THIS PURCHASE AGREEMENT [333 S. HACIENDA BOULEVARD] (this “**Agreement**”), dated as of April 28, 2016 (the “**Effective Date**”) is entered into by and between the **SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY** (the “**Agency**”), and **LW INVESTMENTS, LLC** a California limited liability company (the “**Developer**”). The Agency and the Developer are hereinafter sometimes individually referred to as a “**party**” and collectively referred to as the “**parties**”.

RECITALS

This Agreement is entered into with reference to the following facts:

A. The Agency owns the fee interest in that certain real property located in the City of Industry, County of Los Angeles, State of California, as more particularly described in Exhibit “A” attached hereto and incorporated herein by this reference (such real property is referred to herein as the “**Property**”). The Developer wishes to acquire fee title to the Property from the Agency to enable the Developer to construct the Improvements (as such term is defined in Section 1.1.18) on the Property (the “**Project**”).

B. Development of the Project will assist in the elimination of blight, provide jobs, and substantially improve the economic and physical conditions in the City, and is in the best interests of the Agency and City, and the health, safety and welfare of the residents and taxpayers of the City.

C. A material inducement to the Agency to enter into this Agreement is the agreement by the Developer to rehabilitate the Project within a limited period of time, and the Agency would be unwilling to enter into this Agreement in the absence of an enforceable commitment by the Developer to develop the Project within such period of time.

NOW, THEREFORE, in reliance upon the foregoing Recitals, in consideration of the mutual covenants in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**ARTICLE 1
DEFINITIONS**

1.1 Definitions. The following terms as used in this Agreement shall have the meanings given unless expressly provided to the contrary:

1.1.1 Agency means the Successor Agency to the Industry Urban-Development Agency. The principal office of the Agency is located at 15625 East Stafford Street, Suite 100, City of Industry, California 91744.

1.1.2 Agreement means this Purchase Agreement.

1.1.3 Breach Notice is defined in Section 5.7.

1.1.4 Certificate of Completion means a certificate described in Section 3.7, to be provided by the Agency to the Developer upon satisfactory completion of construction of the Improvements.

1.1.5 Certificate of Occupancy means a final certificate of occupancy issued by the City for all of the Improvements.

1.1.6 City means the City of Industry, a municipal corporation, exercising governmental functions and powers, and organized and existing under the laws of the State of California. The principal office of the City is located at 15625 East Stafford Street, City of Industry, California 91744.

1.1.7 Close of Escrow and Closing are defined in Section 2.3.2.

1.1.8 Completion Date is defined in Section 3.1.1.

1.1.9 Default is defined in Section 6.2.

1.1.10 Deposit is defined in Section 2.2.1.

1.1.11 Developer means LW Investments, LLC, a California limited liability company. The principal office of the Developer for purposes of this Agreement is 100 N. Citrus Street, Suite #200; West Covina, CA 91791, Attention Ping Lu.

1.1.12 Escrow is defined in Section 2.3.1.

1.1.13 Escrow Holder means First American Title Insurance Company. The principal office of the Escrow Holder for purposes of this Agreement is 18500 Von Karman Avenue, Suite 600, Irvine, California 92612, Attention: Patty Beverly, Escrow Officer, Telephone: (949) 885-2465, Fax: (877) 372-0260, Email: pbeverly@firstam.com.

1.1.14 Extension Deposit is defined in Section 2.3.2.

1.1.15 Grant Deed is defined in Section 2.5.2.

1.1.16 Hazardous Materials means any chemical, material or substance now or hereafter defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous waste,” “restricted hazardous waste,” “toxic substances,” “pollutant or contaminant,” “imminently hazardous chemical substance or mixture,” “hazardous air pollutant,” “toxic pollutant,” or words of similar import under any local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto applicable to the Property, including, without limitation: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, et seq. (“**CERCLA**”); the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, et seq.; and the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901, et seq. The term “**Hazardous Materials**” shall also include any of the following: any and all toxic or hazardous substances, materials or wastes listed in the United States Department of Transportation Table (49 CFR

172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302) and in any and all amendments thereto in effect as of the date of the close of any escrow; oil, petroleum, petroleum products (including, without limitation, crude oil or any fraction thereof), natural gas, natural gas liquids, liquefied natural gas or synthetic gas usable for fuel, not otherwise designated as a hazardous substance under CERCLA; any substance which is toxic, explosive, corrosive, reactive, flammable, infectious or radioactive (including any source, special nuclear or by-product material as defined at 42 U.S.C. § 2012, et seq.), carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority; asbestos in any form; urea formaldehyde foam insulation; transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls; radon gas; or any other chemical, material or substance (i) which poses a hazard to the Property, to adjacent properties, or to persons on or about the Property, (ii) which causes the Property to be in violation of any of the aforementioned laws or regulations, or (iii) the presence of which on or in the Property requires investigation, reporting or remediation under any such laws or regulations.

1.1.17 Holder is defined in Section 4.2.2.

1.1.18 Improvements means the improvements described in Section 3.1.1.

1.1.19 Outside Date is defined in Section 2.3.2.

1.1.20 Oversight Board means the Oversight Board of the Successor Agency to the Industry Urban-Development Agency.

1.1.21 Plans and Specifications means the plans and specifications approved by the City for construction of the Improvements.

1.1.22 Pro Forma Policy is defined in Section 2.5.1.

1.1.23 Project is defined in Recital A.

1.1.24 Property is defined in Recital A.

1.1.25 Purchase Price is defined in Section 2.1.

1.1.26 Released Parties is defined in Section 2.7.

1.1.27 Schedule of Performance means the schedule attached hereto as Exhibit "B" and incorporated herein by this reference.

1.1.28 Title Company is defined in Section 2.5.3.

1.1.29 Title Policy is defined in Section 2.5.3.

1.1.30 Transaction Costs means all costs incurred by either party in entering into this transaction and closing Escrow, including but not limited to escrow fees and costs, attorney's fees, staff time, appraisal costs, and costs of financial advisors and other consultants.

ARTICLE 2
PURCHASE AND SALE OF THE PROPERTY

2.1 Purchase and Sale. The Agency agrees to sell the Property to the Developer, and the Developer agrees to purchase the Property from the Agency, for the sum of Fourteen Million Three Hundred Fifty Thousand Dollars (\$14,350,000.00) (the “**Purchase Price**”). In addition, Developer shall reimburse the Agency for the Agency’s costs of obtaining an appraisal of the Property and the Agency’s legal costs, (however, legal costs shall not exceed Fifteen Thousand Dollars (\$15,000.00)) in connection with this Agreement and the disposition of the Property under this Agreement (the “**Disposition Costs**”), and will be paid by Developer to Agency at the Closing through the Escrow (as hereinafter defined).

2.2 Payment of Purchase Price. The Purchase Price shall be payable by Developer as follows:

2.2.1 Deposit. Upon the opening of Escrow, Developer shall deposit with Escrow Holder a non-refundable sum of Five Hundred Thousand Dollars (\$500,000.00), and within ten (10) business days after the opening of escrow, Developer shall deposit an additional non-refundable One Million Dollars (\$1,000,000.00), all in the form of certified or bank cashier’s checks made payable to Escrow Holder or by confirmed wire transfers of funds (collectively, the “**Deposit**”). The Deposit shall be invested by Escrow Holder in an interest bearing account acceptable to Developer and Agency with all interest accruing thereon to be credited to the Purchase Price upon the Close of Escrow. The Deposit and any Extension Deposit, as set forth in Section 2.3.2, shall be applicable in full towards the Purchase Price upon Closing.

2.2.2 Closing Funds. Prior to the Close of Escrow, Developer shall deposit or cause to be deposited with Escrow Holder, by a certified or bank cashier’s check made payable to Escrow Holder or by a confirmed federal wire transfer of funds, the balance of the Purchase Price, plus the Disposition Costs, plus an amount equal to all other costs, expense and proration payable by Developer hereunder.

2.3 Escrow.

2.3.1 Opening of Escrow. Within five (5) business days after the parties’ full execution of this Agreement (the “**opening of Escrow**”), the Developer and the Agency shall open an escrow (the “**Escrow**”) with the Escrow Holder for the transfer of the Property to the Developer. The parties shall deposit with the Escrow Holder a fully executed duplicate original of this Agreement, which shall serve as the escrow instructions (which may be supplemented in writing by mutual agreement of the parties) for the Escrow. The Escrow Holder is authorized to act under this Agreement, and to carry out its duties as the Escrow Holder hereunder.

2.3.2 Close of Escrow. “**Close of Escrow**” or “**Closing**” means the date Escrow Holder causes the Grant Deed (as hereinafter defined) to be recorded in the Official Records of the County of Los Angeles and delivers the Purchase Price and Disposition Costs (less any costs, expenses and proration payable by the Agency) to the Agency. Possession of the Property shall be delivered to the Developer on the Close of Escrow. Close of Escrow shall occur within 90

days following the opening of Escrow (the “**Outside Date**”) or this Agreement shall automatically terminate; provided, however, the Outside Date may be extended for a maximum of four (4) thirty (30) day periods, upon written request, and payment by Developer of an additional non-refundable Two Hundred Fifty Thousand Dollar (\$250,000.00) deposit (“**Extension Deposit**”) for each thirty (30) day extension. If the Closing does not occur on or before the Outside Date due to a default by either party, then the defaulting party shall pay all Escrow cancellation fees (and if the defaulting party is the Developer, then the Agency shall be entitled to the Deposit under Section 6.3.1) (and if the defaulting party is the Agency, the Deposit and Extension Deposit shall be fully refunded to Developer). If the Closing does not occur due to a termination by Developer, then Developer shall pay all Escrow cancellation fees, and the Deposit and Extension Deposit shall be retained by the Agency, and all Disposition Costs to date shall be paid by Developer to Agency.

2.3.3 Delivery of Closing Documents.

(a) The Agency and Developer agree to deliver to Escrow Holder, at least two (2) days prior to the Close of Escrow, the following instruments and documents, the delivery of each of which shall be a condition precedent to the Close of Escrow:

(i) The Grant Deed, duly executed and acknowledged by the Agency, conveying a fee simple interest in the Property to Developer;

(ii) The Agency’s affidavit as contemplated by California Revenue and Taxation Code Section 18662;

(iii) A Certification of Non-Foreign Status signed by Agency in accordance with Internal Revenue Code Section 1445; and

(iv) Such proof of the Agency’s and Developer’s authority and authorization to enter into this transaction as the Title Company may reasonably require in order to issue the Title Policy.

The Agency and the Developer further agree to execute such reasonable and customary additional documents, and such additional escrow instructions, as may be reasonably required to close the transaction which is the subject of this Agreement pursuant to the terms hereof.

2.4 Conditions to Close of Escrow. The obligations of the Agency and Developer to close the transaction which is the subject of this Agreement shall be subject to the satisfaction, or waiver in writing by the party benefited thereby, of each of the following conditions:

2.4.1 For the benefit of the Agency, the Developer shall have deposited the balance of the Purchase Price, together with such funds as are necessary to pay for costs, expenses and prorations payable by Developer hereunder (including the Agency’s appraisal costs).

2.4.2 For the benefit of the Agency, all actions and deliveries to be undertaken or made by Developer on or prior to the Close of Escrow as set forth in the Schedule of Performance shall have occurred, as reasonably determined by the Agency.

2.4.3 For the benefit of the Developer, all actions and deliveries to be undertaken or made by the Agency on or prior to the Close of Escrow shall have occurred, as reasonably determined by the Developer.

2.4.4 For the benefit of the Agency, all Agency approvals required by the Schedule of Performance to be obtained prior to the Close of Escrow shall have been so obtained.

2.4.5 For the benefit of the Agency, the Developer shall have executed and delivered to Escrow Holder all documents and funds required to be delivered to Escrow Holder under the terms of this Agreement and the Developer shall otherwise have satisfactorily complied with its obligations hereunder.

2.4.6 For the benefit of the Developer, the Agency shall have executed and delivered to Escrow Holder all documents and funds required to be delivered to Escrow Holder under the terms of this Agreement and the Agency shall otherwise have satisfactorily complied with its obligations hereunder.

2.4.7 For the benefit of the Agency, the representations and warranties of the Developer contained in this Agreement shall be true and correct in all material respects as of the Close of Escrow.

2.4.8 For the benefit of the Developer, the representations and warranties of the Agency contained in this Agreement shall be true and correct in all material respects as of the Close of Escrow.

2.4.9 For the benefit of the Developer, Title Company shall be irrevocably committed to issuing in favor of the Developer the Title Policy, in form and substance, and with endorsements reasonably acceptable to the Developer, as provided in Section 2.5.3.

If all the foregoing conditions have not been met to the benefitted party's sole satisfaction or expressly waived in writing by the benefitted party on or before the respective dates set forth therein, or if no date is set forth therein on the Outside Date, then this Agreement shall, at the option of the benefitted party, become null and void, in which event, except as expressly set forth in this Agreement, neither party shall have any further rights, duties or obligations hereunder.

2.5 Condition of Title; Title Insurance.

2.5.1 Developer acknowledges receipt of a pro forma title insurance policy issued by the Title Company and attached hereto as Schedule 2.5.1 ("**Pro Forma Policy**"). Developer shall acquire the Property subject to all exceptions described in the Pro Forma Policy ("**Approved Exceptions**"). At the Closing, Seller shall deliver title to the Property to Buyer subject only to the Approved Exceptions.

2.5.2 At the Close of Escrow, the Developer shall receive title to the Property by grant deed substantially in the form attached hereto as Exhibit "C" and incorporated herein by this reference (the "**Grant Deed**").

2.5.3 At Closing, the Developer shall receive a CLTA Owner's Coverage Policy of Title Insurance in the form of the Pro Forma Policy (the "**Title Policy**"), issued by First American Title Insurance Company ("**Title Company**") in the amount of the Purchase Price, insuring title to the Property in the name of Developer, subject only to the Approved Exceptions. The Developer may obtain an ALTA extended coverage policy of title insurance at its own costs.

2.6 Escrow and Title Charges; Prorations.

2.6.1 The Agency shall pay all documentary transfer taxes and the coverage premiums for the Title Policy. Developer shall pay the costs of any title insurance premiums for any coverage over and above the Title Policy to be paid by the Agency. In addition, the Developer and the Agency shall each pay one-half of any and all other usual and customary costs, expense and charges relating to the escrow and conveyance of title to the Property, including without limitation, recording fees, document preparation charges and escrow fees. Each party shall be responsible for its own Transaction Costs, with the exception of the Disposition Costs set forth in Section 2.1.

2.6.2 All non-delinquent and current installments of real estate and personal property taxes and any other governmental charges, regular assessments, or impositions against the Property on the basis of the current fiscal year or calendar year shall be prorated as of the Close of Escrow based on the actual current tax bill. If the Close of Escrow shall occur before the tax rate is fixed, the apportionment of taxes on the Close of Escrow shall be based on the tax rate for the next preceding year applied to the latest assessed valuation after the tax rate is fixed, which assessed valuation shall be based on the Property's assessed value prior to the Close of Escrow and the Agency and Developer shall, when the tax rate is fixed, make any necessary adjustment. All prorations shall be determined on the basis of a 365-day year. The provisions of this Section 2.6.2 shall survive the Close of Escrow and the recordation of the Grant Deed and shall not be deemed merged into the Grant Deed upon its recordation.

2.6.3 Any Escrow cancellation charges shall be allocated and paid as described in Section 2.3.2 above.

2.7 Condition of the Property. The Property shall be conveyed from the Agency to the Developer on an "AS IS" condition and basis with all faults and the Developer agrees that the Agency has no obligation to make modifications, replacements or improvements thereto. Except as expressly and specifically provided in this Agreement, the Developer and anyone claiming by, through or under the Developer hereby waives its right to recover from and fully and irrevocably releases the Agency, the City and the Oversight Board, and their respective officers, directors, employees, representatives, agents, advisors, servants, attorneys, successors and assigns, and all persons, firms, corporations and organizations acting on the Agency's, City's or Oversight Board's behalf (collectively, the "**Released Parties**") from any and all claims, responsibility and/or liability that the Developer may now have or hereafter acquire against any of the Released Parties for any costs, loss, liability, damage, expenses, demand, action or cause of action arising from or related to the matters pertaining to the Property described in this Section 2.8. This release includes claims of which the Developer is presently unaware or which the Developer does not presently suspect to exist which, if known by the Developer, would materially affect the Developer's release of the Released Parties. If the Property is not in a condition suitable for the

intended use or uses, then it is the sole responsibility and obligation of the Developer to take such action as may be necessary to place the Property in a condition suitable for development of the Project thereon. Except as otherwise expressly and specifically provided in this Agreement and without limiting the generality of the foregoing, THE AGENCY MAKES NO REPRESENTATION OR WARRANTY AS TO (i) THE VALUE OF THE PROPERTY; (ii) THE INCOME TO BE DERIVED FROM THE PROPERTY; (iii) THE HABITABILITY, MARKETABILITY, PROFITABILITY, MERCHANTABILITY OR FITNESS FOR PARTICULAR USE OF THE PROPERTY; (iv) THE MANNER, QUALITY, STATE OF REPAIR OR CONDITION OF THE PROPERTY; (v) THE COMPLIANCE OF OR BY THE PROPERTY OR ITS OPERATION WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY; (vi) COMPLIANCE WITH ANY ENVIRONMENTAL PROTECTION OR POLLUTION LAWS, RULES, REGULATIONS, ORDERS OR REQUIREMENTS EXCEPT AS SET FORTH IN SECTION 2.8; (vii) THE PRESENCE OR ABSENCE OF HAZARDOUS MATERIALS AT, ON, UNDER OR ADJACENT TO THE PROPERTY EXCEPT AS SET FORTH IN SECTION 2.8; (viii) THE FACT THAT ALL OR A PORTION OF THE PROPERTY MAY BE LOCATED ON OR NEAR AN EARTHQUAKE FAULT LINE; AND (ix) WITH RESPECT TO ANY OTHER MATTER, THE DEVELOPER FURTHER ACKNOWLEDGES AND AGREES THAT HAVING BEEN GIVEN THE OPPORTUNITY TO INSPECT THE PROPERTY AND REVIEW INFORMATION AND DOCUMENTATION AFFECTING THE PROPERTY, THE DEVELOPER IS RELYING SOLELY ON ITS OWN INVESTIGATION OF THE PROPERTY AND REVIEW OF SUCH INFORMATION AND DOCUMENTATION AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY THE AGENCY.

THE DEVELOPER HEREBY ACKNOWLEDGES THAT IT HAS READ AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH IS SET FORTH BELOW:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

BY INITIALING BELOW, DEVELOPER HEREBY WAIVES THE PROVISIONS OF SECTION 1542 SOLELY IN CONNECTION WITH THE MATTERS WHICH ARE THE SUBJECT OF THE FOREGOING WAIVERS AND RELEASES.

Developer's Initials

The waivers and releases by the Developer herein contained shall survive the Close of Escrow and the recordation of the Grant Deed and shall not be deemed merged into the Grant Deed upon its recordation.

2.8 Environmental Condition of the Property. California Health & Safety Code section 25359.7 requires owners of non-residential real property who know, or have reasonable cause to believe, that any release of Hazardous Substances has come to be located on or beneath the real property to provide written notice of same to the buyer of real property. The Agency hereby discloses the information contained in the Due Diligence Phase I Environmental Site Assessment and Subsurface Investigation Report, attached hereto as Exhibit "E" and incorporated herein by reference.

The Parties acknowledge that the Agency will not be conducting a public records search of any regulatory agency files regarding the environmental condition of the Property. By execution of this Agreement, Developer (i) acknowledges its receipt of the foregoing notice given pursuant to Cal. Health & Safety Code section 25359.7; (ii) acknowledges that it is taking the Property as-is, subject to all information contained in Exhibit "E"; and (iii) waives any and all rights Developer may have to assert that the Agency has not complied with the requirements of Health & Safety Code section 25359.7.

2.9 Escrow Holder.

2.9.1 Escrow Holder is authorized and instructed to:

(a) Pay and charge the Developer for any fees, charges and costs payable by the Developer under this Agreement. Before such payments are made, the Escrow Holder shall notify the Agency and the Developer of the fees, charges, and costs necessary to close the Escrow;

(b) Pay and charge the Agency for any fees, charges and costs payable by the Agency under this Agreement. Before such payments are made, the Escrow Holder shall notify the Agency and the Developer of the fees, charges, and costs necessary to close the Escrow;

(c) Disburse funds and deliver the Grant Deed and other documents to the parties entitled thereto when the conditions of the Escrow and this Agreement have been fulfilled by the Agency and the Developer; and

(d) Record the Grant Deed and any other instruments delivered through the Escrow, if necessary or proper, to vest title in the Developer in accordance with the terms and provisions of this Agreement.

2.9.2 Any amendment of these escrow instructions shall be in writing and signed by both the Agency and the Developer.

2.9.3 All communications from the Escrow Holder to the Agency or the Developer shall be directed to the addresses and in the manner established in Section 7.3 of this Agreement for notices, demands and communications between the Agency and the Developer.

2.9.4 The responsibility of the Escrow Holder under this Agreement is limited to performance of the obligations imposed upon it under this Article, any amendments hereto,

and any supplemental escrow instructions delivered to the Escrow Holder that do not materially amend or modify the express provisions of these escrow instructions.

ARTICLE 3 DEVELOPMENT OF THE PROPERTY

3.1 Scope of Development.

3.1.1 The “**Improvements**” to be completed by Developer shall be comprised of a minimum of 200,000 square feet of commercial, industrial or retail buildings, or other buildings allowed under applicable law. Notwithstanding the foregoing, the Improvements shall not include a hotel, or any residential project. The Developer shall submit development plans for the Improvements within 12 months of the opening of Escrow. Subject to force majeure delays as provided in Section 7.9 below, the Project shall be completed no later than thirty-six (36) months after the Approval Date (“**Completion Date**”). The “**Approval Date**” shall be the date all approvals are issued by all governmental departments, agencies or other units with jurisdiction over the Project for the commencement of the construction of the Improvements. To the extent of any inconsistency between the Schedule of Performance and this Section 3.1.1, this Section 3.1.1 shall control.

3.1.2 The Developer shall submit all appropriate Plans and Specifications pertaining to the Improvements to the City, and shall construct the Improvements, and all associated public infrastructure improvements required by the City, pursuant to the City’s conditions of approval, if any, and all parking areas and landscaping, in accordance with and within the limitations established therefor in this Agreement and as required by the City. The Developer shall also comply with any and all applicable federal, state and local laws, rules and regulations, and any applicable mitigation measures adopted pursuant to the California Environmental Quality Act. The Agency shall cooperate at no out-of-pocket cost to the Agency, in the Developer’s pursuit and acquisition of permits and approvals for the Project from all applicable governmental and quasi-governmental agencies and public utilities.

3.2 Cost of Construction. The cost of constructing all Improvements and all public infrastructure improvements relating to the Project or required by the City or Agency in connection with the Project, if any, shall be borne by the Developer.

3.3 Construction Schedule. Subject to force majeure delays as provided in Section 7.9, the Developer shall begin and complete all construction within the times specified in the Schedule of Performance.

3.4 Rights of Access. In addition to those rights of access to and across the Property to which the Agency and the City may be entitled by law, members of the staffs of the Agency and the City shall have a reasonable right of access to the Property, without charge or fee, at any reasonable time, to inspect the work being performed at the Property.

3.5 Local, State and Federal Laws. The Developer shall carry out the construction of the Improvements in conformity with all applicable laws, including all applicable federal, state and local prevailing wage laws, occupation, safety and health laws, rules, regulations and standards.

3.6 Nondiscrimination During Construction. The Developer, for itself and its successors and assigns, agrees that it shall not discriminate against any employee or applicant for employment because of age, sex, marital status, race, handicap, color, religion, creed, ancestry, or national origin in the construction of the Improvements.

3.7 Certificate of Completion.

3.7.1 After (i) completion of construction by the Developer of all of the Improvements, (ii) the Developer has obtained a Certificate of Occupancy , and (iii) the Developer has caused a notice of completion (as described in California Civil Code Section 3093) with respect to the Improvements to be recorded in the Official Records of Los Angeles County, California, the Agency shall, following written request by the Developer, furnish the Developer with a Certificate of Completion for the Improvements within ten (10) business days of such request. The Certificate of Completion shall be in the form attached hereto as Exhibit "D" and incorporated herein by this reference. The Agency shall not unreasonably withhold, condition or delay the issuance of the Certificate of Completion. The Certificate of Completion shall be, and shall so state that it is, a conclusive determination of satisfactory completion by the Developer of all of its construction obligations under this Agreement, as to the Improvements.

3.7.2 If the Agency refuses or fails within ten (10) business days after receipt of a written request from the Developer to issue a Certificate of Completion, the Agency shall provide the Developer with a written statement of the reasons the Agency refused or failed to furnish a Certificate of Completion. The statement shall also specify the actions the Developer must take to obtain a Certificate of Completion for the Improvements. If the reason for such refusal is confined to the immediate availability of specific items or material for landscaping or any other non-structural matters, and the costs of completion does not exceed Two Hundred Fifty Thousand Dollars (\$250,000.00), the Agency shall issue its Certificate of Completion upon the Developer's depositing with the Agency cash or an irrevocable standby letter of credit issued by a bank or other financial institution acceptable to the Agency in an amount equal to the fair value of the work not yet completed as determined by the Agency. The determination of fair value shall be made by the Agency in the exercise of its reasonable judgment.

3.7.3 The Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any holder of a mortgage, trust deed or other security instrument. Such Certificate of Completion shall not be construed as a notice of completion as described in California Civil Code Section 3093.

ARTICLE 4
LIMITATIONS ON TRANSFERS AND SECURITY INTERESTS

4.1 Limitation As To Transfer of the Property and Assignment of Agreement. Prior to the Agency's issuance of the Certificate of Completion, the Developer shall not transfer its rights and obligations, in whole or in part, under this Agreement, or sell, assign, transfer, encumber, pledge or lease the Property, nor cause or suffer a change of more than 49% of the Ownership interests in Developer, directly or indirectly, in one or a series of transactions, without the Agency's prior written consent, which consent shall not be unreasonably withheld or

delayed. The Developer acknowledges that the identity of the Developer is of particular concern to the Agency, and it is because of the Developer's identity that the Agency has entered into this Agreement with the Developer. No voluntary or involuntary successor in interest of the Developer shall acquire any rights or powers under this Agreement in violation of the terms hereof. Notwithstanding any provision contained herein to the contrary, this prohibition shall not be deemed to prevent the granting of, easements or permits to facilitate the development of the Project, or any mortgage or deed of trust permitted by this Agreement. Upon the Agency's issuance of a Certificate of Completion, the Developer may transfer the Property to a transferee without restriction so long as the transferee agrees to all of the applicable covenants and conditions set forth in Article 5 of this Agreement.

Upon providing ten (10) days prior written notice to Developer, the Agency may assign its rights and obligations, in whole or in part, under this Agreement to the City without the prior consent of the Developer.

4.2 Security Financing; Right of Holders.

4.2.1 No Encumbrances Except Mortgages, Deeds of Trust, Conveyances or Other Conveyance for Financing For Development.

(a) Notwithstanding Section 4.1 or any other provision herein to the contrary, only mortgages, deeds of trust, sales and leasebacks, or any other form of encumbrance, conveyance, security interest or assignment required for any reasonable method of construction and permanent financing are permitted prior to the issuance of a Certificate of Completion for the Property, but only for the purpose of securing loans of funds to be used for the purchase of the Property or financing the direct and indirect costs of the development of the Project (including reasonable and customary developer fees, loan fees and costs, design fees and other normal and customary project costs, both hard and soft), and each such loan secured by the Property shall expressly allow for its prepayment or assumption (upon payment of a market standard prepayment or assumption fee) by and at the option of the City upon the exercise of its option to purchase provided in Section 5.7.

(b) The words "mortgage" and "deed of trust" as used herein include all other appropriate modes of financing commonly used in real estate acquisition, construction and land development. Any reference herein to the "holder" of a mortgage or deed of trust shall be deemed also to refer to a lessor under a sale and leaseback.

4.2.2 Notice of Default to Mortgage, Deed of Trust or Other Security Interest Holders; Right to Cure. Whenever the Agency shall deliver a notice or demand to the Developer with respect to any Default by the Developer in completion of development of the Project or otherwise, the Agency shall at the same time deliver a copy of such notice or demand to each holder of record of any first mortgage, deed of trust or other security interest authorized by this Agreement who has previously made a written request to the Agency for special notice hereunder (a "**Holder**"). No notice of Default to the Developer shall be effective against any such Holder unless given to such Holder as aforesaid. Such Holder shall (insofar as the rights of the Agency are concerned) have the right, at such Holder's option, within sixty (60) days after receipt of the notice, to cure or remedy any such Default and to add the cost thereof to the

security interest debt and the lien of its security interest; provided, however, that if longer than sixty (60) days is required to cure such Default, such longer period shall be granted to Holder, provided that Holder diligently pursues such cure during such longer period. If such Default shall be a default which can only be remedied or cured by such Holder upon obtaining possession of the Property, such Holder shall seek to obtain possession of the Property with diligence and continuity through a receiver or otherwise, and shall remedy or cure such Default within a reasonable period of time as necessary to remedy or cure such Default of the Developer. If such Default shall be a default as to or by Developer which cannot be cured, Agency shall not seek to enforce the same against Holder and Holder shall not be subject thereto. Agency agrees to provide any actual or potential mortgagee, beneficiary or lender of funds for the construction and permanent financing of the Project (collectively, “**Lender**”) such additional assurances and documents as are reasonably required by such Lender to induce Lender to make such loan, including, without limitation, subordination of Agency’s purchase rights under Section 5.7 to such Lender’s security instrument.

4.2.3 Noninterference with Holders. The provisions of this Agreement do not limit the right of Holders to foreclose or otherwise enforce any mortgage, deed of trust, or other security instrument encumbering the Property and the improvements thereon, or the right of Holders to pursue any remedies for the enforcement of any pledge or lien encumbering the Property; provided, however, that in the event of a foreclosure sale under any such mortgage, deed of trust or other lien or encumbrance, or sale pursuant to any power of sale contained in any such mortgage or deed of trust, the purchaser or purchasers and their successors and assigns, and the Property, shall be, and shall continue to be, subject to all of the conditions, restrictions and covenants of this Agreement and all documents and instruments recorded pursuant hereto.

ARTICLE 5 USE OF THE PROPERTY

5.1 Use. The Developer covenants and agrees for itself, and its successors and its assigns, that the Developer, such successors, and such assignees shall use the Property, and every part thereof, only for the construction of the Improvements thereon, and thereafter for any use permitted by applicable laws, however, as set forth in Section 3.1.1, at no time shall the Property be used for a hotel or residential project. Notwithstanding the foregoing, if and when the Developer conveys the Property to a third party after completion of the Improvements thereon or assigns the Agreement in accordance with this Agreement, the Developer shall be relieved of any further responsibility under this Section 5.1 as to the Property so conveyed.

5.2 Maintenance of the Property. After completion of the Project, Developer shall maintain the Property and the Project (including landscaping) in a commercially reasonable condition and repair to the extent practicable and in accordance with industry health and safety standards. Notwithstanding the foregoing, if and when the Developer conveys the Property to a third party after completion of the Improvements thereon in accordance with the Agreement, the Developer shall be relieved of any further responsibility under this Section 5.2 as to the Property so conveyed.

5.3 Obligation to Refrain from Discrimination. The Developer covenants and agrees for itself, its successors and assigns, and for every successor in interest to the Property or any

part thereof, that there shall be no discrimination against or segregation of any person, or group of persons, on account of sex, marital status, age (this paragraph shall not be construed to prohibit or restrict housing or services specifically for older persons and seniors), handicap, race, color, religion, creed, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, and the Developer (itself or any person claiming under or through the Developer) shall not 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 Property or any portion thereof. Notwithstanding the foregoing, if and when the Developer conveys the Property to a third party after completion of the Improvements thereon in accordance with the Agreement, the Developer shall be relieved of any further responsibility under this Section 5.3 as to the Property so conveyed.

5.4 Form of Nondiscrimination and Nonsegregation Clauses. All deeds, leases or contracts for sale shall contain the following nondiscrimination or nonsegregation clauses:

5.4.1 In deeds: “The grantee herein covenants by and for himself or 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 any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, 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 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.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph.”

5.4.2 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 any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the leasing, subleasing, transferring, use or 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, sublessees, subtenants or vendees in the premises herein leased.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph.”

5.4.3 In contracts: “The contracting party or parties hereby covenant by and for himself or herself and their respective successors and assigns, that there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the contracting party or parties, any subcontracting party or parties, or their respective assigns or transferees, establish or permit any such practice or practices of discrimination or segregation.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph.”

5.5 Restrictive Covenant. In order to insure the Developer’s compliance with the covenants set forth in Sections 5.1, 5.2, 5.3 and 5.4 hereof, such covenants shall be set forth in the Grant Deed. Such covenants shall run with the Property for the benefit of the Agency and the Agency shall have the right to assign all of its rights and benefits therein to the City.

5.6 Effect and Duration of Covenants. The following covenants shall be binding upon the Property and Developer and its successors and assigns and shall remain in effect for the following periods, and each of which shall be set forth with particularity in any document of transfer or conveyance by the Developer:

(1) The non-discrimination and non-segregation requirements set forth in Sections 5.3, 5.4 and 5.5 shall remain in effect in perpetuity;

(2) The maintenance requirements set forth in Section 5.2 shall remain in effect for the period described therein, and;

(3) Easements to the Agency, City or other public agencies for utilities existing as of the execution of this Agreement, which shall remain in effect according to their terms.

(4) The use requirement regarding using the Property only for the construction of the Improvements set forth in Section 5.1 shall remain in effect until the earlier of the completion of the Improvements, or one (1) year after Close of Escrow if the reason for the failure to complete the Improvements is not due to a default by Developer. The use requirement regarding using the Property for any lawful purpose shall remain in effect in perpetuity.

5.7 Option to Purchase for Failure to Complete Construction. If the Developer shall fail to commence construction of the Improvements on or prior to the Approval Date or complete the construction of the Improvements on or prior to the Completion Date, both subject to force majeure delays as provided in Section 7.9, the Agency may give written notice (a “**Breach Notice**”) of such breach to the Developer and, if applicable, to any Holder. The Developer shall have a period of thirty (30) days after the date of the Breach Notice to cure said breach, or if a cure is not possible within such thirty (30) day period, to commence such cure and diligently prosecute the same to completion, which shall in any event not exceed ninety (90) days from the date of the Breach Notice. In the event that the Developer shall fail to cure such breach within such period, the City shall have the right, at its option, to purchase and take possession of the Property with all improvements thereon. To exercise its option to purchase and take possession of the Property, the City shall pay to the Developer, in cash, an amount equal to:

1. the Purchase Price paid to Agency for the Property; plus
2. the amount, if any, of the costs incurred by Developer for on-site labor and materials for the construction of the Improvements, as well as fees and commissions paid to architects, designers, other design professionals, lawyers, accountants and brokers, that are not otherwise payable or paid from the proceeds of any loan secured by any Holders' mortgage or deed of trust encumbering the Property or the Improvements, provided such costs are reasonably documented by reasonable evidence delivered to the Agency and City within thirty (30) days after the Purchase Notice (as hereinafter defined) and such sums are reflected in an overall Project budget approved in writing by the Agency prior to the commencement of construction on the Property; less
3. any and all sums outstanding under any Holder's mortgage or deed of trust encumbering the Property or the Improvements and any prepayment premium and expenses related thereto.

The City’s option to purchase and take possession of the Property pursuant to this Section 5.7 must be exercised by City, if at all, by giving sixty (60) days written notice to Developer (“**Purchase Notice**”). If timely notice is given by the City, then the City must purchase and take possession of the Property, and close escrow for the purchase, within six (6) months after the act or failure to act giving rise to such option. If the City fails to timely notice its option to purchase or fails to timely purchase, then the option of the City to purchase shall be terminated. Developer agrees to cooperate in good faith, and to promptly execute and record all documents necessary to effect the option to purchase described in this Section 5.7. City is a third party beneficiary of this Article 5.

ARTICLE 6
EVENTS OF DEFAULT, REMEDIES AND TERMINATION

6.1 Developer Events of Defaults. Occurrence of any or all of the following, if uncured after the expiration of any applicable cure period, shall constitute a default (“**Developer Event of Default**”) under this Agreement:

6.1.1 The Developer’s failure to commence construction of the Improvements or to complete construction of the Improvements as provided herein and the Developer’s failure to cure such breach, as provided in Section 5.7, provided that such failure is not due to causes beyond the Developer’s control as provided in Section 7.9; or

6.1.2 The Developer’s sale, lease, or other transfer, or the occurrence of any involuntary transfer, of the Property or any part thereof or interest therein in violation of this Agreement; or

6.1.3 The Developer’s neglect, failure or refusal to keep in force and effect any permit or approval with respect to development of the Project (and the Agency shall reasonably cooperate with the Developer as to the same), unless such failure is due to causes beyond the Developer’s reasonable control as provided in Section 7.9, or any policy of insurance required hereunder, and, so long as such failure is not caused by any wrongful act of the Agency or the City, the Developer’s failure to cure such breach within thirty (30) days after receipt of written notice from the Agency of the Developer’s breach, or if a cure is not possible within such thirty (30) day period, to commence such cure and diligently prosecute the same to completion; or

6.1.4 Filing of a petition in bankruptcy by or against the Developer or appointment of a receiver or trustee of any property of the Developer, or an assignment by the Developer for the benefit of creditors, or adjudication that the Developer is insolvent by a court, and the failure of the Developer to cause such petition, appointment, or assignment to be removed or discharged within ninety (90) days; or

6.1.5 The Developer’s failure to perform any requirement or obligation of Developer set forth herein or in the Schedule of Performance, on or prior to the date for such performance set forth herein or in the Schedule of Performance (subject to delays pursuant to Section 7.9), and, so long as such failure is not caused by any wrongful act of the Agency or the City, the Developer’s failure to cure such breach within thirty (30) days after receipt of written notice from the Agency of the Developer’s breach, or if a cure is not possible within the thirty (30) day period, to begin such cure and diligently prosecute the same to completion, which shall, in any event, not exceed ninety (90) days from the date of receipt of the notice to cure; or

6.1.6 The Developer’s failure to deposit with Escrow Holder the Deposit and any Extension Deposits, or the balance of the Purchase Price as required by Section 2.2.

6.2 Agency Events of Default. Occurrence of any or all of the following, if uncured after the expiration of the applicable cure period, shall constitute a default (“**Agency Event of Default**”), and together with the Developer Event of Default, a “**Default**”) under this Agreement:

6.2.1 The Agency, in violation of the applicable provision of this Agreement, fails to convey the Property to Developer at the Close of Escrow; or

6.2.2 The Agency breaches any other material provision of this Agreement.

Upon the occurrence of any of the above-described events, the Developer shall first notify the Agency in writing of its purported breach or failure, giving the Agency thirty (30) days from receipt of such notice to cure such breach or failure (other than a failure by the Agency to convey the Property at the Close of Escrow, for which there shall be no cure period) or if a cure is not possible within the thirty (30) day period, to begin such cure and diligently prosecute the same to completion, which shall, in any event, not exceed one hundred eighty (180) days from the date of receipt of the notice to cure.

6.3 Remedies in the Event of Default.

6.3.1 Remedies General. In the event of a breach or a default under this Agreement by either Developer or Agency, prior to the Close of Escrow, the non-defaulting party shall have the right to terminate this Agreement by providing ten (10) days written notice thereof to the defaulting party. If such breach or default is not cured within such ten (10) day period (other than a failure by the Agency to convey the Property at the Close of Escrow, for which there shall be no cure period), this Agreement and the Escrow for the purchase and sale of the Property shall terminate; provided, however, if the breach or default is by the Agency, Developer shall be entitled to a return of the Deposit and Extension Deposit, and all interest accrued thereon. Except as herein otherwise expressly provided, such termination of the Escrow by a non-defaulting party shall be without prejudice to the non-defaulting party's rights and remedies against the defaulting party at law or equity.

In the event of a Default under this Agreement after the Close of Escrow, the non-defaulting party may seek against the defaulting party any available remedies at law or equity, including but not limited to the right to receive reimbursement for its documented out-of-pocket costs relating to this purchase transaction or to pursue an action for specific performance, but in no event shall such non-defaulting party be entitled to receive any consequential or special damages. In addition, the City shall have the option to purchase and take possession of the Property as set forth in Section 5.7.

IF THE DEVELOPER FAILS TO COMPLETE THE ACQUISITION OF THE PROPERTY AS HEREIN PROVIDED BY REASON OF ANY DEFAULT OF THE DEVELOPER, IT IS AGREED THAT THE DEPOSIT AND EXTENSION DEPOSIT SHALL BE NON-REFUNDABLE AND THE AGENCY SHALL BE ENTITLED TO SUCH DEPOSIT AND EXTENSION DEPOSIT, WHICH AMOUNT SHALL BE ACCEPTED BY THE AGENCY AS LIQUIDATED DAMAGES AND NOT AS A PENALTY AND AS THE AGENCY'S SOLE AND EXCLUSIVE REMEDY. IT IS AGREED THAT SAID AMOUNT CONSTITUTES A REASONABLE ESTIMATE OF THE DAMAGES TO THE AGENCY PURSUANT TO CALIFORNIA CIVIL CODE SECTION 1671 ET SEQ. THE AGENCY AND DEVELOPER AGREE THAT IT WOULD BE IMPRACTICAL OR IMPOSSIBLE TO PRESENTLY PREDICT WHAT MONETARY DAMAGES THE AGENCY WOULD SUFFER UPON THE DEVELOPER'S FAILURE TO COMPLETE ITS ACQUISITION OF THE

PROPERTY. THE DEVELOPER DESIRES TO LIMIT THE MONETARY DAMAGES FOR WHICH IT MIGHT BE LIABLE HEREUNDER AND THE DEVELOPER AND AGENCY DESIRE TO AVOID THE COSTS AND DELAYS THEY WOULD INCUR IF A LAWSUIT WERE COMMENCED TO RECOVER DAMAGES OR OTHERWISE ENFORCE THE AGENCY'S RIGHTS. IF FURTHER INSTRUCTIONS ARE REQUIRED BY ESCROW HOLDER TO EFFECTUATE THE TERMS OF THIS PARAGRAPH, THE DEVELOPER AND AGENCY AGREE TO EXECUTE THE SAME. THE PARTIES ACKNOWLEDGE THIS PROVISION BY PLACING THEIR INITIALS BELOW:

Agency

Developer

6.3.2 Liberal Construction. The rights established in this Agreement are to be interpreted in light of the fact that the Agency will convey the Property to the Developer for development and operation of the Project thereon and not for speculation in undeveloped land or for construction of different improvements. The Developer acknowledges that it is of the essence of this Agreement that the Developer is obligated to complete all Improvements comprising the Project.

6.3.3 Except as specifically provided herein to the contrary, no representative, employee, attorney, agent or consultant of the Agency, City or Oversight Board shall personally be liable to the Developer, or any successor in interest of the Developer, in the event of any Default or breach by the Agency, or for any amount which may become due to the Developer, or any successor in interest, on any obligation under the terms of this Agreement.

6.4 Legal Actions.

6.4.1 Institution of Legal Actions. Any legal actions brought pursuant to this Agreement must be instituted in either the Superior Court of the County of Los Angeles, State of California or in an appropriate municipal court in that County.

6.4.2 Applicable Law. The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

6.4.3 Acceptance of Service of Process. If any legal action is commenced by the Developer against the Agency, service of process on the Agency shall be made by personal service upon the Executive Director or Secretary of the Agency, or in such other manner as may be provided by law. If any legal action is commenced by the Agency against the Developer, service of process on the Developer shall be made by personal service upon the Developer, or in such other manner as may be provided by law, whether made within or without the State of California.

6.5 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same time or different times, of any other rights or remedies for the same Default or any other Default by the other party.

6.6 Inaction Not a Waiver of Default. Except as expressly provided in this Agreement to the contrary, any failure or delay by either party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies, or deprive either such party of its rights to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

ARTICLE 7 GENERAL PROVISIONS

7.1 Insurance.

7.1.1 Prior to commencement of any demolition or construction work on the Property by the Developer, the Developer shall obtain, at the Developer's sole cost and expense, and shall maintain in force until completion of construction of the Improvements, with a reputable and financially responsible insurance company reasonably acceptable to the Agency, broad form commercial general public liability insurance, insuring the Developer and the Agency against claims and liability for bodily injury, death, or property damage arising from the use, occupancy, condition, or operation of the Property and the Improvements thereon, which insurance shall provide combined single limit protection of at least Two Million Dollars (\$2,000,000.00), and include contractual liability endorsement. Such insurance shall name the City, the Agency and the Oversight Board and their respective council members, board members, officers, employees, consultants, independent contractors, and attorneys as additional insureds.

7.1.2 Prior to commencement of any demolition or construction work on the Property by the Developer, the Developer shall also obtain, or cause to be obtained, at the Developer's sole cost and expense, and shall maintain in force until completion of the construction of the Improvements, with a reputable and financially responsible insurance company reasonably acceptable to the Agency (i) "all risk" builder's risk insurance, including coverage for vandalism and malicious mischief, in a form and amount and with a reputable and financially responsible insurance company reasonably acceptable to the Agency, and (ii) workers' compensation insurance covering all persons employed in connection with work. The builder's risk insurance shall cover improvements in place and all material and equipment at the job site furnished under contract, but shall exclude contractors', subcontractors', and construction managers' tools and equipment and property owned by contractors' and subcontractors' employees.

7.1.3 Prior to the commencement of any demolition or construction work on the Property by the Developer, the Developer shall also furnish or cause to be furnished to the Agency evidence satisfactory to the Agency that any contractor with whom it has contracted for the performance of work on the Property carries workers' compensation insurance as required by law.

7.1.4 With respect to each policy of insurance required above, the Developer shall furnish a certificate of insurance countersigned by an authorized agent of the insurance carrier on the insurance carrier's form setting forth the general provisions of the insurance

coverage. The required certificate shall be furnished by the Developer prior to commencement of any demolition or construction work on the Property.

7.1.5 All such policies required by this Section shall be nonassessable and shall contain language to the effect that (i) the policies cannot be canceled or materially changed except after thirty (30) days' written notice by the insurer to the Agency, and (ii) the Agency shall not be liable for any premiums or assessments. All such insurance shall have deductibility limits reasonably satisfactory to the Agency. The provisions of this Section shall survive the Close of Escrow and the recordation of the Grant Deed and shall not be deemed merged into the Grant Deed upon its recordation.

7.2 Indemnity.

7.2.1 The Developer shall indemnify, defend, protect, and hold harmless the Agency, the City and the Oversight Board and any and all agents, employees, attorneys and representatives of the Agency, the City and the Oversight Board, from and against all losses, liabilities, claims, damages (including consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out-of-pocket litigation costs and reasonable attorney's fees) and demands of any nature whatsoever, related directly or indirectly to, or arising out of or in connection with:

- (a) the Developer's use, ownership, management, occupancy, or possession of the Property;
- (b) any breach or Default of the Developer hereunder;
- (c) any of the Developer's activities on the Property (or the activities of the Developer's agents, employees, lessees, representatives, licensees, guests, invitees, contractors, subcontractors, or independent contractors on the Property), including without limitation, the construction of the Improvements on the Property;
- (d) the presence or clean-up of Hazardous Substances on, in or under the Property to the extent the same was caused by Developer or Developer's affiliates, agents or employees; or,
- (e) any other fact, circumstance or event related to the Developer's performance hereunder, or which may otherwise arise from the Developer's ownership, use, possession, improvement, operation or disposition of the Property, regardless of whether such damages, losses and liabilities shall accrue or are discovered before or after termination or expiration of this Agreement, or before or after the conveyance of the Property.

7.2.2 The indemnity obligations described in this Section 7.2 shall survive for a period of four (4) years from the earlier of (i) the termination of this Agreement, or (ii) the completion of the Improvements, and shall not be deemed merged into the Grant Deed upon the recordation.

7.3 Notices. All notices and demands shall be given in writing by certified mail, postage prepaid, and return receipt requested, by nationally recognized overnight courier or by

personal delivery. Notices shall be considered given upon the earlier of (a) personal delivery, (b) three (3) business days following deposit in the United States mail, postage prepaid, certified or registered, return receipt requested, (c) the next business day after deposit with a nationally reorganized overnight courier, in each instance addressed to the recipient as set forth below. Notices shall be addressed as provided below for the respective party; provided that if any party gives notice in writing of a change of name or address, notices to such party shall thereafter be given as demanded in that notice:

Agency: Successor Agency to the
Industry Urban-Development Agency
15625 East Stafford Street, Suite 100
City of Industry, CA 91744
Attention: Paul J. Philips, City Manager

with a copy to: James M. Casso, City Attorney
Casso & Sparks, LLP
13200 Crossroads Parkway North, Suite 345
City of Industry, CA 91746

Developer: LW Investments, LLC
100 N. Citrus Street, Suite #200
West Covina, CA 91791
Attention: Ping Lu

with a copy to: Stephen R. Ledoux, Esq.
Davis Wright Tremaine, LLP
1300 SW Fifth Avenue, Suite 2400
Portland, OR 94102

7.4 Construction. The parties agree that each party and its counsel have reviewed and revised this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement or any amendments or exhibits thereto.

7.5 Developer's Warranties. The Developer warrants and represents to the City and the Agency as follows:

7.5.1 The Developer has full power and authority to execute and enter into this Agreement and to consummate the transaction contemplated hereunder. This Agreement constitutes the valid and binding agreement of the Developer, enforceable in accordance with its terms subject to bankruptcy, insolvency of other creditors' rights laws of general application. Neither the execution nor delivery of this Agreement, nor the consummation of the transactions covered hereby, nor compliance with the terms and provisions hereof, shall conflict with, or result in a breach of, the terms, conditions or provisions of, or constitute a default under, any agreement or instrument to which the Developer is a party.

7.5.2 As of the Close of Escrow, the Developer will have inspected the Property and will be familiar with all aspects of the Property and its condition, and will accept such condition.

7.5.3 The Developer has not paid or given, and will not pay or give, to any third person, any money or other consideration for obtaining this Agreement, other than normal costs of conducting business and costs of professional services such as brokers, architects, engineers and attorneys.

7.6 Interpretation. In this Agreement the neuter gender includes the feminine and masculine, and singular number includes the plural, and the words "person" and "party" include corporation, partnership, firm, trust, or association where ever the context so requires.

7.7 Time of the Essence. Time is of the essence of this Agreement.

7.8 Attorneys' Fees. If any party brings an action to enforce the terms hereof or declare its rights hereunder, the prevailing party in any such action shall be entitled to its reasonable attorneys' fees to be paid by the losing party as fixed by the court. If the Agency, or the Developer, without fault, is made a party to any litigation instituted by or against the other party, such other party shall defend it against and save it harmless from all costs and expenses including reasonable attorney's fees incurred in connection with such litigation.

7.9 Enforced Delay: Extension of Times of Performance. Notwithstanding anything to the contrary in this Agreement, unexcused failure to commence construction of the Improvements on or prior to the Approval Date or to complete construction of the Improvements on or prior to the Completion Date shall constitute a Default hereunder as herein set forth; provided, however, nonperformance of such obligations or any other obligations to be performed hereunder shall be excused when performance is prevented or delayed by reason of any of the following forces reasonably beyond the control of the party responsible for such performance: (i) war, insurrection, riot, flood, severe weather, earthquake, fire, casualty, acts of public enemy, terrorism, governmental restriction, litigation, acts or failures to act of any governmental or quasi-governmental agency or entity, including the Agency, or public utility, or any declarant under any applicable conditions, covenants, and restrictions affecting the Property, or (ii) inability to secure necessary labor, materials or tools, strikes, lockouts, delays of any contractor, subcontractor or supplier or (iii) other matters generally constituting a force majeure event in circumstances similar to those contemplated by this Agreement (but which shall not in any event include the availability of financing to construct the Improvements). In the event of an occurrence described in clauses (i), (ii) or (iii) above, such nonperformance shall be excused and the time of performance shall be extended by the number of days the matters described in clauses (i), (ii) or (iii) above materially prevent or delay performance.

7.10 Approvals by the Agency and the Developer. Unless otherwise specifically provided herein, wherever this Agreement requires the Agency or the Developer to approve any contract, document, plan, proposal, specification, drawing or other matter, such approval shall not unreasonably be withheld, conditioned or delayed.

7.11 Developer's Private Undertaking. The development covered by this Agreement is a private undertaking, and the Developer shall have full power over and exclusive control of the Property while the Developer holds title to the Property; subject only to the limitations and obligations of the Developer under this Agreement and the Redevelopment Plan.

7.12 Entire Agreement, Waivers and Amendments. This Agreement is executed in duplicate originals, each of which is deemed to be an original. This Agreement, together with all attachments and exhibits hereto, constitutes the entire understanding and agreement of the parties. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to the subject matter hereof. No subsequent agreement, representation or promise made by either party hereto, or by or to any employee, officer, agent or representative of either party, shall be of any effect unless it is in writing and executed by the party to be bound thereby. No person is authorized to make, and by execution hereof the Developer and the Agency acknowledge that no person has made, any representation, warranty, guaranty or promise except as set forth herein; and no agreement, statement, representation or promise made by any such person which is not contained herein shall be valid or binding on the Developer or the Agency.

7.13 Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7.14 Severability. Each and every provision of this Agreement is, and shall be construed to be, a separate and independent covenant and agreement. If any term or provision of this Agreement or the application thereof shall to any extent be held to be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to circumstances other than those to which it is invalid or unenforceable, shall not be affected hereby, and each term and provision of this Agreement shall be valid and shall be enforced to the extent permitted by law.

7.15 Survival. The provisions hereof shall not terminate but rather shall survive any conveyance hereunder and the delivery of all consideration.

7.16 Representations of Agency. The Agency warrants and represents to the Developer as follows:

(a) The Agency has full power and authority to execute and enter into this Agreement and to consummate the transactions contemplated hereunder. This Agreement constitutes the valid and binding agreement of the Agency, enforceable in accordance with its terms subject to bankruptcy, insolvency and other creditors' rights laws of general application. Neither the execution nor delivery of this Agreement, nor the consummation of the transactions covered hereby, nor compliance with the terms and provisions hereof, shall conflict with, or result in a breach of, the terms, conditions or provisions of, or constitute a default under, any agreement or instrument to which the Agency is a party.

(b) As of the Effective Date, the Agency has made available to Developer, by online link entitled <http://www.cityofindustry.org/?p=city-hall&s=for-sale>, complete copies of

all studies, reports, agreements, documents, instruments, environmental assessments, surveys, soils reports, documents, plans, maps, permits and entitlements in Agency's possession (excluding only appraisals) concerning the Property.

(c) As of the Effective Date and the Close of Escrow, the Property is not presently the subject of any condemnation or similar proceeding, and to the Agency's knowledge, no such condemnation or similar proceeding is currently threatened or pending.

(d) As of the Close of Escrow, there are no management, service, supply or maintenance contracts affecting the Property which shall affect the Property on or following the Close of Escrow.

(e) The Agency has not authorized any broker or finder to act on its behalf in connection with the sale and purchase hereunder and the Agency has not dealt with any broker or finder purporting to act on behalf of the Agency or otherwise.

(f) As of the Close of Escrow, there are no leases or other occupancy agreements affecting the Property which shall affect the Property on or following the Close of Escrow.

(g) As of the Close of Escrow and to the actual knowledge of the Agency, the Agency has not received any written notice from any governmental entity regarding the violation of any law or governmental regulation with respect to the Property, except as may be set forth in Exhibit "E".

7.17 Developer's Broker(s). Developer shall pay all commissions and fees that may be payable to any broker, finder or salesperson engaged by Developer, and shall defend, indemnify and hold Agency and City harmless from and against any and all claims, liabilities, losses, damages, costs and expenses relating thereto.

7.18 No Third Party Beneficiaries other than City. City is a third party beneficiary of this Agreement, with the right to enforce the provisions hereof. This Agreement is made and entered into for the sole protection and benefit of the Parties and City and their successors and assigns. No other person shall have any right of action based upon any provision of this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have entered into this agreement as of the day and year first above written.

DEVELOPER

LW INVESTMENTS, LLC
a California limited liability company

By: _____

Name: Ping Lu

Title: President

AGENCY

SUCCESSOR AGENCY TO THE INDUSTRY
URBAN-DEVELOPMENT AGENCY

By: _____

Mark D. Radecki, Chairman

ATTEST:

Diane M. Schlichting, Agency Secretary

APPROVED AS TO FORM:

By: _____
James M. Casso, Agency General Counsel

LIST OF EXHIBITS & SCHEDULE

Exhibit "A"	Legal Description of the Property
Exhibit "B"	Schedule of Performance
Exhibit "C"	Form of Grant Deed
Exhibit "D"	Form of Certificate of Completion
Exhibit "E"	Due Diligence Phase I Environmental Site Assessment and Subsurface Investigation Report
Schedule 2.5.1	Pro Forma Policy

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

(Attached)

EXHIBIT "B"

SCHEDULE OF PERFORMANCE

<u>Activity</u>	<u>Time Frame</u>
<u>Initial Deposit</u>	Concurrently with opening Escrow
<u>Additional Deposit</u>	Within ten (10) business days after the opening of Escrow
Extension Deposit	Upon extension of the Outside Date
<u>Close of Escrow</u>	Within 90 days following the opening of Escrow
<u>Developer Submits Development Plans for Improvements</u>	Within 12 months after opening of Escrow
<u>Approval Date</u>	As soon as reasonably practicable by Agency, City and other governmental units with jurisdiction over the Project
<u>Developer Completes Construction of Improvements</u>	Within 36 months of the Approval Date
<u>Issuance of Certificate of Completion.</u>	Within 10 days after the Agency receives written request from Developer, pursuant to Section 3.7

EXHIBIT "C"

FORM OF GRANT DEED

RECORDING REQUESTED BY:

FIRST AMERICAN TITLE INSURANCE COMPANY

AND WHEN RECORDED RETURN TO:

Successor Agency to the
Industry Urban-Development Agency
15625 East Stafford Street, Suite 100
City of Industry, California 91744
Attention: Diane Schlichting

[The undersigned declares that this Grant Deed is exempt from Recording Fees pursuant to California Government Code Section 27383]

GRANT DEED

Documentary Transfer Tax: \$ _____

THE UNDERSIGNED GRANTOR DECLARES:

FOR VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, the **SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY** (the "**Grantor**"), hereby grants to **LW INVESTMENTS, LLC**, a California limited liability company (the "**Grantee**"), that certain real property described in Exhibit A attached hereto (the "**Site**") and incorporated herein by this reference, together with all of Grantor's right title and interest in and to all easements, privileges and rights appurtenant to the Site.

This Grant Deed of the Site is subject to the provisions of a Purchase Agreement [333 S. Hacienda Boulevard] (the "**Agreement**") entered into by and between the Grantor and Grantee dated as of _____, 2016, the terms of which are incorporated herein by reference. A copy of the Agreement is available for public inspection at the offices of the Grantor located at 15625 East Stafford Street, Suite 100, City of Industry, California 91744. The Site is conveyed further subject to all easements, rights of way, covenants, conditions, restrictions, reservations and all other matters of record, and the following conditions, covenants and agreements.

1. Subject to the provisions of Sections 5.1 and 5.6(4) of the Agreement, the Site as described in Exhibit A is conveyed subject to the condition that the Grantee covenants and agrees for itself, and its successors and its assigns, that the Grantee, such successors, and such assignees shall use the Site, and every part thereof, only for the construction of certain improvements thereon as described in the Agreement and thereafter for any use allowed under applicable law. The Grantor shall have the right to assign all of its rights and benefits hereunder to the City of Industry, California ("**City**"). As provided in Section 5.7 of the Agreement, upon the violation or failure of the foregoing covenant, the City shall have the option to purchase and

take possession of the Site from the Grantee or its successors and assigns; provided, however, that the City's option to purchase and take possession of the Site shall not arise unless and until the Grantor gives the Grantee written notice thereof specifying the particular failure or violation in the manner and time period provided in Section 5.7 of the Agreement and, at the expiration of the cure period specified in Section 5.7 of the Agreement, the failure has not been remedied or the violation has not ceased.

2. The Site is conveyed subject to the condition that:

(a) The Grantee covenants and agrees for itself, its successors and assigns, and every successor in interest to the Site, that after completion of the Project (as defined in the Agreement), the Grantee and the Grantee's transferees, successors and assigns, shall maintain the Site and the Project (including landscaping) in a commercially reasonable condition and repair for a period of fifteen (15) years, and following construction of certain improvements thereon shall use the Site for any such uses as are allowed under applicable law.

(b) The Grantee covenants by and for himself or 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 any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, 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 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.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph.

3. All deeds, leases or contracts entered into with respect to the Property shall contain or be subject to substantially the following nondiscrimination/nonsegregation clauses:

(a) In deeds: "The Grantee herein covenants by and for himself or 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 any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, 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 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.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph.”

(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 any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the leasing, subleasing, transferring, use or 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, sublessees, subtenants or vendees in the premises herein leased.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph.”

(c) In contracts: “The contracting party or parties hereby covenant by and for himself or herself and their respective successors and assigns, that there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the contracting party or parties, any subcontracting party or parties, or their respective assigns or transferees, establish or permit any such practice or practices of discrimination or segregation.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in

said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph.”

4. All covenants and agreements contained in this Grant Deed shall run with the land and shall be binding for the benefit of Grantor and its successors and assigns and such covenants shall run in favor of the Grantor and for the entire period during which the covenants shall be in force and effect as provided in the Agreement, without regard to whether the Grantor is or remains an owner of any land or interest therein to which such covenants relate. The Grantor, in the event of any breach of any such covenants, shall have the right to exercise all of the rights and remedies provided herein or otherwise available, and to maintain any actions at law or suits in equity or other property proceedings to enforce the curing of such breach. The covenants contained in this Grant Deed shall be for the benefit of and shall be enforceable only by the Grantor and its successors and assigns.

5. The covenants contained in Paragraphs 2 and 3 of this Grant Deed shall remain in effect in perpetuity except as otherwise expressly set forth therein.

6. This Grant Deed may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signatures appear on next page.]

IN WITNESS WHEREOF, Grantor and Grantee have caused this Grant Deed to be executed and notarized as of this ____ day of _____, 20__.

GRANTOR:

SUCCESSOR AGENCY TO THE INDUSTRY
URBAN-DEVELOPMENT AGENCY

By: _____

Name: _____

Title: _____

ATTEST:

Diane Schlichting, Agency Secretary

GRANTEE:

LW INVESTMENTS, LLC
a California limited liability company

By: _____

Name: Ping Lu

Title: President

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____,
who proved 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____,
who proved 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

Exhibit A to Grant Deed

LEGAL DESCRIPTION

(Attached)

EXHIBIT D

FORM OF CERTIFICATE OF COMPLETION

RECORDING REQUESTED BY:

First American Title Insurance Company

AND WHEN RECORDED RETURN TO:

Successor Agency to the
Industry Urban-Development Agency
15625 East Stafford Street, Suite 100
City of Industry, California 91744
Attention: Diane Schlichting

[The undersigned declares that this Certificate of Completion is exempt from Recording Fees pursuant to California Government Code Section 27383]

CERTIFICATE OF COMPLETION

This Certificate of Completion is given this ____ day of _____, 20 __, with reference to the following matters:

A. The **SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY**, a public body corporate and politic (the “**Agency**”) and **LW INVESTMENTS, LLC**, a California limited liability company (the “**Developer**”) entered into that certain Purchase Agreement [333 S. Hacienda Boulevard] dated as of _____, 2016 (the “**Agreement**”), which Agreement provides, in Section 3.7 thereof, that the Agency shall furnish the Developer with a Certificate of Completion upon satisfactory completion of the Improvements (as described in the Agreement) on the real property described therein as the Property (the “**Site**”), which certificate shall be in such form as to permit it to be recorded in the Recorder’s Office of Los Angeles County; and

B. The Certificate of Completion shall be conclusive determination of satisfactory completion of the construction of Improvements required with respect to the Site; and

C. The Agency has determined that the construction of the Improvements has been satisfactorily performed; and

NOW, THEREFORE, the parties to this instrument hereby provide as follows:

1. As provided in the Agreement, the Agency does hereby certify that the construction of the Improvements on the Site has been satisfactorily performed and completed.

2. This Certificate shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any holder of a mortgage, or deed of trust or any insurer of a mortgage, or deed of trust securing money loaned to finance the improvements or any part

thereof, nor does it constitute evidence of payment of any promissory note or performance of any deed of trust provided by the Developer to the Agency under the Agreement or otherwise.

IN WITNESS WHEREOF, the Agency has executed this Certificate of Completion as of the day and year first above written.

SUCCESSOR AGENCY TO THE
INDUSTRY URBAN-DEVELOPMENT AGENCY

By: _____
Name: _____
Title: _____

ATTEST:

Agency Secretary

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____,
who proved 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Los Angeles)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____,
who proved 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT "E"

**DUE DILIGENCE PHASE I ENVIRONMENTAL SITE ASSESSMENT AND
SUBSURFACE INVESTIGATION REPORT**

(Attached)

SCHEDULE 2.5.1

PRO FORMA POLICY

(Attached)

SUCCESSOR AGENCY

ITEM NO. 5.4



SUCCESSOR AGENCY TO THE
INDUSTRY URBAN - DEVELOPMENT AGENCY

MEMORANDUM

TO: Honorable Chairman and Members of the Board of the Successor Agency to the Industry Urban-Development Agency

FROM: James M. Casso, City Attorney

DATE: April 28, 2016

SUBJECT: Consideration of Resolution Approving the Purchase and Sale Agreement for 1123-1135 Hatcher Avenue, City of Industry and making CEQA Findings

BACKGROUND: Earlier this year, the Board directed staff to sell to the City, Successor Agency owned property that could be used by the City for various governmental purposes. The Hatcher Avenue property has been slated for purchase by the City since the inception of the Successor Agency. For the Hatcher property, the City will pay to the Agency the appraised value of \$6,100,000.00.

The attached Resolution sets forth the requisite findings pursuant to CEQA and it ensures that the proposed purchase/sale, which awaits Oversight Board and Department of Finance approval, in compliance with California law.

DISCUSSION: The Agency acquired 1123-1135 Hatcher Avenue in September 2002. The City intends to use the property for governmental purposes.

RECOMMENDATION: Staff recommends that the Board approve the Resolution.

Attachment

RESOLUTION NO. SA 2016-07

A RESOLUTION OF THE SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY APPROVING THE PURCHASE AND SALE AGREEMENT BETWEEN THE AGENCY AND THE CITY OF INDUSTRY FOR 1123-1135 HATCHER AVENUE, CITY OF INDUSTRY AND MAKING THE REQUISITE CEQA FINDINGS

WHEREAS, on December 29, 2011, the California Supreme Court delivered its decision in *California Redevelopment Association v. Matosantos* (“*Matosantos*”), finding Assembly Bill X1 26 (the “Dissolution Act”) largely constitutional; and

WHEREAS, under the Dissolution Act and the California Supreme Court’s decision in *Matosantos*, all California redevelopment agencies, including the Industry Urban-Development Agency of the City of Industry (“Agency”), were dissolved on February 1, 2012, and successor agencies, including the Agency, were designated and vested with the responsibility of winding down the business and fiscal affairs of the former redevelopment agencies; and

WHEREAS, on September 22, 2011, the City Council of the City of Industry (the “City”) adopted Resolution No. 2011-20 accepting for the City the role of Successor Agency, in accordance with the provisions of Health & Safety Code Section 34177(j); and

WHEREAS, under the provisions of Health & Safety Code Section 34191.4, once the Department of Finance (“Department”) issues a finding of completion, successor agencies are provided with additional authority to carry out the wind down process; and

WHEREAS, in accordance with Health & Safety Code Section 34191.5, after the issuance of a finding of completion, successor agencies are required to prepare a Long Range Property Management Plan (“LRPMP”), which must identify all Agency-owned real property, and address the disposition and use of the real properties; and

WHEREAS, the Agency received its Finding of Completion from the Department on April 26, 2013; and

WHEREAS, the LRPMP was submitted to the Department, and was approved by the Department on February 21, 2014; and

WHEREAS, upon approval of the LRPMP by the Department, all Agency property was transferred to the Agency’s Community Redevelopment Property Trust Fund; and

WHEREAS, the Agency owns certain property located at 1123 – 1135 Hatcher Avenue, City of Industry, California; and

WHEREAS, pursuant to the provisions of the LRPMP, the Agency desires to sell the Property at its highest and best use, maximizing its value, in furtherance of the economic goals and as provided for in the City’s General Plan; and

WHEREAS, the Agency desires to sell the Property to the City, pursuant to a Purchase and Sale Agreement (the “Agreement”), dated April 28, 2016. The purchase price is \$6,100,000.00, which

represents an amount equal to or greater than the current fair market value of the Property, as determined by an appraisal performed by Stephen G. White, MAI; and

WHEREAS, the purchase of the Property is exempt from the California Environmental Quality Act (“CEQA”) (Public Resources Code Section 21000 *et seq.*), pursuant to Section 15061(b)(3) of the CEQA Guidelines. Section 15061(b)(3) of the CEQA Guidelines exempts projects covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The sale of the property does not involve any land use entitlements that will allow for development on the property. The sale would not create any public health or safety hazards and would not have a significant impact on the resources or services within the surrounding area, such as water, sanitary services, surrounding roadways and intersections. Any future development at the property will be subject to additional environmental review and independent analysis as required by CEQA; and

WHEREAS, the Agency has duly considered all terms and conditions of the proposed Agreement and believes that the redevelopment of the Property in accordance therewith is in the best interests of the Agency and the health, safety and welfare of its residents, maximizes value, is consistent with the provisions of the LRPMP, and is consistent with the public purposes and provisions of applicable state and local laws and requirements.

NOW, THEREFORE, THE SUCCESSOR AGENCY DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The above recitals are true and correct and are incorporated herein by reference.

SECTION 2. All necessary public hearings and opportunities for public testimony and comment have been conducted in compliance with State law and the Municipal Code of the City of Industry.

SECTION 3. The purchase of the Property is exempt from the California Environmental Quality Act (“CEQA”) (Public Resources Code Section 21000 *et seq.*), pursuant to Section 15061(b)(3) of the CEQA Guidelines. Section 15061(b)(3) of the CEQA Guidelines exempts projects covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The sale of the property does not involve any land use entitlements that will allow for development on the property. The sale would not create any public health or safety hazards and would not have a significant impact on the resources or services within the surrounding area, such as water, sanitary services, surrounding roadways and intersections. Any future development at the property will be subject to additional environmental review and independent analysis as required by CEQA.

Based on these findings, the City Council adopts the Notice of Exemption and direct staff to file same as required by law, and affirm their respective approval of the purchase and sale of the Property.

SECTION 4. The Agency hereby directs staff to comply with all applicable statutes regarding the distribution of the sales proceeds to the Los Angeles County Auditor-Controller for distribution to the taxing entities.

SECTION 5. The Executive Director is hereby authorized to take such further actions as may be necessary to carry out the obligations set forth in this Resolution.

SECTION 6. The provisions of this Resolution are severable and if any provision, clause, sentence, word or part thereof is held illegal, invalid, unconstitutional, or inapplicable to any person or circumstances, such illegality, invalidity, unconstitutionality, or inapplicability shall not affect or impair any of the remaining provisions, clauses, sentences, sections, words or parts thereof of the Resolution or their applicability to other persons or circumstances.

SECTION 7. Certification. The Agency Secretary shall certify to the passage and adoption of this Resolution and enter it into the respective book of original resolutions.

SECTION 8. Effective Date. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED this 28th day of April 2016, by the following vote:

AYES: AGENCY BOARD MEMBERS:
NOES: AGENCY BOARD MEMBERS:
ABSENT: AGENCY BOARD MEMBERS:
ABSTAIN: AGENCY BOARD MEMBERS:

Mark D. Radecki, Chairman

ATTEST:

Diane M. Schlichting, Assistant Secretary

**PURCHASE AND SALE AGREEMENT
AND ESCROW INSTRUCTIONS
1123 – 1135 Hatcher Avenue, City of Industry**

THIS PURCHASE AGREEMENT for the property located at 1123 – 1135 HATCHER AVENUE, CITY OF INDUSTRY, CA (this “Agreement”), dated as of April 28, 2016 (the “Effective Date”) is entered into by and between the SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY, a public body corporate and politic, (the “Agency” or “Seller”) and the CITY OF INDUSTRY, a municipal corporation (the “City” or “Buyer”). The City and the Agency are hereinafter sometimes individually referred to as a “party” and collectively referred to as the “parties.”

RECITALS

A. Agency is the owner of that certain real property located at 1123 – 1135 Hatcher Avenue, City of Industry, California, and the reciprocal easement area, as more particularly described on Exhibit A attached hereto together with all right, title and interest in and to all appurtenances and improvements (collectively, the “Property”).

B. The Property was previously owned by the Industry Urban-Development Agency (“IUDA”). On June 28, 2011, the Governor signed into law ABX1 26, which provided for the dissolution and winding down of redevelopment agencies throughout the State of California. AB X1 26 was subsequently amended by Assembly Bill 1484 (collectively, as amended, “Dissolution Act”).

C. Pursuant to the Dissolution Act, the City of Industry elected to be the Successor Agency to the IUDA to administer the dissolution and winding down of the IUDA. On February 1, 2012, pursuant to the Dissolution Legislation, the Agency was dissolved by operation of law, and, upon dissolution, all assets, properties and contracts of the IUDA, including the Property, were transferred, by operation of law, to the Agency pursuant to the provisions of Health and Safety Code § 34175 (b).

D. Currently the Property is improved with a 27-year old industrial building approximately 30,000 square feet in size.

E. Buyer desires to purchase the Property from Seller, and Seller desires to sell the Property to Buyer on the terms and conditions contained in this Agreement.

NOW, THEREFORE, for valuable consideration, and subject to all terms and conditions hereof, Buyer and Seller agree as follows:

1. PURCHASE AND SALE. Pursuant to the terms and conditions contained in this Agreement, Seller hereby agrees to sell the Property to Buyer and, Buyer hereby agrees to purchase the Property from Seller.

2. PURCHASE PRICE. The purchase price (“Purchase Price”) for the Property shall be Six Million One Hundred Thousand Dollars (\$6,100,000.00) (the “Purchase Price”), payable by Buyer to Seller in cash at the Closing (as defined in Section 7A below). A non-refundable deposit equal to ten percent (10%) of the Purchase Price shall be deposited into escrow by Buyer within

five (5) days after execution of this Agreement by Seller and delivery to Buyer (“Deposit”). At the close of escrow, the Deposit shall be applied to the Purchase Price. Notwithstanding the above, if any of the conditions to closing set forth in Section 4 are not satisfied and escrow fails to close as a result thereof, the Deposit shall be fully refundable to Buyer.

3. ESCROW.

A. Opening of Escrow. Buyer has opened an escrow at the offices of First American Title Insurance Company. The principal office of the Escrow Holder for purposes of this Agreement is 18500 Von Karman Avenue, Suite 600, Irvine, California 92612, Attention: Patty Beverly, Escrow Officer, Telephone: (949) 885-2465, Fax: (877) 372-0260, Email: pbeverly@firstam.com. Upon mutual execution of this Agreement, Buyer and Seller shall deliver a fully executed copy of this Agreement to Escrow Holder.

B. Closing Date. Escrow shall close within thirty (30) days, or less, after satisfaction of the Condition to Closing set forth in Section 4 B (i). For purposes of this Agreement, the closing date (“Closing Date”) shall mean the date on which a grant deed conveying the Property to Buyer is recorded in the Los Angeles County Recorder’s Office.

4. CONDITIONS TO CLOSING.

A. Buyer’s Conditions to Closing. Close of Escrow and Buyer’s obligation to purchase the Property pursuant to this Agreement are subject to the satisfaction of the following conditions at or prior to Closing:

(i) Title. Buyer acknowledges receipt of a preliminary title report prepared by Escrow Holder for the Property (“Title Report”). Buyer shall acquire the Property subject to all exceptions described in the Title Report, together with all non-delinquent real property taxes and assessments to be assessed against the Property, and the One West Bank Lease (“Approved Exceptions”). At the Closing, Seller shall deliver title to the Property to Buyer subject only to the Approved Exceptions.

(ii) Delivery of Deed. Seller shall have executed and deposited into Escrow, for delivery to Buyer, the Grant Deed attached hereto as Exhibit B.

(iii) Delivery of Assignment. Seller shall have executed and deposited into Escrow, for delivery to Buyer, an Assignment in the form attached hereto as Exhibit C, assigning the One West Bank Lease to Buyer (“Assignment”). If any of the conditions to Buyer’s obligations set forth above fail to occur at or before the Closing Date through no fault of Buyer, then Buyer may cancel the Escrow, terminate this Agreement, and recover any amounts paid by Buyer to the Escrow Holder toward the Purchase Price.

B. Seller’s Condition to Closing. Close of Escrow and Seller’s obligation to sell the Property to Buyer pursuant to this Agreement, are subject to the satisfaction of the following conditions at or prior to Closing:

(i) Authorization to Sell. Prior to the Closing, Seller shall have obtained any and all authorizations and approvals necessary to sell the Property pursuant to the Dissolution

Legislation, including California Department of Finance approval of the Oversight Board resolution approving the sale of the Property to Buyer on the terms and conditions set forth herein.

(ii) No Default. Buyer shall not be in material default of Buyer's obligations under this Agreement, including, but not limited to, Buyer's obligation to deliver the Purchase Price into escrow on or before the Closing Date. If the conditions above have not been satisfied or waived by Seller at or before the Closing Date through no fault of Seller, then Seller may, upon written notice to Buyer, cancel the Escrow, terminate this Agreement, and recover any documents delivered to the Escrow Holder pursuant to this Agreement.

5. REPRESENTATIONS AND WARRANTIES.

A. Buyer hereby represents and warrants to Seller that (i) it has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby; (ii) all requisite action (corporate, trust, partnership or otherwise) has been taken by Buyer in connection with entering into this Agreement and the instruments referenced herein, and the consummation of the transactions contemplated hereby; and (iii) no consent of any other party is required.

B. Except as provided in Section 4 B (i) above, Seller hereby represents and warrants to Buyer that (i) it has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby; (ii) all requisite action (corporate, trust, partnership or otherwise) has been taken by Seller in connection with entering into this Agreement and the instruments referenced herein, and the consummation of the transactions contemplated hereby; and (iii) no consent of any other party is required.

C. Except as disclosed on those reports set forth on Exhibit D attached hereto (collectively, "Environmental Reports"), Seller hereby represents and warrants that (i) Seller has not released any Hazardous Materials on the Property, (ii) Seller has no actual knowledge of any release of Hazardous Materials (as defined below) on the Property, and (iii) Seller has not received any notice of any violation of any law, ordinance, rule, regulation or order of any governmental authority pertaining to the Property. For purposes of this Agreement, the term "Hazardous Materials" shall mean any and all of those materials, substances, wastes, pollutants, contaminants, byproducts, or constituents which have been determined to be injurious to health or the environment, including without limitation those designated as hazardous or toxic by any federal, state or local law, ordinance, rule, regulation or policy, and any other materials, substances, wastes, pollutants, contaminants, by-products or constituents requiring remediation under federal, state or local laws, ordinances, rules, regulations or policies.

D. Seller hereby represents and warrants to Buyer that (i) except for the One West Bank Lease, there are no other leases, options to purchase, rights of first refusal or contracts for lease or sale of the Property; and (ii) there are no liens or claims against the Property other than the Approved Exceptions.

E. Seller hereby represents and warrants to Buyer that during the term of this Agreement Seller shall not, without Buyer's prior written approval, modify the One West Bank Lease or enter into any other contracts which will not be terminated on or before Closing.

6. CONDITION OF PROPERTY. The Property shall be conveyed from the Agency to the City on an “AS IS” condition and basis with all faults and the City agrees that the Agency has no obligation to make modifications, replacements or improvements thereto. Except as expressly and specifically provided in this Agreement, the City and anyone claiming by, through or under the City hereby waives its right to recover from and fully and irrevocably releases the Agency, the City and the Oversight Board, and their respective officers, directors, employees, representatives, agents, advisors, servants, attorneys, successors and assigns, and all persons, firms, corporations and organizations acting on the Agency’s, City’s or Oversight Board’s behalf (collectively, the “**Released Parties**”) from any and all claims, responsibility and/or liability that the City may now have or hereafter acquire against any of the Released Parties for any costs, loss, liability, damage, expenses, demand, action or cause of action arising from or related to the matters pertaining to the Property described in this Section 6. This release includes claims of which the City is presently unaware or which the City does not presently suspect to exist which, if known by the City, would materially affect the City’s release of the Released Parties. If the Property is not in a condition suitable for the intended use or uses, then it is the sole responsibility and obligation of the City to take such action as may be necessary to place the Property in a condition suitable for development of the Project thereon. Except as otherwise expressly and specifically provided in this Agreement and without limiting the generality of the foregoing, THE AGENCY MAKES NO REPRESENTATION OR WARRANTY AS TO (i) THE VALUE OF THE PROPERTY; (ii) THE INCOME TO BE DERIVED FROM THE PROPERTY; (iii) THE HABITABILITY, MARKETABILITY, PROFITABILITY, MERCHANTABILITY OR FITNESS FOR PARTICULAR USE OF THE PROPERTY; (iv) THE MANNER, QUALITY, STATE OF REPAIR OR CONDITION OF THE PROPERTY; (v) THE COMPLIANCE OF OR BY THE PROPERTY OR ITS OPERATION WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY; (vi) COMPLIANCE WITH ANY ENVIRONMENTAL PROTECTION OR POLLUTION LAWS, RULES, REGULATIONS, ORDERS OR REQUIREMENTS; (vii) THE PRESENCE OR ABSENCE OF HAZARDOUS MATERIALS AT, ON, UNDER OR ADJACENT TO THE PROPERTY; (viii) THE FACT THAT ALL OR A PORTION OF THE PROPERTY MAY BE LOCATED ON OR NEAR AN EARTHQUAKE FAULT LINE; AND (ix) WITH RESPECT TO ANY OTHER MATTER, THE CITY FURTHER ACKNOWLEDGES AND AGREES THAT HAVING BEEN GIVEN THE OPPORTUNITY TO INSPECT THE PROPERTY AND REVIEW INFORMATION AND DOCUMENTATION AFFECTING THE PROPERTY, THE CITY IS RELYING SOLELY ON ITS OWN INVESTIGATION OF THE PROPERTY AND REVIEW OF SUCH INFORMATION AND DOCUMENTATION AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY THE AGENCY.

THE CITY HEREBY ACKNOWLEDGES THAT IT HAS READ AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH IS SET FORTH BELOW:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

BY INITIALING BELOW, CITY HEREBY WAIVES THE PROVISIONS OF SECTION 1542 SOLELY IN CONNECTION WITH THE MATTERS WHICH ARE THE SUBJECT OF THE FOREGOING WAIVERS AND RELEASES.

City's Initials

The waivers and releases by the City herein contained shall survive the Close of Escrow and the recordation of the Grant Deed and shall not be deemed merged into the Grant Deed upon its recordation.

7. CLOSING OF ESCROW.

A. Delivery of Documents and Payment. At or prior to Closing, Seller shall deposit into Escrow the executed Assignment, and a Grant Deed in the form attached hereto as Exhibit B, properly executed and acknowledged by Seller, in favor of Buyer, containing the legal description of the Property and subject only to the Approved Exceptions. At or prior to Closing, Buyer and Seller shall have each deposited into Escrow any supplemental escrow instructions necessary to close this Escrow. Escrow Holder shall deliver to Seller the Purchase Price, when (1) Escrow Holder holds, and is able to record, the Grant Deed, (2) Escrow Holder is prepared to issue to Buyer the Title Policy as provided in Section 7 B below, (3) the conditions specified in Section 4 have been satisfied or waived and (4) Escrow Holder holds, and is able to deliver to Buyer, the executed Assignment.

B. Title Insurance. At the Close of Escrow, Buyer shall obtain from Escrow Holder a standard coverage American Land Title Association ("ALTA") owner's form policy of title insurance in the amount of the Purchase Price insuring title to the Property in the name of Buyer subject only to the Approved Exceptions and the standard printed exclusions from coverage of an ALTA standard title policy ("Title Policy").

C. Recordation and Delivery. At the Closing, Escrow Holder shall (1) forward the Grant Deed to the recorder for recordation, and (2) deliver the Title Policy as provided in Section 7B, above and the Assignment to Buyer at the address set forth in Section 13.

D. Obligation to Refrain from Discrimination. The City covenants and agrees for itself, its successors and assigns, and for every successor in interest to the Property or any part thereof, that there shall be no discrimination against or segregation of any person, or group of persons, on account of sex, marital status, age, handicap, race, color, religion, creed, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, and the City (itself or any person claiming under or through the City) shall not 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 Property or any portion thereof. Notwithstanding the foregoing, if and when the City conveys the Property to a third party after completion of the improvements thereon in accordance with the Agreement, the City shall be relieved of any further responsibility under this Section 7D as to the Property so conveyed.

E. Form of Nondiscrimination and Nonsegregation Clauses. All deeds, leases or contracts for sale shall contain the following nondiscrimination or nonsegregation clauses:

(i) In deeds: “The grantee herein covenants by and for himself or 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 any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, 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 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.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph.”

(ii) 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 any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the leasing, subleasing, transferring, use or 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, sublessees, subtenants or vendees in the premises herein leased.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph.”

(iii) In contracts: “The contracting party or parties hereby covenant by and for himself or herself and their respective successors and assigns, that there shall be no

discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the contracting party or parties, any subcontracting party or parties, or their respective assigns or transferees, establish or permit any such practice or practices of discrimination or segregation.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph.”

F. Restrictive Covenant. In order to insure the City’s compliance with the covenants set forth in Sections 5.1, 5.2, 5.3, and 5.4 hereof, such covenants shall be set forth in the Grant Deed. Such covenants shall run with the Property for the benefit of the Agency and the Agency shall have the right to assign all of its rights and benefits therein to the City.

G. Effect and Duration of Covenants. The following covenants shall be binding upon the Property and City and its successors and assigns and shall remain in effect for the following periods, and each of which shall be set forth with particularity in any document of transfer or conveyance by the City:

(1) The non-discrimination and non-segregation requirements set forth in Sections 7E (i), (ii) and (iii) shall remain in effect in perpetuity;

(2) Easements to the Agency, City or other public agencies for utilities existing as of the execution of this Agreement, which shall remain in effect according to their terms.

8. **BROKERS.** Seller and Buyer hereby represent to each other that there are no brokers, finders, or other persons entitled to a commission, finder's fee or other payment in connection with this Agreement. Buyer and Seller hereby agree to indemnify, defend, protect, and hold the other harmless from and against any claims, liabilities, or damages for commissions or finder's fees brought by any third party who has dealt or claims to have dealt with the indemnifying party pertaining to the Property.

9. **FIRPTA.** Seller warrants that it is not a foreign person or entity as defined in the Foreign Investors Real Property Tax Act and prior to the close of escrow Seller will deposit an affidavit certifying same. Escrow Holder’s duties pertaining to these provisions are limited to the receipt from Seller of such affidavit prior to the close of escrow and delivery to Buyer of such affidavit at the close of escrow.

10. **GOVERNING LAW.** This Agreement shall be construed and enforced in accordance with the applicable laws of the State of California.

11. PROPERTY TAXES. Buyer shall be responsible for any property or other taxes assessed against the Property to the extent attributable to the period on or after the Closing. Seller shall be responsible for any property or other taxes assessed against the Property to the extent attributable to the period prior to the Close of Escrow.

12. CLOSING COSTS. Buyer and Seller shall split equally the documentary transfer taxes, customary escrow fee and charges and recordation fees and the cost of the Title Policy. Any endorsements to the Title Policy requested by Buyer shall be paid for by Buyer. Tenant rental payments, real property taxes and assessments (if any), utility and other operating costs of the Property shall be prorated at Closing.

13. NOTICES. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered, sent by national overnight courier service, sent by facsimile transmission, if also sent by one of the other methods provided in this Section, or sent by registered or certified mail, first class postage prepaid, return receipt requested, and shall be deemed received upon the earlier of (i) the date of delivery to the address of the person to receive such notice, (ii) the date of the facsimile transmission, or (iii) three (3) business days after the date of posting with the United States Postal Service at the following addresses:

To Buyer: Paul J. Philips, City Manager
15625 East Stafford Street, Suite 100
City of Industry, California 91744

To Seller: Successor Agency to the Industry Urban-Development Agency
15625 East Stafford Street, Suite 100
City of Industry, California 91744
Attention: Paul J. Philips, Executive Director

with a copy to: James M. Casso
Casso & Sparks, LLP
13200 Crossroads Parkway N
Suite 345
City of Industry, CA 91746

Any party to this Agreement may change its address for receipt of notices by giving notice of such change to the other party in the manner set forth in this Section. Neither the rejection of a notice by the addressee or the inability to deliver a notice because of a change of address for which no change of address notice was received, shall affect the date on which such notice is deemed received.

14. RECEIPT OF PROPERTY DOCUMENTS. Buyer acknowledges that it has received and had the opportunity to review the following documents:

- (i) The Title Report; and
- (ii) The Environmental Reports, if any.

15. MISCELLANEOUS.

A. Time. Time is of the essence of this Agreement with respect to each and every provision hereof in which time is a factor.

B. Entire Agreement. This Agreement, including the Exhibits attached hereto, contains the entire agreement between the parties pertaining to the subject matter hereof and fully supersedes any and all prior agreements and understandings between the parties. No change in, modification of or amendment to this Agreement shall be valid unless set forth in writing and signed by all of the parties subsequent to the execution of this Agreement.

C. Further Assurances. Each of the parties agrees that it will without further consideration execute and deliver such other documents and take such other action, whether prior or subsequent to the Closing Date, as may be reasonably requested by the other party to consummate more effectively the purposes or subject matter of this Agreement.

D. Successors. Subject to the provisions of this Agreement, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and their respective heirs, executors, representatives, successors and assigns.

E. Severability. In the event any provision of this Agreement shall be determined by a court of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall be effective only to the extent of such determination and shall not prohibit or otherwise render ineffective any other provision of this Agreement.

F. Exhibits. References herein to exhibits are to Exhibit A, Exhibit B, Exhibit C, and Exhibit D attached hereto, which exhibits are hereby incorporated by reference.

G. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

IN WITNESS WHEREOF, Buyer and Seller have executed this Agreement as of the date first written above.

CITY OF INDUSTRY

By: _____
Mark D. Radecki, Mayor

ATTEST:

Cecelia Dunlap, Deputy City Clerk

APPROVED AS TO FORM:

By: _____
James M. Casso, City Attorney

**SUCCESSOR AGENCY TO THE INDUSTRY
URBAN-DEVELOPMENT AGENCY**

By: _____
Mark D. Radecki, Chairman

ATTEST:

Diane M. Schlichting, Assistant Secretary

APPROVED AS TO FORM:

By: _____
James M. Casso, Agency Counsel

EXHIBIT A
LEGAL DESCRIPTION OF THE PROPERTY

EXHIBIT B
FORM OF GRANT DEED

EXHIBIT C
FORM OF ASSIGNMENT

EXHIBIT D

LIST OF ENVIRONMENTAL REPORTS

SUCCESSOR AGENCY

ITEM NO. 5.5



SUCCESSOR AGENCY TO THE
INDUSTRY URBAN - DEVELOPMENT AGENCY

MEMORANDUM

To: Honorable Chairman and Members of the Successor Agency to the Industry Urban-Development Agency Board

From: Paul J. Philips, Executive Director *Paul J. Philips*

Staff: Clement N. Calvillo, CNC Engineering *CNC*
Joshua Nelson, CNC Engineering *JN*

Date: April 28, 2016

SUBJECT: Consideration of a License Agreement with T.E. Roberts, Inc., for Access to Assessor's Parcel No. 8760-009-900 located at 19835 East Walnut Drive North for Temporary Staging of Construction Materials for the Fairway Drive Grade Separation Project (MP 99-60 #13)

On April 13, 2016, Walnut Valley Water District contacted the City regarding the temporary use of Successor Agency to the Industry Urban Development Agency owned property located at 19835 East Walnut Drive North for their contractor, T.E. Roberts, Inc., who is performing water pipeline upgrades as part of the Fairway Drive Grade Separation Project. Materials and equipment to be stored at the location include conduits, casings, fittings, steel plates, backhoe, excavator, side boom, dump trunk and cargo containers for miscellaneous items.

The Fairway Drive Grade Separation Project consists of lowering Fairway Drive under the two existing Union Pacific Railroad (UPRR) and Metrolink tracks in the City of Industry and unincorporated area of Los Angeles County, immediately north of the 60 Freeway. The property selected for temporary use is located at the corner of Fairway Drive and East Walnut Drive North, south of the UPRR tracks which makes it ideal for staging due to the close proximity to the Project. The Successor Agency may, by written notice, terminate the License Agreement at any time.

Exhibits

A: License Agreement with T.E. Roberts, Inc.

PJP/CC/JN:kw

EXHIBIT A

License Agreement with T.E. Roberts, Inc., dated April 28, 2016

[Attached]

LICENSE AGREEMENT

THIS LICENSE AGREEMENT (“**Agreement**”), dated April 28, 2016, (“**Effective Date**”) is entered into by and between the Successor Agency to the former Industry Urban-Development Agency, a public body, corporate and politic (“**Licensor/Agency**”), and T.E. Roberts, Inc., a corporation (“**Licensee**”) (Licensor and Licensee are individually referred to as “Party” and collectively referred to as the “**Parties**”).

RECITALS

WHEREAS, the Agency is the owner of certain property located at **19835 East Walnut Drive North, City of Industry, CA 91744-0366**, and Licensee desires to enter the portion of the property generally described as a lot, **Assessor’s Parcel No. 8760-009-900**, as set forth in Exhibit A, attached hereto and incorporated herein by reference (“**Premises**”).

WHEREAS, Licensee desires to enter the Premises as a temporary staging area for various construction activities associated with the Fairway Drive Grade Separation Project; and

WHEREAS, Licensee acknowledges that Licensee is entering onto the Premises at its sole risk and expense, and Licensor does not have any liability to Licensee under this Agreement.

NOW, THEREFORE, for valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

TERMS

1. License to Enter the Premises. Licensor hereby grants to Licensee a non-exclusive license (the “**License**”) granting permission to enter upon the Premises as of the Effective Date of this Agreement, and to use the Premises as a temporary staging area for various construction activities associated with the Fairway Drive Grade Separation Project (collectively, “**Permitted Use**”); provided, that Licensee’s use of the Premises shall not interfere with the operation of business activities, if any, then being conducted on the Premises and provided Licensee provides written notice to the Licensor at least five (5) days prior to Licensee entering upon the Premises (said written notice shall state the purpose for the entry upon the Premises, and said entry shall not exceed the stated purpose). Prior to any initial entry pursuant to the License, Licensee shall, provide to Licensor proof of insurance as set forth in Section 6 of this Agreement. Licensee shall not permit any other party, except the duly-authorized representatives, agents, employees and contractors (collectively “**Representatives**”) of Licensee to enter or use the Premises during the term of this License, without Licensor’s prior written consent, and in all events the sole reason for entry and use of the Premises shall be for the performance of Licensee’s Use.

2. Permitted Use. The Permitted Use is hereby defined to include materials and equipment such as conduits, casing, fittings, steel plates, backhoe, excavator, side boom, dump truck and cargo containers or miscellaneous items on Agency property located at 19835 East Walnut Drive North, City of Industry, CA 91744-0366. Licensee shall exercise due care in the performance of the Permitted Use and such use shall be exercised in a manner which complies with all applicable laws.

3. Maintenance of Premises. Prior to commencement of the Permitted Use, Licensee shall install a temporary construction fence around the staging area on the Premises. Upon termination of the License, Licensee shall repair any damage done to the Premises by Licensee or its duly authorized Representatives, and shall restore the Premises to its condition as of the Effective Date of this Agreement, which shall include removal of the temporary construction fence.

4. Government Regulations and Other Obligations of Licensee. As a condition precedent to commencement of the Permitted Use, if required, Licensee shall obtain at its sole cost and expense all governmental permits and authorizations of whatever nature required, if any (“**Permits**”) by any and all governmental authorities having jurisdiction over the Premises for Licensee’s exercise of the Permitted Use. Licensor shall use commercially reasonable efforts to cooperate with Licensee and to support any and all applications or request for said Permits submitted by Licensee or on Licensee’s behalf. Licensee shall, in all activities undertaken pursuant to this Agreement, comply and cause its Representatives to comply with all federal, state and local laws, statutes, orders, ordinances, rules, regulations, plans, policies and decrees.

5. Liens.

5.1 Licensee shall not cause or permit to be filed, recorded or enforced against the Premises, or any part thereof, any mechanics’, material men’s, contractors’ or subcontractors’ liens arising from the Permitted Use or any claim or action affecting the title to the Premises arising from the Permitted Use, and Licensee shall pay or cause to be paid, or otherwise removed or bonded over, the full amount of all such liens or claim within fifteen (15) days of receiving written notice thereof. In addition to and not in limitation of Licensor’s other rights and remedies under this Agreement or under law, should Licensee fail within fifteen (15) business days of a written notice from Licensor to pay and discharge or bond over any lien arising out of Licensee’s use of the Premises, then a material breach under this Agreement shall be deemed to have occurred which, at Licensor’s election, shall entitle Licensor to terminate this License effective upon notice by Licensor to Licensee so stating.

5.2 If Licensee desires to contest in good faith the validity of any lien or any claim or demand that could result in a lien against the Premises or any portion thereof for which Licensor could become liable if not successfully resolved, as a condition to such contest, Licensee shall notify Licensor of Licensee’s intent to contest the lien or claim and the grounds for such contest. Notwithstanding anything to the contrary set forth herein, Licensee shall pay and satisfy any adverse judgment that may be rendered thereon before the enforcement thereof against Licensor or the Premises.

6. Insurance.

Prior to entering the Premises and until the termination of this Agreement, Licensee shall maintain at its sole expense insurance limits as stipulated in this section.

(a) Minimum Scope and Limit of Insurance

Coverage shall be at least as broad as:

1. Commercial General Liability (CGL): Insurance Services Office Form CG 00 01 covering CGL on an “occurrence” basis, including products and completed operations, property damage, bodily injury and personal and advertising injury with limits no less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate.

2. Automobile Liability: Insurance Services Office Form Number CA 0001 covering, Code 1 (any auto), or if Licensee has no owned autos, Code 8 (hired) and 9 (non-owned), with limits no less than \$1,000,000 per accident for bodily injury and property damage.

3. Workers’ Compensation insurance as required by the State of California, with Statutory Limits, and

Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease.

(b) Other Insurance Provisions

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

1. Additional Insured Status

The Licensor and Agency Representatives, (as defined in Section 7, below) are to be additional insureds on the CGL policy with respect to liability arising out of Licensee's use of the Premises. General liability coverage can be provided in the form of an endorsement to the Licensee's insurance (at least as broad as ISO Form CG 20 10 11 85 or both CG 20 10 and CG 20 37 forms if later revisions used).

2. Primary Coverage

For any claims related to this Agreement, the Licensee's insurance coverage shall be primary insurance as respects the Licensor/Agency Representatives. Any insurance or self-insurance maintained by the Licensor/Agency Representatives, shall be excess of the Licensee's insurance and shall not contribute with it.

3. Contractors and Subcontractors

Licensee shall require and verify that all contractors and subcontractors maintain insurance meeting all the requirements stated herein, and Licensee shall ensure that Licensor/Agency Representatives are additional insureds on insurance required from contractors/subcontractors. For CGL coverage contractors and subcontractors shall provide coverage with a format least as broad as CG 20 38 04 13.

4. Notice of Cancellation

Each insurance policy required above shall state that coverage shall not be canceled, except with notice to the Agency.

5. Waiver of Subrogation

Licensee hereby grants to Agency a waiver of any right to subrogation which any insurer of said Licensee may acquire against the Agency by virtue of the payment of any loss under such insurance. Licensee agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation provided such endorsement is available on commercially reasonable terms, but this provision applies regardless of whether or not the Agency has received a waiver of subrogation endorsement from the insurer.

6. Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by the Agency. The Agency may require the Licensee to provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention.

7. Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the Agency.

8. Deductibles

All such insurance shall have deductibility limits of not greater than \$50,000.00 unless otherwise approved by the Agency.

9. **Verification of Coverage**

Licensee shall furnish the Agency with original certificates and amendatory endorsements or copies of the applicable policy language providing the insurance coverage required above. All certificates and endorsements are to be received and approved by the Agency before exercise of the Permitted use commences. However, failure to obtain the required documents prior to the exercise of the Permitted Use shall not waive the Licensee's obligation to provide them. The Agency reserves the right to require complete copies of all required insurance policies, including endorsements, required by these specifications, at any time.

10. **Occurrence Basis Coverage**

All policies shall be written on an occurrence basis unless otherwise approved by the Agency.

7. **Indemnification.** From and after the execution of this Agreement, Licensee hereby agrees to indemnify, defend, protect and hold harmless, with counsel of the Licensor's choosing, the Agency and any and all predecessors, successors, assigns, agents, officials, employees, members, independent contractors, affiliates, principals, officers, directors, attorneys, accountants, representatives, staff, and board members of the Agency collectively, the "Agency Representatives", and each of them, from and against all claims, including any claims from any third party beneficiary to this Agreement, causes of action, liabilities, losses, damages, injuries, expenses, charges, penalties, or costs, of whatsoever character, nature and kind, (including attorney's fees and costs incurred by the indemnified Party with respect to legal counsel of its choice), whether to property or to person(s), and whether by direct or derivative action, known or unknown, suspected or unsuspected, latent or patent, existing or contingent (collectively "Losses and Liabilities"), related directly or indirectly to, or arising out of or in any way connected with any of the activities of Licensee, its agents, employees, licensees, lessees, representatives, invitees, contractors, subcontractors or independent contractors on the Premises. This indemnification requires Licensee to indemnify the Agency and any and all Agency Representatives from and against all Losses and Liabilities, including attorneys' fees, related directly or indirectly to, or arising out of or in any way connected with any existing or future Hazardous Substances on the Premises. Licensee's obligation to defend shall arise regardless of any claim or assertion that the Agency caused or contributed to the Losses and/or Liabilities.

8. **Term, Termination and Remedies.** The License shall commence as of the Effective Date of this Agreement, and shall automatically terminate on **July 31, 2019**. Notwithstanding the foregoing, at any time, for any reason, the Licensor may, at its sole and absolute discretion, terminate this Agreement without cause, upon 30 days written notice to Licensee. Further, in the event Licensor sells or transfers the Premises during the term of this Agreement, this Agreement shall terminate upon seven (7) days written notice to Licensee. In addition, if Licensee shall be in breach of any of its obligations under this Agreement and shall fail to cure such breach within ten (10) business days of written notice from Licensor specifying the nature of any such breach, Licensor shall have the right to terminate this Agreement upon written notice to Licensee. Licensee acknowledges that this License is solely a license, and that Licensee has no rights as an owner, purchaser or tenant by virtue thereof. Upon termination of the Agreement, Licensee shall promptly vacate the Premises and comply with the provisions of Section 3 above. No termination or expiration of this License shall relieve Licensee of its obligations hereunder.

9. **Inspection and Access to Premises.** Licensor and any of its duly authorized representatives, employees, agents or independent contractors shall be entitled to enter the Premises, to show the Premises

to potential purchasers, to inspect the premises, to inspect Licensee's use of the Premises, and for any other purpose, at any time

10. Assignability. This License cannot be assigned by Licensee whether voluntarily or by operation of law, and Licensee shall not permit any use of the Premises, or any part thereof during the Term of this License in violation of the provisions of this License, except with the consent of Licensor (which shall not be unreasonably withheld, conditioned or delayed), and any attempt to do so shall be null and void.

11. Cost of Enforcement. In the event it is necessary for either Party to employ an attorney or other person or commence an action to enforce or interpret any of the provisions of this License or for Licensor to remove Licensee from the Premises, the non-prevailing party agrees to pay to the prevailing party, in addition to such other relief as may be awarded by the court, agency or other authority before which such suit or proceeding is commenced, all reasonable costs of enforcement in connection therewith including, but not limited to, reasonable attorneys' fees, expenses and costs of investigation.

12. Notices. All notices, consents, approvals, requests, demands and other communications provided for herein shall be in writing and shall be deemed to have been duly given upon the earlier of when personally delivered or served or twenty-four (24) hours after being deposited with FedEx or any other established overnight courier service to the intended party addressed as follows:

Licensor: Paul Philips
Executive Director
15625 East Stafford Street, Suite 100
City of Industry, CA 91744
Tel: (626) 333-2211
paul@cityofindustry.org

With a Copy to: James M. Casso, General Counsel
Casso & Sparks, LLP
13200 Crossroads Parkway North, Suite 345
City of Industry, CA 91746
Tel (626) 512-5470
jcasso@cassosparks.com

Licensee: Timothy Roberts, President
T.E. Roberts, Inc.
306 West Katella Avenue, Unit B
Orange, CA 92867
Tel (714) 669-0072

13. No Liability of Licensor. Licensee and Licensor acknowledge and agree that Licensee is entering into the Premises prior to the transfer of the Premises to Licensee and that Licensee does so at its sole risk and expense. The provisions hereof shall inure to the benefit of Licensor's and Licensee's successors and assigns including any Mortgagee.

14. Miscellaneous. This Agreement constitutes the entire agreement between the Parties hereto pertaining to the subject matter hereof, and all prior and contemporaneous agreements, representations and understandings of the Parties hereto, oral or written, are hereby superseded and merged herein. No supplement, modification or amendment of this Agreement shall be binding unless in writing and

executed by the Parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions, whether or not similar, nor shall any waiver be a continuing waiver. No waiver shall be binding unless executed in writing by the Party making the waiver. The indemnifications under this Agreement, the obligations of Licensee hereunder to remove liens and Licensee's obligations hereunder with respect to vacating and repairing the Premises shall survive the expiration or termination of the License Term. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of California. Any action brought concerning this Agreement shall be brought in the appropriate court for the County of Los Angeles, California. Each Party hereby irrevocably consents to the jurisdiction of said court. Developer hereby expressly waives all provisions of law providing for a change of venue due to the fact that the Agency may be a party to such action, including, without limitation, the provisions of California Code of Civil Procedure Section 394. Licensee further waives and releases any right it may have to have any action concerning this Agreement transferred to Federal District Court due to any diversity of citizenship that may exist between Agency and Licensee. The headings of this Agreement are for purposes of reference only and shall not limit or define the meaning of the provisions hereof. This Agreement may be executed in any number of counterparts, each of which shall be an original, and all of which shall constitute one and the same instrument. Neither this instrument nor a short form memorandum or assignment hereof shall be filed or recorded in any public office without Licensor's or Licensee's prior written consent.

15. Authority. Each person executing this Agreement hereby represents and warrants (i) their authority to do so, and (ii) that such authority has been duly and validly conferred.

(SIGNATURES ON FOLLOWING PAGE)

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the Effective Date.

“LICENSOR”

SUCCESSOR AGENCY TO THE INDUSTRY URBAN-DEVELOPMENT AGENCY

By: _____
Paul Philips, Executive Director

ATTEST:

Diane Schlichting, Agency Secretary

APPROVED AS TO FORM:

James M. Casso, General Counsel

“LICENSEE”

T.E. ROBERTS, INC.

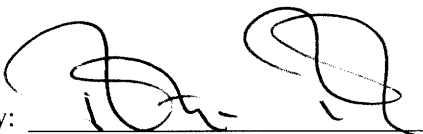
By:  _____
Timothy Roberts, President

EXHIBIT A

Legal Description

Assessor's Parcel Number (APN) no. 8760-009-900 located at 19835 East Walnut Drive North, City of Industry, CA 91744-0366. The staging area may include materials and equipment such as conduits, casing, fittings, steel plates, backhoe, excavator, side boom, dump truck and cargo containers or miscellaneous items. The area identified in the map below by an arrow and defining red lines identifies the east area of the Premises, where the Permitted Use shall occur.

Location Map – 19835 East Walnut Drive North

