

SCHEDULE B
(continued)

9. INTENTIONALLY DELETED

10. The fact that the ownership of said land does not include rights of access to or from the street, highway, or freeway abutting said land, such rights having been relinquished by that certain document

Recorded: September 10, 1986 as Instrument No. 220516, of Official Records
Affects: That portion of said land as described in the document attached hereto.

11. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Public Utilities
Recorded: November 19, 1987 as Instrument No. 331830 of Official Records
Affects: That portion of said land as described in the document attached hereto.

Reference is hereby made to said document for full particulars.

12. INTENTIONALLY DELETED

13. The Effect of a Lot Line Adjustment No. 4204, Recorded February 29, 2000 as Instrument no. 2000-073632, Official Records.

14. An easement for the purpose shown below and rights incidental thereto as set forth in a document.

Purpose: Public Utilities
Recorded: August 04, 2001 as Instrument No. 2001-248042 of Official Records
Affects: That portion of said land as described in the document attached hereto.

Reference is hereby made to said document for full particulars.

EXHIBIT E

FORM OF MEMORANDUM OF GROUND LEASE

[Attached as the immediately following page.]

Recording Requested by
And When Recorded Return to:

City Clerk
City of Norco
2870 Clark Avenue
Norco, CA 92860

Exempt from Recorder's Fees
Pursuant to Government Code §s 6103, 27383

(Space Above This Line For Recorder's Use)

MEMORANDUM OF GROUND LEASE

THIS MEMORANDUM OF GROUND LEASE (this "**Memorandum**") is made and entered into as of the date of the last execution, which date is the 6th day of July, 2011, by and between THE CITY OF NORCO, a municipal corporation ("**Landlord**") and BALBOA MANAGEMENT GROUP, LLC or its assignee as hereinafter permitted ("**Tenant**") a Delaware limited liability company

WITNESSETH:

WHEREAS, Landlord and Tenant entered into that certain Ground Lease dated as of an even date with this Memorandum (the "**Lease**");

WHEREAS, the Lease pertained to certain premises located in Riverside County, California, said premises being more specifically described on Exhibit A, attached hereto and made a part hereof (the "**Leased Premises**"); and

WHEREAS, Landlord and Tenant desire to evidence the Lease in the Official Records of Riverside County by the recitations contained in this Memorandum.

NOW, THEREFORE, in consideration of the foregoing and TEN DOLLARS (\$10.00) and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord does hereby demise, lease and let unto Tenant the Leased Premises, as follows:

1. Tenant has certain rights to develop and use the Leased Premises in connection with the City of Norco for the period stated in the Lease; it being agreed the same is to be a public park as more particularly state in the Lease. Further, Tenant has a right of first refusal to buy the Leased Premises as contained in the Lease.

2. This Memorandum is subject to all conditions, terms and provisions of the Lease, which agreement is hereby adopted and made a part hereof by reference to the same in the same manner as if all the provisions thereof were copied herein in full.

3. In the event of a conflict between the terms of the Lease and this Memorandum, the Lease shall prevail. Reference should be made to the Lease for a more detailed description of all matters contained in this Memorandum.

4. Capitalized terms not defined herein shall have the meaning as set forth in the Lease.

IN WITNESS WHEREOF, Tenant and Landlord have executed this Memorandum effective as of the date first written above.

TENANT:

BALBOA MANAGEMENT GROUP, LLC,
a Delaware limited liability company

By:


Richard J. Brandes

Its:

Manager

LANDLORD:

CITY OF NORCO,
a municipal corporation

By:


Printed Name: Berwin Hanna

Title: Mayor

Approved as to form:


John R. Harper, City Attorney

Attest:


Brenda K. Jacobs, CMC, City Clerk

(Add appropriate notary jurats for state of recordation)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Riverside

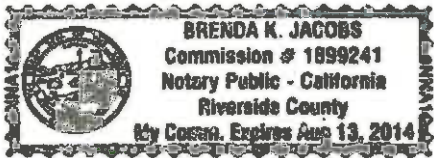
On July 7, 2011 before me,

Brenda K. Jacobs, Notary Public
Here Insert Name and Title of the Officer

personally appeared

Berwin Hanna
Name(s) of Signer(s)

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

Brenda K. Jacobs
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

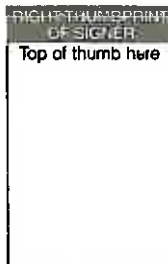
Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

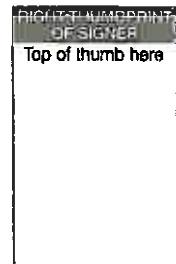
- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing: _____

Signer's Name: _____

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



Signer Is Representing: _____

ACKNOWLEDGMENT

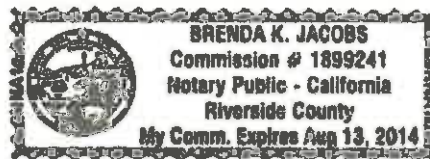
State of California
County of Riverside)

On July 14, 2011 before me, Brenda K. Jacobs, Notary Public
(insert name and title of the officer)

personally appeared Richard John Brandes
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 Brenda K. Jacobs

(Seal)

EXHIBIT A

LEGAL DESCRIPTION OF LEASED PREMISES

Parcel A -Assessor's Parcel No: 152-060-004-0:

Parcel 1: That portion of Lot Q of Fuller Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 16, Pages 94 through 97 of maps in the office of the County Recorder of said county, described as follows:

Beginning at the most Southerly corner of that certain parcel of land as conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, by deed filed for recorded July 18, 1951 as shown by map on file in Book 1288, Page 238, of maps, records of Riverside County, California;

Thence Southerly $0^{\circ}10'45''$ East on the Easterly line of State Highway right of way line a distance of 521.67 feet to the Northwesterly corner of that certain parcel of land conveyed to Wildan P. Thomas by deed recorded July 25, 1956 in Book 1948, Page 490, records of Riverside County, California; thence Easterly along the Northerly line of said Thomas Parcel of land to a point in the Easterly line of said Lot Q; thence Northerly along said Easterly line of Lot Q to the Southeast corner of that certain parcel of land conveyed to Steve Polopolus and Diana Polopolus, husband and wife, by deed for recorded, October 18, 1956 in Book 1987, Page 367, records of Riverside County, California; thence Southerly $63^{\circ}18'15''$ West along the South line of said Hoover and Polopolus Parcels of land to the point of beginning.

Excepting therefrom that portion of Lot Q of Fuller Rancho as shown by map on file in Book 16, Pages 94 through 97 of maps, records of Riverside County, California, described as follows:

Beginning at the Southwest corner of that certain parcel of land conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, as shown by map on file in Book 1288, Page 238 of maps, records of Riverside County, California; thence South $0^{\circ}10'45''$ East along the Easterly line of State Highway, a distance of 21.67 feet; thence Northerly $89^{\circ}61'43''$ East, a distance of 500.00 feet; thence Northerly $0^{\circ}10'45''$ West a distance of 271.51 feet to the Southerly line of said parcel conveyed to Earle F. Hoover, et ux; thence Southerly $63^{\circ}18'15''$ West along the Southerly line of said parcel conveyed to Earle F. Hoover, et ux, a distance of 558.79 feet to the point of beginning.

Parcel 2:

All that portion of Lot Q Fuller Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 16, Pages 94 through 97 of maps, in the office of the County Recorder of said county, described as follows:

Beginning at the Southwest corner of that certain parcel of land conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, as shown by map on file in Book 1288, Page 238 of maps, records of Riverside County, California; thence South $0^{\circ}10'45''$ East

along the Easterly line of State Highway, a distance of 21.67 feet; thence Northerly 89°51'43" East, a distance of 500.00 feet; thence Northerly 0°10'45" West a distance of 271.51 feet to the Southerly line of said parcel conveyed to Earle F. Hoover, et ux., a distance of 558.79 feet to the point of beginning.

Parcel B - Assessor's Parcel No: 152-060-011-6:

That portion of the Southeast of the Northwest quarter and the Southwest quarter of the Northwest quarter of fractional Sectional 31, Township 2 South, Range 6 West, as per map of the Jurupa Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 9, Page 33 of maps, in the office of the County Recorder of San Bernardino County, California, which lies Westerly of the following described line:

Beginning at the North quarter corner of said fractional section said corner being marked by a 4 inch by a 4 inch stake as set by parnley and finkle in 1889 and as shown on licensed survey map on file in Book 10, Page 35 of maps, records of survey, records of Riverside County, California; thence South 0°07'14" East along the North and South centerline of said fractional section, 1324.58 feet to a 3/4 inch iron pipe marking the Northeast corner of the Southeast quarter of the Northwest quarter of said fractional section; thence South 89°35'15" West 1.11 feet, to a 3/4 inch iron pipe; thence South 0°52'35" West 1.13 feet, to a 2 inch by 2 inch stake; thence South 89°26'05" East 28.20 feet; to a 2 inch stake; thence South 30°49'10" West, 321.76 feet to a 3/4 inch iron pipe set on the East and West centerline of said fractional section, at a point which bears South 89°43'33" West 221.40 feet from a 1 1/2 inch iron pipe marking the center of said fractional section, as said center of fractional section 31 was re-established and shown on said licensed survey map.

Excepting therefrom the Northerly 30.00 feet.

Also excepting therefrom that portion thereof conveyed to the State of California by final order of condemnation recorded September 10, 1986 as Instrument/file No. 220516 of Official Records of Riverside County, California.

Also excepting therefrom that portion of said land conveyed to K. Hovnanian Companies of Southern California, Inc., a California Corporation by grant deed recorded March 16, 2000 as Instrument No. 2000-096935 of Official Records.

Parcel C - Assessor's Parcel No: 152-070-001-8:

The Southerly 664.2 feet of Lot Q of Fuller Rancho, City of Norco, County of Riverside, State of California, County as shown by map on file in Book 16, Pages 94 through 97 of maps, in the office of the County Recorder of said county, California, described as follows:

The Northerly line of said parcel being parallel with the Southerly line of Lot "Q", excepting therefrom that portion conveyed to the State of California by deed from Motor Transit Terminal

Corporation recorded November 29, 1941 as shown by map on file in Book 525. Page 160 of maps, records of Riverside County, California.

Parcel D – Assessor's Parcel No: 152-070-011-7

The Northeast quarter of the Southwest quarter of Section 31, Township 2 South, Range 6 West, San Bernardino Meridian, in the City of Norco, County of Riverside, State of California, as shown by sectionized survey of the Jurupa Rancho, records of San Bernardino County, California

Excepting therefrom that portion thereof conveyed to the State of California by final order of condemnation recorded September 10, 1986 as Instrument/File No. 220516 of Official Records of Riverside County, California.

Also excepting therefrom that portion of said land conveyed to K. Hovnanian Companies of Southern California Inc., a California Corporation by grant deed recorded March 16, 2000 as Instrument No. 2000-096935 of Official Records.

Parcel E - Assessor's Parcel No: 152-070-002-9:

The South half of the Northwest quarter of the Southwest quarter and the Northwest quarter of the Southwest quarter of the Southwest quarter of Section 31, Township 2 South, Range 6 West, as shown by sectionized survey of the Jurupa Rancho, in the City of Norco, County of Riverside, State of California, as per map recorded in Book 9, Page 33 of maps, in the office of the County Recorder of San Bernardino County.

Except the Westerly 60.00 feet of the South half of the Northwest quarter of the Southwest quarter and the Northwest quarter of the Southwest quarter of the Southwest quarter of said Section 31.

EXHIBIT F

LIST OF PERMITTED USES

The Permitted Uses approved by the City allow Balboa to operate a park with recreation facilities at which Balboa may hold equestrian, soccer and other sporting events, functions and sports/equestrian related educational programs, clinics, camps, tournaments, shows, exhibitions and try-outs, including qualifying matches for local, regional, state, national and international competitions (including the Olympics) and other entertainment events. The public's right to use the Property is more particularly identified in a separate Shared Use Agreement.

Tenant's Permitted Uses include uses to which other public parks are customarily put, and include, but are not limited to, the following:

- I. Equestrian events, including, but not limited to, the following events (no Silverlakes Event Permit required):
 - Horse Shows and horse auctions
 - Hunter/Jumper competitions
 - Barrel Racing
 - Dressage
 - Equine clinics and symposiums
 - Equine environmental learning tours
 - Therapeutic riding for the physically or mentally challenged
 - Local, state and federal mounted police training programs
 - Rodeos
 - Animal breed shows

- II. Sporting events, activities and functions, including educational programs, clinics and camps, associated with the following sports (no Silverlakes Event Permit required):
 - Soccer
 - Volleyball
 - Lacrosse
 - Field Sports
 - Indoor sports and calisthenics within the multi-purpose building, including, but not limited to, basketball, volleyball, gymnastics, dance, martial arts and racket sports

- III. Other (no Silverlakes Event Permit required):
 - On-site administrative offices and general office functions, including on-site security facilities and caretaker accommodations
 - Sales of event related merchandise, concessions and equipment
 - Operation of RV campsite for overnight camping and the overnight parking of recreational vehicles and trailers, as specified in the Shared Use Agreement

- Temporary overnight accommodations of athletes, coaches and trainers in connection with on-site equestrian/sports programs and clinics, consistent with that commonly granted by cities for similar parks
- Operation of a “pro shop” within the multi-purpose building or covered arena or elsewhere on property
- “Game/event day” operation of sales and reception areas with removable tents, canopies and umbrellas for dignitaries, sponsors, vendors and concessionaires, including the sale of food and beverages and the operation of a cafeteria within the multi-purpose building and concession stands and kiosks
- Electronic messaging sign along I-15, subject to City approval as set forth in the Restated Conditions of Conditional Use Permit 2008-09 adopted concurrently with the Development Agreement
- Cell phone towers, subject to City approval as set forth in Chapter 18.57 of the Norco Municipal Code

IV. Additional Permitted Uses, but for which a Silverlakes Event Permit may be required as hereinafter specified:

- Farmers markets, craft and art shows
- Botanical garden displays, walking tours, floral and fauna lectures
- Plant shows
- Concerts, recitals, circuses, fairs, carnivals, parties, weddings, picnics, family reunions, auctions, entertainment, dances, meetings, assemblages and religious and church services and events
- Filming (other than in connection with an event held at the Property)
- Boat, RV, automobile, and other vehicle shows
- Trade, promotional shows and conventions
- Hobby club events
- YMCA, Boys & Girls Scouts, School Events , 4H club and similar youth organizational activities
- Corporate events (team building, company picnics, and the like)
- Philanthropic Events
- Alcoholic beverage sales and consumption in connection with on-site events not hosted by Tenant as set forth in Sections I, II, or III or IV above

(1) With respect to the Additional Permitted Uses in Section IV above, the same shall require a Silverlakes Event Permit from the City’s Department of Parks, Recreation & Community Services with the understanding that a Silverlakes Event Permit is only required if such use entails one or more of the following circumstances:

- (a) 2,000 or more attendees will be present on the Property at any one time in connection with the scheduled event; or
- (b) alcoholic beverages will be served to more than 500 attendees; or
- (c) filming is being conducted of a commercial nature (and not in connection with a Permitted Use).

- (2) A Silverlakes Event Permit, business license, alcohol permit, and film permit (for filming of a commercial nature) are the sole permits to be obtained for the operation of the Additional Permitted Uses meeting the above-referenced criteria under clause 1 (a), (b) or (c) above notwithstanding other permit schemes set forth in any Existing Land Use Regulation.
- (3) The Silverlakes Event Permit is a ministerial permit which shall be issued by the City's Department of Parks, Recreation & Community Services in compliance with the City's written safety and health regulations in effect upon the Effective Date and applicable to such events.
- (4) A single "master" Silverlakes Event Permit may be issued for the Additional Permitted Uses referenced under clause 1 (a), (b) or (c) above to the extent the same are reoccurring or regularly scheduled.
- (5) All other Permitted Uses do not require a Silverlakes Event Permit, or any other approval or permit from the City except as provided herein.
- (6) All other uses shall require a Silverlakes Event Permit from the City.

EXHIBIT G

LIST OF INITIAL TENANT IMPROVEMENTS

The Initial Improvements shall include the following:

- Up to 25 full size soccer fields - mainly grass with up to 12 artificial synthetic fields
- Up to 6 sand rings for horseback riding or sand sports
- Equestrian competition showgrounds
- Portable and permanent restroom facilities
- Internal, private and public bridle trails
- Gated entrance(s) on Hamner; gated entrance on any connector road constructed to I-15 Freeway if bordering on Leased Premises
- Parking areas
- RV campground and trailer parking
- Picnic areas
- Permanent and temporary lighting
- Water holding tanks
- A multi-purpose building or covered arena with a foot print of up to ±135,000 square feet
- Earthen and concrete viewing berm(s)
- Entry features, including identification signage, lake, other water features, gardens and reception areas
- Two Water Wells
- Internal directional and informational signage
- Business office(s)
- Storage and maintenance facilities

The Initial Improvements may also include the following:

- Announcer's stand with public address systems
- Stables and tack facilities – including paddocks, water troughs, wash racks, and tie stations
- Kitchen and other food service facilities
- Dining Areas
- Security personnel facilities and caretaker housing
- Mobile bleachers and fencing
- Temporary overnight accommodations of athletes, coaches and trainers
- A “pro shop” within the multi-purpose building or elsewhere on the property
- Hay barn and guard gate houses(s)
- Electronic messaging sign along I-15, subject to City approval as set forth in the Restated Conditions of Conditional Use Permit 2008-09 adopted concurrently with this Agreement
- Fiber Optic and other communication conduit
- Cell phone towers, subject to City approval as set forth in Chapter 18.57 of the Norco Municipal Code

- Supporting Infrastructure, facilities and amenities
- Sales and reception areas with removable tents, canopies and umbrellas for dignitaries, sponsors, vendors and concessionaires

EXHIBIT G-1

CITY FACILITIES

These are the public improvements known as “City Facilities” to be constructed by Tenant.

Domestic Water System

- Water Distribution Mainlines/service lines
- Water Meters
- Detector Check with PIV
- Fire Hydrants
- Reduced Pressure Backflow Assemblies
- Hot taps
- Isolation Valves

Sanitary Sewer System

- Sewer Mainline and laterals
- Sanitary sewer manholes
- Sanitary sewer clean outs

Storm Drain Systems

- Storm Drain Pipes
- Catch Basins
- Storm Drain Manholes

Circulation Roads

- Asphalt – 4” thickness
- Crushed Aggregate Base – 6” thickness
- Striping/signage
- Clearing/grubbing/grading

Groundwater Systems

- Groundwater wells (excluded from maintenance by City during Lease term)
- Reservoir/Pressure tanks (excluded from maintenance by City during Lease term)
- Sand Filters/treatment facilities (excluded from maintenance by City during Lease term)
- Transmission pipelines

EXHIBIT G-2

PUBLIC INFRASTRUCTURE IMPROVEMENTS

[List of offsites that City is required to construct without reimbursement from Tenant]

1. Widening and improvement of Hamner Avenue along the length of the property, including the relocation of electricity power poles and the installation of causeway beneath Hamner Avenue for vehicle, pedestrian and equestrian connectivity between the property and JCSD's property.
2. Installation of utilities within/adjacent to Hamner Avenue, including sewer and potable water and storm drainage.
3. Enhancement of the traffic signal at the intersection of Hamner Avenue and Citrus, including protected left and right movement onto the property.
4. Construction of the Santa Ana River Riprap Training Dike for flood control and mitigation.

EXHIBIT H

FORM OF CERTIFICATE OF COMPLETION

[Attached as the immediately following page.]

Recording Requested by
And When Recorded Return to:

City Clerk
City of Norco
2870 Clark Avenue
Norco, CA 92860

Exempt from Recorder's Fees
Pursuant to Government Code §s 6103, 27383

(Space Above This Line For Recorder's Use)

CERTIFICATE OF COMPLETION

PROJECT NAME: _____

PROJECT LOCATION/ADDRESS: _____

LEGAL DESCRIPTION: _____

OWNER OF PROPERTY/PARTICIPANT: _____

ADDRESS: _____

PROJECT DESCRIPTION: _____

NOTICE IS HEREBY GIVEN that the above described project has been completed in accordance with the terms and conditions of that certain Lease dated _____, to the satisfaction of the City of Norco.

DATED: _____

By: _____

Printed Name: _____

Title: Mayor

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF NORCO____)

The undersigned, being duly sworn, says that he is the Mayor of the City of Norco; that he makes this verification on behalf of said entity; that he has read the foregoing and knows the contents thereof; and that the facts stated therein are true.

_____, Mayor

State of California

County of _____

Subscribed and sworn to (or affirmed) before me on this _____ day of _____, 20__, by _____, proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

(Seal)

Signature_____

EXHIBIT I

FORM OF ESTOPPEL CERTIFICATE

The undersigned, as _____, under that Lease dated _____ made with _____ as _____, hereby certifies as follows:

- (1) That the undersigned has entered into occupancy of the premises described in said lease;
- (2) That said lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way, except as follows:

- (3) That the Effective Date of said Lease is _____ and the Term Commencement Date is _____;
- (4) That there is an unexpired term hereunder of ___ years;
- (5) That all conditions of said lease to be performed by Landlord and necessary to the enforceability of said lease have been satisfied;
- (6) That there are no defaults by either Tenant of Landlord thereunder;
- (7) That no rents have been prepaid, other than as provided in said lease; and
- (8) That on this date there are no existing defenses or offsets which the undersigned has against the enforcement of said lease by Landlord.

The undersigned hereby agrees:

- (1) To disclaim all right, title or interest in said premises except the rights granted by said lease; and
- (2) To give to the holder of any mortgage affecting the Leased Premises, or its assignee, the same right as the Landlord has to cure any default complained of in any notice or demand.

EXECUTED THIS day of _____, 20 __.

By _____

By _____

EXHIBIT J

[RESERVED]

EXHIBIT K

REFERENCE PROCEDURE

Reference Procedure. At any time prior to the expiration of the cure period associated with the second Notice of Default (as such cure period is explained in Section 13.2 or 13.5 of the Lease, Tenant or Landlord as applicable (herein "**Defaulting Party**") has the right to request a Reference Procedure. In the event the Defaulting Party fails to request a Reference Procedure or effectuate a cure within the applicable time period, the non-defaulting Party may terminate the Lease. A Reference Procedure shall be conducted in accordance with the provisions of California Code of Civil Procedure § 638 et seq. ("**Reference Procedure**"). The Parties specifically agree to the following if the Defaulting Party elects to pursue a Reference Procedure:

(a) The Parties shall agree upon a single referee who shall then try solely the issue of whether the Defaulting Party's default constitutes a material Event of Default as herein defined. If the Parties are unable to agree upon a referee, either Party may seek to have one appointed pursuant to California Code of Civil Procedure § 640 by the presiding judge of the Riverside County Superior Court. The referee shall be: (a) a retired judge or (b) a duly licensed attorney who has practiced law in the Los Angeles County or Riverside County area in the field of real estate transactional law or real estate litigation for at least fifteen (15) years.

(b) The compensation of the referee shall be such charges as is customarily charged by the referee for like services. The cost of such proceedings shall be shared equally by the Parties.

(c) Except as provided in this Section, the referee shall apply all California Rules of Procedure and Evidence and shall apply the substantive law of California in deciding the issues to be heard. Notice of any motions before the referee shall be given, and all matters shall be set at the convenience of the referee.

(d) The referee's decision under California Code of Civil Procedure §644 shall stand as the judgment of the court, subject to appellate review as provided by the laws of the State of California. The referee shall file its statement of decision with the Clerk of the Riverside County Superior Court within ten (10) days after conclusion of the hearing.

(e) The Parties agree that they shall in good faith endeavor to cause any such dispute to be decided as soon as possible, but in any event within thirty (30) days from the second Notice of Default. The date for any proceeding shall be determined by agreement of the Parties and the referee or, if the Parties cannot agree, then by the referee within twenty one (21) days after the referee has been selected. Unless otherwise agreed by the Parties, the hearing shall take place at a location acceptable to both Parties.

Subject to the availability of the referee, the hearing shall be concluded and a decision rendered no later than forty five (45) days after the initial hearing date.

(f) If a reporter is requested by either Party, then a reporter shall be present at all proceedings, and the fees of such reporter shall be initially shared equally by the Parties. Such fees shall be an item of recoverable costs to Landlord if applicable.

(g) The referee shall only have the power to determine if a Party's default is material within the definition of Article 13; if so, the non-defaulting Party's election to terminate shall be confirmed. If Tenant is the Defaulting Party, Tenant shall vacate the Leased Premises within the later of three (3) months of the decision or four (4) months from the date of the second Notice of Default.

EXHIBIT L

SITE PLAN

[Attached as the immediately following page.]



EXHIBIT M

SHARED USE AGREEMENT

[Attached as the immediately following pages.]

NORCO SILVERLAKES SHARED USE AGREEMENT

BY AND BETWEEN

**THE CITY OF NORCO
("LANDLORD")**

AND

**BALBOA MANAGEMENT GROUP, LLC
("TENANT")**

SHARED USE AGREEMENT

[Silverlakes Equestrian and Sports Park]

This SHARED USE AGREEMENT (this "**Agreement**") is dated for identification purposes as of the 6th day of July, 2011 (the "**Agreement Date**") and is entered into by and between the CITY OF NORCO, a municipal corporation (the "**Landlord**", "**City**"), and BALBOA MANAGEMENT GROUP, LLC, a Delaware limited liability company, or its assignee (the "**Tenant**") (each a "**Party**" and collectively the "**Parties**") with reference to the following facts:

RECITALS:

WHEREAS, the City owns approximately 122 contiguous acres of land in the City of Norco, County of Riverside, State of California, commonly known as Silverlakes (the "**Property**"), as more particularly set forth in Exhibit A attached to that certain Norco Silverlakes Ground Lease dated July 6, 2011 (the "**Ground Lease**"). A Memorandum of Ground Lease was recorded in the official records of Riverside County, California on _____, 2011 as Instrument No. _____, and this Agreement is in compliance and satisfaction with the terms and conditions of the Ground Lease; and

WHEREAS, Landlord has leased the entirety of the Property to Tenant pursuant to that certain Ground Lease dated July 6, 2011, and this Agreement is in compliance and satisfaction with the terms and conditions of the Ground Lease; and

WHEREAS, on March 4, 2009, the Norco City Council approved Conditional Use Permit 2008-09 (as the same may be amended, the "**CUP**"), to allow for the development of an equestrian and sports park on the Property, and adopted Resolution 2009-08, and certified the Environmental Impact Report in connection with same, and this Agreement is in compliance and satisfaction with the terms and conditions of the CUP; and

WHEREAS, Landlord and Tenant entered into that certain Development Agreement for the Property dated July 6, 2011 (the "**Development Agreement**"), and this Agreement is in compliance and satisfaction with the terms and conditions of the Development Agreement.

WHEREAS, through the Ground Lease and Development Agreement, Tenant will undertake the development, management and operation of the Property into an equestrian and sports park (the "**Facility**") as more particularly described in the Lease and the Development Agreement; and

WHEREAS, Landlord leased the Property to Tenant for the consideration listed within the Lease and the general understanding that certain portions of the Facility and the Amenities (as defined in Article II below) will be made available for use by the Public and/or Landlord during certain times and under certain conditions as more particularly described herein.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto hereby agree as follows:

ARTICLE I PURPOSE

Landlord and Tenant hereby acknowledge and agree that (a) the development, management, and operation of the Facility as an equestrian and sports park for the Permitted Uses is in the best interest of the City, and (b) in order to obtain the successful operation of the Facility, the Landlord's, Tenant's and Public's right to use the Property and the Facility (or any portion thereof) shall be as provided under this Agreement.

ARTICLE II DEFINITIONS

Except as provided in the text of this Agreement, all capitalized terms used in this Agreement shall have the definitions provided in this Article II.

- 2.1. **Amenity, Amenities** – Individually and collectively, all of the various permanent improvements now existing or hereinafter installed on the Property as contemplated and permitted under the Ground Lease and the Development Agreement, including but not limited to, grass, synthetic, and sand fields, the multi-purpose building, restrooms, lighting, parking, the Trails and the Picnic Areas, all as the same may be replaced, repaired, renovated and reconfigured by Tenant from time to time subject to the terms and conditions set forth in the Ground Lease and Development Agreement, as applicable. The list of Amenities available for a Landlord Use and/or a Public Use is set forth in Sections 4.1 and 5.1 below.
- 2.2. **Claim, Claims** – Individually and collectively, all losses, expenses (including, but not limited to, reasonable attorneys' and experts' witness fees and court costs), fees, penalties, demands, damages, injuries, liabilities, causes of action or claims, of any kind or character asserted by the Public or any third party.
- 2.3. **Default** – As defined in Section 11.1 below.
- 2.4. **Effective Date** – The Effective Date of this Agreement shall occur upon Tenant's completion of the Project Improvements for Phase I of the Facility (as such terms are defined in the Development Agreement) and Tenant's commencement of business operations at the Facility.
- 2.5. **Entrance Fees** - Those fees that Tenant may collect upon, and as a condition to an individual's entry to the Property by foot (as opposed to an individual's entry to the Property by vehicle in which case a Parking Fee is charged).

- 2.6. **Facility** – The equestrian and sports park, including all of the Amenities operating on the Property, for the Permitted Uses and subject to the conditions and limitations as more particularly described in the Ground Lease.
- 2.7. **Freeway Sign** – That certain possible future electronic pylon sign adjacent to the I-15 freeway as depicted on the Site Plan and more particularly described in Article IX below.
- 2.8. **Impasse** – An Impasse shall be deemed to exist if the Representatives fail to reach agreement on any issue pertaining to (a) the agreement on the master schedule as discussed in Section 7.2 below, (b) the approval of a special event as discussed in Section 7.4 below, (c) the agreement on the amount of Parking Fees as discussed in Section 8.2 below or (d) Landlord proposed advertisement on the Freeway Sign as discussed in Section 9.1 below.
- 2.9. **Lake** - The lake adjacent to the Picnic Areas. The Lake is for decorative purposes only and shall remain passive with no recreational activities permitted in or on the Lake.
- 2.10. **Landlord Signage Time** – The time permitted for Landlord's placement of advertising and/or public service announcements on the Freeway Sign as provided in Article IX below.
- 2.11. **Landlord Use** – An event or use of the Facility (or portion thereof) directly related to a Landlord sponsored or organized event pursuant to Section 7.2 below.
- 2.12. **Normal Business Hours** – Tenant's normal, daylight, operating hours of the Facility for Landlord Uses and/or Public Uses, subject to closure due to nationally recognized holidays and as otherwise provided by the terms of this Agreement or extension as agreed upon in advance as part of the scheduling pursuant to Section 7.2 below.
- 2.13. **Overnight Camping Fees** – Those fees that Tenant may collect for overnight camping in the RV Parking Area in connection with a Tenant Use, a Landlord Use, and/or a Public Use. The Overnight Camping Fees shall be paid upon and as a condition to party's overnight camping on the Property.
- 2.14. **Parks and Recreation Department** – The Department of Parks, Recreation, & Community Services of the City or its successor.
- 2.15. **Parking Fees** – Those fees that Tenant may collect for entrance to the Facility by vehicle parking on the Property in connection with a Tenant Use, a Landlord Use, and/or a Public Use. The Parking Fee shall be paid upon and as a condition to a vehicle's entry to the Property. The Parking Fee may be determined and charged based on the size and/or type of vehicle, but not the number of passengers within the vehicle. No Parking Fee shall be charged for the passenger vehicle drop-off and pick-up of individuals from designated loading/unloading locations and provided that such drop-off and pick-up is completed within an expeditious amount of time.
- 2.16. **Picnic Areas** – That certain area within the Property (as depicted on the Site Plan) designated for daytime picnicking.

- 2.17. **Permitted Uses** – The list of specifically permitted uses permitted on the Property is attached to the Ground Lease as **Exhibit F**, a duplicate copy of which is attached hereto as **Exhibit “B”**.
- 2.18. **Public** – Any individual, or group of individuals, upon the Property whose use of the Facility (or portion thereof) is a Public Use, including members of the general public, residents of the City not a party to Landlord Use, the County, other cities, other parks and recreation entities, and/or groups.
- 2.19. **Public Use** – Use of the Facility (or portion thereof) for an event or purpose that is not a Landlord Use or Tenant Use. Landlord’s mere scheduling of the use of the Facility as contemplated in **Section 7.2.2** below shall not constitute Landlord’s sponsorship or organization of such uses. Public Use shall be limited to Normal Business Hours unless otherwise agreed upon in advance as part of the scheduling pursuant to **Section 7.2** below.
- 2.20. **Representative, Representatives** – Individually and collectively, the individuals designated by Landlord and Tenant as its sole representative with respect to the matters set forth in this Agreement, who, until further notice to the other Party, shall have full authority and responsibility to act on behalf of it as permitted under this Agreement. As of the Agreement Date, the “**Landlord Representative**” shall be the Director of the Parks and Recreation Department and the “**Tenant Representative**” shall be the Manager of Tenant.
- 2.21. **Restricted Amenities** – As defined in **Section 4.1.8** below.
- 2.22. **RV Parking Area** - That certain area within the Property (as depicted on the Site Plan) designated for recreational vehicle and overnight parking.
- 2.23. **Santa Ana River Trail** - That portion of Coast to Crest Trail system that runs along the Santa Ana River and commonly referred to as the Santa Ana River Trail.
- 2.24. **Site Plan** – The site plan of the Property attached to the Ground Lease as **Exhibit L**, depicting the approximate arrangements, layout and design of the Property, the Facility, and Amenities, a duplicate copy of which is attached hereto as **Exhibit “A”**.
- 2.25. **Tenant Use** – An event or use of the Facility (or portion thereof) directly related to a Tenant sponsored or organized event.
- 2.26. **Trails** – Those pathways or trails within and around the Property (as depicted on the Site Plan) designated for day hiking, walking, jogging or horseback riding. The term Trails explicitly excludes the Santa Ana River Trail. No horse drawn carriages, buggies, wagons, harness carts or sulkies, or the like, shall be allowed on Trails on the Property unless accommodations for such devices is mandated by the Americans with Disabilities Act (ADA), or equivalent law, if and to the extent such law is applicable to the Property.
- 2.27. **Trailhead** – The entrance to that portion of the Santa Ana River Trail proximate to the Property as depicted on the Site Plan.

- 2.28. **Use Fees** – Those fees that Tenant is permitted to charge in connection with a Tenant Use or a Public Use (other than the Public Uses contemplated in Sections 4.1 or 5.1.3 below) in compensation for of the use of the Facility (or any portion thereof).

ARTICLE III ORGANIZATIONAL MATTERS

- 3.1. **Overview.** The Parties intend to create a unique sports, recreational and entertainment venue by Tenant's operation of the Facility. The Facility is an equestrian and sports park. Landlord and the Public shall have rights as more specifically set forth herein, to access and use the Property and Facility as set forth herein.
- 3.2. **Term.** The term of this Agreement shall commence on the Effective Date and shall be commensurate with the Original Term of the Ground Lease. In the event that the conditions precedent to the Ground Lease are not satisfied or waived and the Ground Lease is terminated then this Agreement shall also terminate concurrently on such termination date. Unless sooner terminated or extended as provided in the Ground Lease, the term of this Agreement shall be automatically extended by such options to extend which Tenant exercises pursuant to the Ground Lease.

ARTICLE IV FACILITY AND AMENITIES AVAILABLE FOR PUBLIC USE

- 4.1. **Available Amenities.** The Parties agree that the Property and Facility are as approximately depicted on the Site Plan; provided that the configuration of the grass fields as shown on the Site Plan is merely one way in which such fields may be organized and such configuration is subject to change by Tenant from time to time as Tenant deems necessary. The Public shall have the non-exclusive right to use certain portions of Property and Facility subject to the terms and conditions of this Agreement, including, without limitation, (a) the Public's compliance with all applicable laws having jurisdiction over the Property and such rules promulgated by Tenant from time to time and posted on signs at the entrance to the Property (or otherwise provided to the Public), (b) the payment of the Entrance Fees, Parking Fees, Overnight Camping Fees and/or Use Fees as described in Article VIII below, and (c) the temporary closure of all or any portion of the Property or Facility because there is an event at the Facility, the conducting of which requires such closure. The Public's use of the Facility shall be on a first-come, first-served, basis and subject to availability. The sole portions of the Property and Facility available for Public Use are described below:
- 4.1.1. **Parking.** Members of the Public may park on such areas of the Property as designated by Tenant in Tenant's sole discretion during Normal Business Hours.
- 4.1.2. **Picnic Areas.** The Picnic Areas shall be available to the Public during Normal Business Hours throughout the year. The ingress and egress to the Picnic Areas shall be as depicted on the Site Plan or as otherwise designated by Tenant.
- 4.1.3. **Recreational Vehicle Parking.** Members of the Public shall park all recreational vehicles, including RVs, campers and horse trailers and all vehicles in excess of

twenty-one (21) feet in length, in the RV Parking Area or as otherwise directed by Tenant.

- 4.1.4. **Overnight Camping.** Overnight camping is solely intended as an accommodation for individuals bringing a horse (or horses) to the Property in connection with uses of the Facility and/or the Santa Ana River Trail for equestrian purposes. Overnight camping shall be permitted only in RVs, motor homes and campers with self-contained kitchen and bathroom facilities; no waste discharge facilities shall be provided or permitted on the Property. All overnight camping shall be within the RV Parking Area for a maximum of five (5) consecutive days, with a minimum thirty (30) days in between visits or as permitted by tenant, if in conjunction with equestrian events being held at site. Tent camping and camping within passenger vehicles shall not be permitted. Each camper shall, at its sole cost and expense, remove all trash, debris and materials (including all trash, debris and materials of their horses) associated with their use, and return the portions of the RV Parking Area used clean and sanitary and to the condition that existed immediately prior to such use. All manure and animal bedding shall be disposed of in designated containers provided on the Property. Boy Scouts, Girl Scouts, or similar youth organizations, may be allowed to camp overnight in areas designated by the Tenant, although not in the RV Parking Area, at the discretion of the Tenant.
- 4.1.5. **Restrooms.** During all Public Uses and Landlord Uses, Tenant shall make available restroom(s) proximate to the area of use. Unless otherwise agreed upon in advance as part of the scheduling pursuant to Section 7.2 below, Tenant shall, at its sole cost, perform its normal scheduled cleaning services to the restroom(s) associated with Public Use and Landlord Use.
- 4.1.6. **Trails.** Members of the Public may use the Trails during Normal Business Hours throughout the year for hiking, walking, jogging or horseback riding. No bikes, buggies, carriages, wagons or motorized vehicles shall be permitted on the Trails except as contemplated in Article II above.
- 4.1.7. **Trailhead.** Members of the Public seeking access to the Santa Ana River Trail have multiple access points separate and apart from the Property. Members of the Public seeking to access the Santa Ana River Trail for purposes of day hiking, walking, biking, jogging or horseback riding may park in the parking areas designated by Tenant and access such trail from the Trailhead during Normal Business Hours. Tenant agrees that the Public shall have the right to utilize such areas for so long as the Santa Ana River Trail provides a publically available system of walking, biking and/or horseback riding trails. Except as provided in Section 4.1.4 above, no overnight camping shall be permitted in or from the Trailhead area or parking areas by the Public. It is specifically acknowledged that Tenant assumes no responsibility for the security or policing of the Santa Ana River Trail or the Trailhead area.
- 4.1.8. **Restricted Amenities.** Certain Amenities and areas of the Property will be closed to the Public and not available for use unless expressly permitted in advance as part of the scheduling pursuant to Section 7.2 below. These restricted Amenities and areas of the Property (collectively, the "**Restricted Amenities**") are comprised of the following:

- (a) the Multi-Purpose Building;
- (b) all caretaker cottages, administrative buildings, kitchens and food service facilities;
- (c) all guard stations;
- (d) the hay barn;
- (e) all equipment and maintenance equipment, facilities, rooms and buildings and the maintenance yard;
- (f) the sand rings, longe and warm-up arenas;
- (g) the Lake; and
- (h) the Freeway Sign and any other sign on the Property.

- 4.2. **No Installations or Alternations.** Except as agreed to in advance as part of the scheduling pursuant to Section 7.2, members of the Public shall not be permitted to make any alterations or additions to or installations of equipment or materials on the Facilities, including, without limitation, any chalked or painted markings on any portion of the grass or synthetic fields.
- 4.3. **No Overnight Use.** Except as provided in Section 4.1.4 above, there shall be no overnight use of the Facilities in connection with Public Use or Landlord Use.
- 4.4. **No Animals.** Unless otherwise agreed upon in advance as part of the scheduling pursuant to Section 7.2 below, no animals other than horses, dogs (which shall be kept on a leash at all times) and service animals recognized by the Americans with Disabilities Act (ADA) shall be permitted on the Property. Notwithstanding the foregoing, dogs shall be prohibited on the artificial/synthetic fields at all times.
- 4.5. **No Campfires, Barbeques or Fireworks.** Unless otherwise agreed upon in advance as part of the scheduling pursuant to Section 7.2 below, campfires, barbeques or fireworks shall not be permitted on the Property.
- 4.6. **No Alcohol Consumption.** Unless otherwise agreed upon in advance as part of the scheduling pursuant to Section 7.2 below, no alcohol shall be permitted on the Property.
- 4.7. **Tenants Right to Restrict Access.** Tenant reserves the right to restrict any member of the Public's right of access to all or any portions of the Property or Facility in order to prevent any claim of adverse possession and/or to protect the Property and/or Facility. Further, subject to the requirements under the Ground Lease, Tenant specifically reserves the right to change the size, configuration, design, layout, location and all other aspects of the Parking Areas, the RV Parking Area and the Trails and, from time to time, close-off or restrict access to such areas, or temporarily relocate the Public's use of portions of the Trails, Parking Areas or RV Parking Area to other areas, for purposes of permitting or facilitating any such construction, alteration or improvements or to accommodate or facilitate the expeditious repair, renovation, alteration, construction or other modification of other improvements or structures located on the Property.
- 4.8. **Tenant's Non-responsibility Related to Public Use.** Tenant assumes no responsibility for the security or policing of the Public's use of the Property or Facility. Tenant has no obligation to provide security or medical services to the Public in connection with a Public Use or a Landlord Use.

ARTICLE V

ADDITIONAL FACILITIES AND AMENITIES AVAILABLE FOR LANDLORD USE

- 5.1. **Additional Amenities.** In addition to the Amenities described in Article IV above, which shall be available during any Landlord Use (subject to the conditions set forth therein), subject to the terms and conditions of this Agreement, Landlord shall also be entitled to the following portions of the Property and Facility during a Landlord Use as described below:
- 5.1.1. **Annual Sports Tournament.** Landlord shall be entitled to use ten (10) full-size (225' x 360') sports fields during Normal Business Hours for two (2) consecutive days comprised of a Saturday and a Sunday (as scheduled pursuant to Section 7.2 below) for a soccer tournament.
- 5.1.2. **Annual Junior All American Football Clinic.** Landlord shall be entitled to use one (1) full-size (225' x 360') synthetic sports fields during Normal Business Hours on one Saturday (as scheduled pursuant to Section 7.2 below).
- 5.1.3. **Annual Junior All American Football Scrimmage.** Landlord shall be entitled to use four (4) full-size (225' x 360') synthetic sports fields during Normal Business Hours on one (1) Saturday (as scheduled pursuant to Section 7.2 below).
- 5.1.4. **Fourth of July.** Landlord shall have non-exclusive annual use of the entire Property and Facility, but excluding all the Restricted Amenities pursuant to Section 4.1.8 above, from 5:00 am on July 4th to 2:00 am on July 5th for the Landlord's annual Fourth of July event where all members of the Public are invited. Landlord shall be permitted to operate its own concessions (or permits its invitees to operate their own concession) as agreed upon in advance as part of the scheduling pursuant to Section 7.2 below.
- 5.1.5. **Practice Fields.** Landlord shall be entitled to use two (2) full-size (225' x 360') synthetic sports fields with the option, subject to availability, of an additional two (2) full-size natural turf sports fields for use by Landlord or the Public (through Landlord's scheduling of the same as provided in Section 7.2.2 below) every Monday through Thursday during Normal Business Hours (unless otherwise agreed to in advance as part of the scheduling pursuant to Section 7.2 below) throughout the year for the term of this Agreement. Tenant shall designate, in Tenant's sole discretion, and notify Landlord at least twenty-four (24) hours in advance of Landlord Use, which fields Landlord can use, for any particular day. Upon Tenant's request, Landlord shall provide a list of authorized permittees. No Parking Fees or Entrance Fees shall be charged with this Landlord Use.
- 5.1.6. **Restricted Amenities.** Unless agreed to in advance as part of the scheduling pursuant to Section 7.2 below, the Restricted Amenities will not be available for a Landlord Use; provided, however, nothing contained in this Section 5.1.6 or Section 4.1.8 above shall impair, alter, modify or eliminate the Landlord's right of inspection pursuant to the Ground Lease.

- 5.2. **Use Fees.** Use Fees shall not be charged against Landlord for the Landlord Uses described in Section 5.1 above, but, except as provided for in Section 5.1.5, such use shall be subject to the payment of Entrance Fees, Parking Fees, Overnight Camping Fees and Landlord's reimbursement for all other expenses actually incurred by Tenant in connection with such Landlord Uses, including, but not limited to, lighting, security and janitorial and trash removal services, to the extent applicable.
- 5.3. **Installations.** To the extent a Landlord Use requires the temporary, non-permanent, installation of equipment or materials on the Facility (or any portion thereof) (collectively, "Installations"), such as goal posts, nets, chalk lines, backstops, fencing, chairs, tables, lighting, food and beverage storage and cooking equipment, display booths, and/or audio/visual/electronic equipment, all such Installations shall be (a) approved in writing by Tenant prior to the scheduled installation thereof, (b) installed under the direction of Tenant using Tenant's designated contractors, suppliers and materialmen, and (c) removed, at Landlord's sole cost and expense, without damage to the Property and Facility by Landlord immediately upon the conclusion of the Landlord Use. Tenant's approval of the Installations shall create no responsibility or liability on the part of Tenant for their completeness, design sufficiency, or compliance with all applicable laws, rules and regulations of governmental agencies or authorities. All work with respect to any Installations must be done in a good and workmanlike manner and diligently prosecuted to completion. In performing the work of any such Installations, Landlord shall have the work performed in such manner as not to obstruct access to the Property or Facility (or applicable portion thereof), and as not to obstruct or unreasonably interfere with the business of Tenant or other user's use of the Facility.
- 5.4. **No Liens.** Landlord agrees that it will pay, or cause to be paid, all costs of labor, services and/or materials supplied in connection with an Installation, and Landlord will keep the Property free and clear of all mechanics' liens and other liens on account of work done for Landlord or persons claiming under Landlord.
- 5.5. **Clean-Up.** Unless agreed to in advance as part of the scheduling pursuant to Section 7.2 below, immediately upon the conclusion of any Landlord Use, Landlord shall, at its sole cost and expense, remove all trash, debris, materials and installations associated with its use, and return the portions of the Property and Facility associated with the Landlord Use clean and sanitary and to the condition that existed immediately prior to such use. Repair to the Facility for damage associated with a Landlord Use shall be the sole responsibility of the Landlord and Landlord shall promptly restore the Facility (or portion thereof) to the condition that existed immediately prior to such use.
- 5.6. **Landlord's Waiver of Rights of Use.** At Landlord's discretion Landlord may temporarily waive its rights of use for any or all portions of the Property and Facility, the waiver of which shall not impair, alter, modify, or eliminate its future right of use. Additionally, such waiver shall not automatically result in the accrual of rights of use.

ARTICLE VI TENANT USE

- 6.1. **Use.** The Parties agree that Tenant shall be solely responsible for scheduling and management of all Tenant Uses of the Property and Facility. All Tenant Uses shall be in conformance with the terms and provisions of this Agreement and to the extent applicable, the CUP, the Lease and the Development Agreement.
- 6.2. **Only Expressly Permitted Uses.** Except as permitted pursuant to Section 7.4 below, all Tenant Uses shall be for the Permitted Uses only.
- 6.3. **Overnight Camping.** Overnight camping associated with Tenant Use shall be permitted. All overnight camping shall be within the RV Parking Area for a maximum of five (5) consecutive days, with a minimum thirty (30) days in between visits (notwithstanding the time restrictions set forth in Section 4.1.4 above to the contrary).

ARTICLE VII MANAGEMENT

- 7.1. **Silverlakes Public Use Management.** The Parties agree the Representatives shall implement, administer, advise, and guide the Public Uses and the Landlord Uses of the Property and Facility in accordance with the terms of this Agreement.
- 7.2. **Scheduling.**
 - 7.2.1. **Master Schedule Coordination.** Not less than forty-five (45) days prior to the commencement of each calendar year Landlord shall submit a schedule to Tenant detailing the specific times, type and number of Amenities it desires the use of in the next calendar year. Tenant shall be the master schedule coordinator of the Facility and shall work with Landlord to create a master schedule by January 1st of each year regarding the dates and times for Landlord Use and Public Use of the Property and Facility (or any portion thereof) for such calendar year.
 - 7.2.2. **Scheduling of Practice Fields.** Landlord, through its Parks and Recreation Department, shall schedule all use of the two (2) sports fields allotted to Landlord pursuant to Section 5.1.5 above; provided that no such use of the sports fields shall be to teams or organizations that are in competition with a Tenant Use. Scheduling by Landlord shall be done in a fair and equitable manner.
 - 7.2.3. **Scheduling Flexibility.** Both Landlord and Tenant acknowledge that use of the Property and Facility (or any portion thereof) may be subject to change due to factors beyond the reasonable control of the Parties, including, national holidays and inclement weather, and as such the Amenities may not be available at the scheduled time. Additionally, both Landlord and Tenant acknowledge that it may be difficult to fully and accurately predict demand for and use of the Amenities as contemplated in Section 7.2.1 above, and as such each agrees, subject to all other terms of this Agreement, to make reasonable efforts to accommodate the usage requirements of the Property and Facility of the Parties.

- 7.2.4. **Use Agreement.** Tenant may require, from time to time, that specific Landlord Uses and Public Uses be memorialized in a separate license agreement, which among other things, provides for the user obtaining third party insurance for the benefit of Tenant to cover the risks associated with the applicable use, a waiver of liability, the use of after-hours lighting, additional security personnel and additional janitorial and trash collection services.
- 7.3. **Parks and Recreation Department Permits.** Except as provided in **Exhibit "B"** attached hereto, no written permit from the City, including, without limitation, the Parks and Recreation Department, shall be required for any Landlord Use, Tenant Use or Public Use that conforms with the uses described on **Exhibit "B"**.
- 7.4. **Landlord's Approval of Special Events.** Events that pertain to a use that is other than the Permitted Uses described on **Exhibit "B"** attached hereto shall be submitted to the Parks and Recreation Department for its prior approval thereof. Approval of permits by the City (and/or the Parks and Recreation Department) for special events shall not be unreasonably withheld.
- 7.5. **Parking/Campground Operator.** Tenant may delegate its responsibilities with respect to parking and/or the overnight camping hereunder to a third-party operator in which case such operator shall have all the rights of control attributed hereby to the Tenant.
- 7.6. **Signage and Notices.** The Representatives shall jointly review the content of signs for placement on the Property, and notices to be provided to users of the Facility and/or Amenities, providing the rules, restrictions, code of conduct and behavior for all Public Use, Landlord Use, and Tenant Use. Notwithstanding the foregoing, all signs located on the property shall conform with the approved signage program for the Property.
- 7.7. **Impasse.** In the event of an Impasse, the Representatives shall notify in writing both the City Manager and Tenant's Manager, who shall meet with the Representatives in order to resolve the Impasse.

ARTICLE VIII FEES

8.1. **Entrance Fees.**

8.1.1. **Right to Charge Entrance Fees.** Except as provided for in **Section 5.1.5**, Tenant shall be permitted to charge Entrance Fees for all Landlord Uses, all Tenant Uses and/or all Public Uses.

8.1.2. **Amount of Entrance Fees.** The Entrance Fee charged by Tenant shall be equal to the standard Parking Fee (for a passenger vehicle).

8.2. **Parking Fees.**

8.2.1. **Right to Charge Parking Fees.** Tenant shall be permitted to charge Parking Fees for vehicle parking on the Property in connection with a Landlord Use, a Tenant Use and/or a Public Use.

8.2.2. **Amount of Parking Fees.** The Parking Fees charged by Tenant shall be commercially reasonable, but need not be directly related to actual, estimated, and/or anticipated expenditures by Tenant associated with providing parking. Recreational vehicles, including RVs, motor homes and campers in excess of twenty-one (21) feet in length and all trailers (including all horse trailers) may be charged an additional parking fee. Parking Fees associated with a Tenant Use, a Landlord Use, and a Public Use shall be the same at a particular time period for a specific event. For example, if a member of the Public wishes to park on the Property to access the Trailhead during an event for which the Property or Facility is not closed to the Public, and for which a fee for parking is charged, said member of the Public shall be able to access the Property to park if it pays the same fee. In no case shall Parking Fees be greater than the maximum rate charged for parking in a similar facility, for a similar use or event and period of time (each of which is not associated or controlled directly or indirectly by Tenant or its affiliates) within Riverside or San Bernardino Counties. The Parking Fees charged by Tenant shall be deemed in compliance with the provisions of this Section 8.2.2 so long as they are not in excess of the parking fees charged at the venues described in Section 8.2.3 below.

Upon Landlord's delivery of written notice to Tenant, such notice not delivered more than once in any twelve-month period, Tenant shall provide Landlord with reasonable evidence of Tenant's compliance with the provisions of this Section 8.2.2. In the event of an Impasse, the Representatives shall notify in writing both the City Manager and Tenant's Manager, who shall meet with the Representatives in order to resolve the Impasse.

8.2.3. **Standard.** The Parking Fees charged by Tenant shall be materially consistent with the parking fees charged for similar uses at the following venues: San Bernardino County Fair; Southern California Fair (Riverside); Redlands Bowl; Rancho Cucamonga Quakes; Auto Club Speedway; Blythe Bluegrass Festival; La Quinta Arts Festival; Hemet-Ryan Air Show; Castle Park; San Bernardino Soccer Complex; and the San Bernardino Blast Soccer Complex.

8.3. **Overnight Camping Fees.**

8.3.1. **Right to Charge Overnight Camping Fees.** Tenant shall be permitted to charge Overnight Camping Fees for overnight camping on the Property in connection with a Landlord Use, a Tenant Use and/or a Public Use.

8.3.2. **Amount of Overnight Camping Fees.** The Overnight Camping Fees charged by Tenant shall be commercially reasonable, but need not be directly related to actual, estimated and/or anticipated expenditures by Tenant associated with providing overnight camping. Each overnight camping space shall be permitted to hold up to two (2) horses, and an additional camping fee may be charged for each horse thereafter.

- 8.4. **Use Fees.** Tenant shall be permitted to charge Use Fees in connection with a Tenant Use and/or a Public Use (other than the Public Uses contemplated in Sections 4.1 or 5.1.3 above). The Use Fee charged by Tenant for a Tenant Use or a Public Use shall be commercially reasonable. No Use Fee shall be charged in connection with the Landlord Uses described in Section 5.1 above.

ARTICLE IX SIGNS

- 9.1. **Landlord's Right to Landlord Signage Time.** In the event that Tenant elects to erect and operate the Freeway Sign on the Property (subject to the review and approval of the City and Cal-Trans), then, as additional consideration for the right to lease the Property, and the right to erect and operate the Freeway Sign, Tenant agrees to provide the Landlord Signage Time in an amount equal to fifteen percent (15%) of the total operating time of the Freeway Sign. Landlord Signage Time shall be distributed equitably and evenly through each hour of each operational day for the duration of the operation of the Freeway Sign. Landlord shall provide advertising copy to Tenant, and subject to Tenant's approval of advertising copy which shall not be unreasonably withheld, Tenant will be responsible for posting said advertising copy on the Freeway Sign. Notwithstanding the foregoing to the contrary, in no event shall Landlord be permitted Landlord Signage Time advertising notices or events that can reasonably be construed as adverse to or in competition with Tenant's advertising on the Freeway Sign or a Tenant Use at the Property (and in the event of any Impasse as the determination of such reasonableness, the Representatives shall notify in writing both the City Manager and Tenant's Manager, who shall meet with the Representatives in order to resolve the Impasse).
- 9.2. **Landlord's Right to Sell Landlord Signage Time.** At Landlord's discretion, Landlord may sell all or portions of the Landlord Signage Time to Tenant. Tenant shall make commercially reasonable efforts to market and sell this time on behalf of Landlord to advertisers or other purchasers for consideration equal to or greater than the average consideration Tenant receives for an equal amount of signage time. Tenant shall provide to Landlord any and all consideration it receives for the sale of any and all Landlord Signage Time, less a fee of no greater than ten percent (10%) of total consideration as an administrative fee. Landlord, may, after reasonable written notice to Tenant and at reasonable times, inspect Tenant's records at Tenant's offices pertaining to the sign revenue earned by Landlord pursuant to the foregoing provisions of this Section 9.2; provided, that Landlord shall only have the right to review Tenant's records one (1) time during any twelve (12) month period and Landlord's failure to dispute and/or audit the amounts paid to Landlord within three (3) years after date of the payment thereof shall be deemed to be Landlord's approval of such amounts.

ARTICLE X INDEMNIFICATION

- 10.1. **Landlord's Indemnification.** Landlord shall indemnify, defend, and hold Tenant harmless from and against any and all Claims to the extent related to the condition of and Landlord's use of the Facilities or the Property in connection with any Landlord Use or Public Use that is scheduled by Landlord pursuant to Section 7.2 above, or related to the performance of any obligations of the Landlord under this Agreement, including, but not limited to, the acts or omissions of Landlord, its elected and appointed officials, employees, consultants, contractors, licensees, or invitees.
- 10.2. **Tenant's Indemnification.** Tenant shall indemnify, defend, and hold Landlord harmless from and against any and all Claims to the extent related to the condition of Tenant's use of the Facilities or the Property in connection with any Tenant Use and/or related to the performance of any obligations of the Tenant under this Agreement, including, but not limited to, the acts or omissions of Tenant, its elected and appointed officials, employees, consultants, contractors, licensees, or invitees.
- 10.3. **Shared Liability.** In the event that third party loss is attributable to the negligence or wrongful act or omission of both Parties, the ultimate financial responsibility of each Party shall be proportionate to its percentage of fault as determined by mutual agreement between the Parties or by a court of competent jurisdiction. The provisions of California Civil Code Section 2778 regarding interpretation of indemnity agreement are made a part hereof as if fully set forth herein.

ARTICLE XI DEFAULTS AND REMEDIES

- 11.1. **Defaults.** A Party shall be in default under this Agreement (a "Default") upon a breach of any of such Party's obligations hereunder, and its failure to cure the same to the reasonable satisfaction of the non-breaching Party within thirty (30) days after receipt of written notice from the non-breaching Party which describes the nature of the breach in reasonable detail; provided, however, that if the nature of the breach is such that it reasonably requires more than thirty (30) days to cure, the breaching Party shall not be deemed to be in Default hereunder if (a) within the thirty (30) day period it notifies the non-breaching Party of its intention to cure the breach and commences the cure of the breach within such period and (b) diligently pursues such cure to completion (to the reasonable satisfaction of the non-breaching Party).
- 11.2. **Remedies; Enforcement Rights.** In the event a Default is not cured within the cure periods set forth above, then the non-breaching Party shall first seek resolution through the Impasse procedure set forth in Section 7.7 above; then if not cured the non-breaching Party may (a) seek specific performance or injunctive relief or (b) elect to cure such Default on behalf of the breaching Party and be reimbursed for all of the non-breaching Party's reasonable, documented out-of-pocket costs actually incurred in connection with such cure, including, but not limited to, attorneys' fees, within thirty (30) days after receipt of written invoice therefor. Any amounts funded by such non-breaching Party shall be treated as a demand loan and shall earn interest from the date due until paid at the rate of rate of two percent (2%) per annum in excess of the Prime Rate in effect from time to time calculated on the balance of rental and other amounts from time to time outstanding. As

used herein the "Prime Rate" means the highest announced "prime rate" of Citibank, New York, New York, for 90-day commercial loans or if the practice of such bank of announcing "prime rates" is discontinued, then the highest rate of interest charged by such bank (or by the largest [measured by total assets] bank in the continental United States, if Citibank ceases to exist or to make such loans) for 90-day commercial loans to its most credit worthy large corporate borrowers, as such rate may change from time to time. Any change in said interest rate shall become effective on the first day of each calendar month and for such calendar month shall be based on the prime rate in effect on the last day of the immediately preceding calendar month.

- 11.3. **Emergency Events.** In the event that either Party breaches any duty hereunder which the non-breaching Party, in its reasonable discretion, deems to place such non-breaching Party and/or other users of the Facility and/or the Facility in substantial risk of harm or injury, such non-breaching Party, may, without giving notice to the breaching Party, take whatever measures the non-breaching Party deems appropriate, in its sole discretion, to avoid such harm or injury.

ARTICLE XII ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the Parties, and their permitted successors and assigns; provided, that Landlord and Tenant may transfer their respective interests or rights hereunder only in connection with a permitted transfer of their interests under the Ground Lease.

ARTICLE XIII MISCELLANEOUS

- 12.1. **Notices.** All notices and other communications required or permitted to be given to a Party under this Agreement shall be in writing and shall be personally delivered or sent by overnight courier, by facsimile transmission, or by United States Mail, certified mail, postage prepaid and return receipt requested, direct to the Party at the address specified in the Ground Lease or at such other address as the Parties may designate by notice given to the other Party in the manner stated in this Section. All notices shall be deemed delivered the day following the date on which they are sent except in the case of notices sent via regular mail which notices shall be deemed delivered three (3) days after being placed in the U.S. mail.
- 12.2. **Relationship of Parties.** The relationship of the Parties is not and shall not be construed or interpreted to be a legal partnership, joint venture or agency.
- 12.3. **Governing Law.** This Agreement shall be governed by the laws of the State of California.
- 12.4. **Severability.** If any term or provision of this Agreement shall be deemed or held, by any court or authority having proper jurisdiction, to be invalid, illegal, void or unenforceable, the remaining terms and provisions hereof shall nevertheless remain in full force and effect with the intent that the purpose of this Agreement will be accomplished.

- 12.5. **Complete Agreement.** This Agreement constitutes the complete and exclusive statement of understanding and agreement among the Parties with respect to the subject matter herein and replaces and supersedes all prior written and oral agreements or statements by and among the Parties or any of them. No representation, statement, condition or warranty not contained in this Agreement will be binding on the Parties or have any force or effect whatsoever. To the extent that any provision of the Ground Lease or Development Agreement conflict with any provision of this Agreement, this Agreement shall control.
- 12.6. **Amendments.** This Agreement may be modified or amended only by an instrument signed in writing by Landlord and Tenant.
- 12.7. **Captions and Titles.** Any Article or Section titles or captions in this Agreement are for reference only and shall not be considered in interpreting this Agreement.
- 12.8. **Counterparts.** This Agreement may be executed in counterparts, each of which, when taken together, shall constitute one and the same instrument.

[SIGNATURES APPEAR ON THE FOLLOWING PAGES.]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Agreement Date first above written.

TENANT:

BALBOA MANAGEMENT GROUP, LLC,
a Delaware limited liability company

By: 
Richard J. Brandes

Its: Manager

LANDLORD:

CITY OF NORCO,
a municipal corporation

By: 
Printed Name: Berwin Hanna
Title: Mayor

Approved as to form:


John R. Harper, City Attorney

Attest:


Brenda K. Jacobs, CMC, City Clerk

EXHIBIT "A"

SITE PLAN OF PROPERTY

[Attached as the immediately following page.]

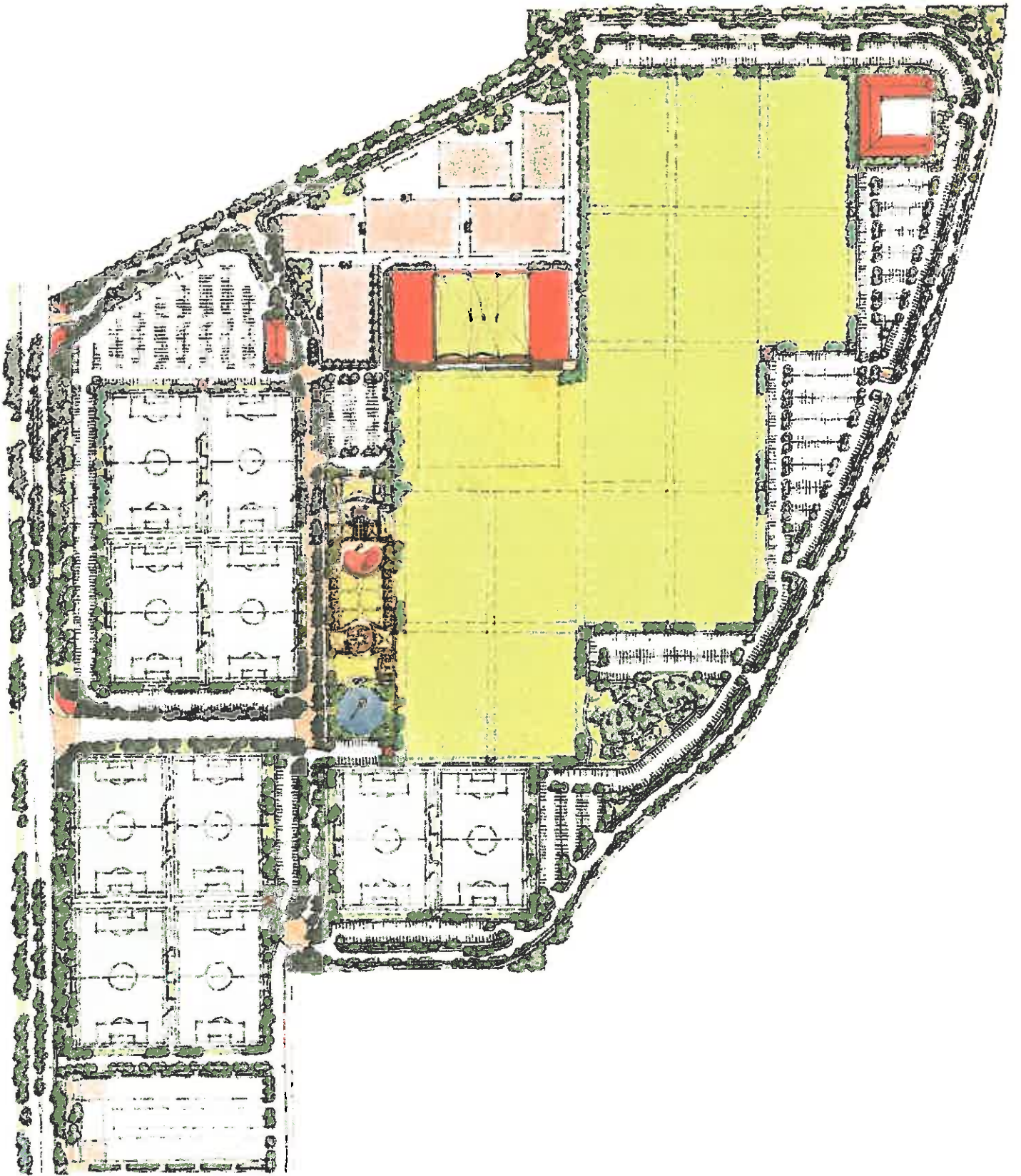


EXHIBIT "B"

LIST OF SPECIFICALLY PERMITTED USES

The Permitted Uses approved by the City allow Tenant to operate a park with recreation facilities at which Tenant may hold equestrian, soccer and other sporting events, functions and sports/equestrian related educational programs, clinics, camps, tournaments, shows, exhibitions and try-outs, including qualifying matches for local, regional, state, national and international competitions (including the Olympics) and other entertainment events.

Tenant's Permitted Uses include uses to which other public parks are customarily put, and include, but are not limited to, the following:

- I. Equestrian events, including, but not limited to, the following events (no Silverlakes Event Permit required):
 - Horse Shows and horse auctions
 - Hunter/Jumper competitions
 - Barrel Racing
 - Dressage
 - Equine clinics and symposiums
 - Equine environmental learning tours
 - Therapeutic riding for the physically or mentally challenged
 - Local, state and federal mounted police training programs
 - Rodeos
 - Animal breed shows

- II. Sporting events, activities and functions, including educational programs, clinics and camps, associated with the following sports (no Silverlakes Event Permit required):
 - Soccer
 - Volleyball
 - Lacrosse
 - Field Sports
 - indoor sports and calisthenics within the multi-purpose building, including, but not limited to, basketball, volleyball, gymnastics, dance, martial arts and racket sports

- III. Other (no Silverlakes Event Permit required):
 - On-site administrative offices and general office functions, including on-site security facilities and caretaker accommodations
 - Sales of event related merchandise, concessions and equipment
 - Operation of RV campsite for overnight camping and the overnight parking of recreational vehicles and trailers, as specified in the Shared Use Agreement
 - Temporary overnight accommodations of athletes, coaches and trainers in connection with on-site equestrian/sports programs and clinics, consistent with that commonly granted by cities for similar parks

- Operation of a "pro shop" within the multi-purpose building or covered arena or elsewhere on property
- "Game/event day" operation of sales and reception areas with removable tents, canopies and umbrellas for dignitaries, sponsors, vendors and concessionaires, including the sale of food and beverages and the operation of a cafeteria within the multi-purpose building and concession stands and kiosks
- Electronic messaging sign along I-15, subject to City approval as set forth in the Restated Conditions of Conditional Use Permit 2008-09 adopted concurrently with the Development Agreement
- Cell phone towers, subject to City approval as set forth in Chapter 18.57 of the Norco Municipal Code

IV. Additional Permitted Uses, but for which a Silverlakes Event Permit may be required as hereinafter specified:

- Farmers markets, craft and art shows
- Botanical garden displays, walking tours, floral and fauna lectures
- Plant shows
- Concerts, recitals, circuses, fairs, carnivals, parties, weddings, picnics, family reunions, auctions, entertainment, dances, meetings, assemblages and religious and church services and events
- Filming (other than in connection with an event held at the Property)
- Boat, RV, automobile, and other vehicle shows
- Trade, promotional shows and conventions
- Hobby club events
- YMCA, Boys & Girls Scouts, School Events, 4H club and similar youth organizational activities
- Corporate events (team building, company picnics, and the like)
- Philanthropic Events
- Alcoholic beverage sales and consumption in connection with on-site events not hosted by Tenant as set forth in Sections I, II, or III or IV above

(1) With respect to the Additional Permitted Uses in Section IV above, the same shall require a Silverlakes Event Permit from the City's Department of Parks, Recreation & Community Services with the understanding that a Silverlakes Event Permit is only required if such use entails one or more of the following circumstances:

- (a) 2,000 or more attendees will be present on the Property at any one time in connection with the scheduled event; or
- (b) alcoholic beverages will be served to more than 500 attendees; or
- (c) filming is being conducted of a commercial nature (and not in connection with a Permitted Use).

(2) A Silverlakes Event Permit, business license, alcohol permit, and film permit (for filming of a commercial nature) are the sole permits to be obtained for the operation of the Additional Permitted Uses meeting the above-referenced criteria under clause 1 (a), (b) or (c) above notwithstanding other permit schemes set forth in any Existing Land Use Regulation.

- (3) The Silverlakes Event Permit is a ministerial permit which shall be issued by the City's Department of Parks, Recreation & Community Services in compliance with the City's written safety and health regulations in effect upon the Effective Date and applicable to such events.
- (4) A single "master" Silverlakes Event Permit may be issued for the Additional Permitted Uses referenced under clause 1 (a), (b) or (c) above to the extent the same are reoccurring or regularly scheduled.
- (5) All other Permitted Uses do not require a Silverlakes Event Permit, or any other approval or permit from the City except as provided herein.
- (6) All other uses shall require a Silverlakes Event Permit from the City.

EXHIBIT N

RIGHT OF FIRST REFUSAL – TERMS AND CONDITIONS

1. Term; Property Covered. During the Original Term (the "**Right of First Refusal Period**"), Tenant shall have the right of first refusal to purchase fee title to the entirety of the Leased Premises when and if City desires to sell, transfer or convey all or any part of the same to a non-governmental agency or a private third party (including an assignment of City's interest in the Lease).

2. Procedure for Offer. In the event City decides to sell, transfer or convey all or any part of the Leased Premises to a non-governmental agency or private third party, City must first offer the Leased Premise for sale to Tenant pursuant to the following process. Tenant will have a right of first refusal to purchase the entirety of the Leased Premises (including the City's residual interest, if any, in the improvements). If, at any time during the Lease term, City desires to sell the Property, City will first provide Tenant with a written notice (the "**First Refusal Notice**") indicating the financial and other material terms under which the City will agree to sell the Property to Tenant, and provide a summary of an MAI appraisal of City's fee interest in the land and residual interest in the improvements used for arriving at the sales price and terms. The appraisal shall be based on the value of the Property taking into consideration the continuing effect of the Lease with Tenant. The exercise of Tenant's right to purchase the Leased Premises shall occur within ninety (90) days of City's offer. If exercised, the purchase price for Tenant would be equal to or greater than the appraised value of the Leased Premises, based on the savings to City of not having to pay a real estate commission in connection with such sale. The date of Tenant's receipt of the offer and MAI appraisal shall be the "**Offer Date.**" The sale would be as-is, and the escrow period would be 90 days from the Offer Date. At the time of exercise, there can be no defaults or pending defaults under the Lease with Tenant and related Project documents. If Tenant elects not to purchase, then any subsequent sale by the City must be on the same terms given Tenant (e.g. an as-is, 90 day close) and for a price that is within five (5%) percent of the offer price given to Tenant, or the offer procedure shall be reactivated and Tenant shall have the right to again elect to buy the Leased Premises. The First Refusal Notice shall specify: (a) the purchase price; (b) the payment terms (i.e., the amount of any earnest money deposit and any cash down payment); (c) the contingency date (i.e., any feasibility period during which time a prospective purchase may withdraw from the prospective purchaser's obligations to complete the purchase and during which time the prospective purchaser's deposit will be refundable); (d) whether the City will accept a third party lender financing contingency; (e) the closing date; and (f) the proration of income and expenses.

3. Procedure for Acceptance. If Tenant wishes to exercise its right of first refusal upon the terms set forth in the First Refusal Notice, then within thirty (30) days of delivery of such First Refusal Notice to Tenant, Tenant shall deliver written notice to the City ("**Tenant's Election Notice**") pursuant to which Tenant shall elect either to: (a) purchase the entire property identified in the First Refusal Notice; or (b) refuse to purchase such property, specifying that Tenant is not interested in exercising its right of first refusal to purchase said property, in which event City shall be free to sell all the identified property. If Tenant does not notify City of its election of any of the options in clauses (a) or (b) hereinabove, Tenant shall be deemed to have elected the option in clause (b).

4. Purchase and Sale Agreement. If Tenant timely delivers Tenant's Election Notice to purchase the property identified in the First Refusal Notice, then the purchase price and the other terms and conditions (collectively, the "Terms") upon which City shall sell the Property to Tenant, and Tenant shall purchase the Property from City, will be as set forth below and upon such other terms and conditions not inconsistent with the First Refusal Notice as shall be set forth in a mutually agreeable and commercially reasonable form agreement of purchase and sale and joint escrow instructions and negotiated by the parties in good faith (the "**Purchase Agreement**"). The Purchase Agreement shall incorporate the Terms and include as exhibits thereto the grant deed by which City shall convey fee title of the property to Tenant and all other closing documents, all in commercially reasonable form. Tenant and City shall fully negotiate and enter into the Purchase Agreement within thirty (30) days after City's receipt of Tenant's Election Notice. The critical Terms are:

(a) Purchase Price. The purchase price for the Property shall equal the Purchase Price set forth in the First Refusal Notice.

(b) Opening and Closing of Escrow. Within three (3) business days after City and Tenant sign the Purchase Agreement, Agency and Tenant shall deliver a copy of the Purchase Agreement to a mutually agreed upon escrow holder (the "**Escrow Holder**"), and Tenant shall deliver to Escrow Holder a deposit in an amount set forth in the First Refusal Notice (the "**Deposit**").

(c) Costs and Fees; Lease. City shall pay the following costs in connection with the sale of the Property: (i) one-half (1/2) of the escrow fees; (ii) one-half (1/2) of the recording costs; and (iii) one-half (1/2) of all city and county real estate transfer taxes. Tenant shall be responsible for the other one-half (1/2) of the escrow fees and one-half (1/2) recording costs. Tenant shall be responsible for paying all title insurance costs (including the cost of Tenant's owner's title policy and all title endorsements. All other closing costs shall be shared in accordance with standard practice in the county in which the Property is located. Tenant shall be responsible for the payment to the City of all rent due under the Lease through and including the Closing Date; provided upon the sale of the Leased Premises, the Ground Lease shall be, at Tenant's option, terminated or assigned to Tenant. All income, rents, property taxes and other expenses pertaining to the operation/ownership of the property will be prorated to the Closing Date.

(d) Commissions. City shall be responsible for any broker's commission attributable to its brokers. Tenant represents and warrants to the City that no person or entity shall be entitled to a brokerage or real estate commission of any kind in connection with the purchase of the property pursuant to this Section (e). Tenant agrees to indemnify and defend the City against and hold the City harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including without limitation reasonable attorneys' fees) with respect to any commissions or equivalent compensation alleged to be owing on account of Tenant's dealings with any other real estate broker or agent in connection with the purchase of the Property by Tenant.

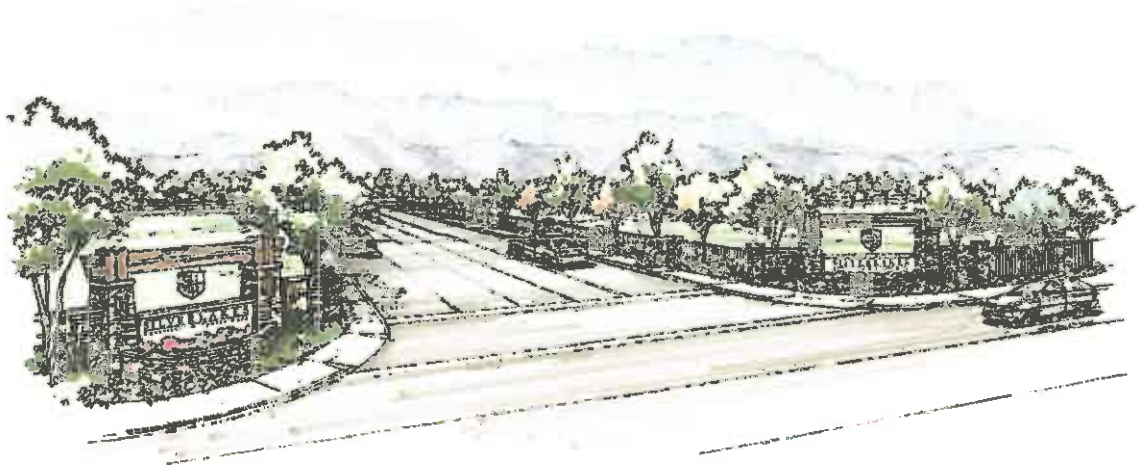
EXHIBIT O

CONCEPT PLANS

[Attached as the immediately following pages.]

Exhibit O: Concept Plans

Proposed Main Entryway



Elevations



Proposed Feature Facilities



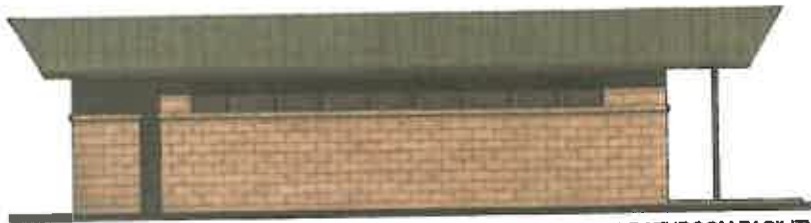
PROTOTYPICAL HORSE TRAIL TURN-OUT



TEMPORARY TENT CANOPIES



PROTOTYPICAL METAL HAY BARN AND MAINTENANCE BUILDING



PROTOTYPICAL PERMANENT PUBLIC BATHROOM FACILITY



CITY of NORCO

CITY HALL • 2870 CLARK AVENUE • NORCO CA 92868 • (951) 735-3900 • FAX (951) 270-5622

March 8, 2012

RECEIVED
CITY OF NORCO

MAR 19 2012

TIME: _____
CITY CLERK

Mr. Richard J. Brandes
Balboa Management Group, LLC
28801 San Juan Creek Road
San Juan Capistrano, CA 92675

Re: Silverlakes Equestrian & Sports Park ("Project") located at 5555 Hamner Avenue,
in the City of Norco ("City"), California ("Property")

Dear Mr. Brandes:

This letter serves to convey direction authorized by the Norco City Council on March 7, 2012, regarding the Silverlakes Project. These actions are predicated on the acknowledgement that neither the City of Norco, nor Balboa Management Group, LLC, is in default with respect to any of the agreements, entitlements or documents affecting the Property.

I am authorized to release up to \$2.7 million of funds from Water and Sewer Bond proceeds (the funding source identified in the Funding and Acquisition Agreement) during the months of April and May, 2012, for work covered by the "earthwork package" as necessary for the preparation and installation of water and sewer infrastructure.

In order to access the funds, four things need to occur:

1. The first rent payment of \$396,480 must be received on April 2, 2012. Half of this amount is a security deposit and the other half is six months of rent.
2. An LOC (Letter of Credit) funded with at least \$700,000 must be in place by April 15, 2012.
3. Updated evidence of financial capacity is to be provided with a timeline for funding of full Phase I costs of at least \$36 million.
4. A payment request must be submitted citing the scope of work and itemized costs.

As stated in my letter of January 19, 2012, Balboa Management Group and its contractors have continued authorization to enter the Property to clear, grub, grade and perform construction activities as stated in Section 2.2 of the Ground Lease. Balboa's

CITY COUNCIL

KEVIN BASH
Mayor

KATHY AZEVEDO
Mayor Pro Tem

BERWIN HANNA
Council Member

HERB HIGGINS
Council Member

HARVEY SULLIVAN
Council Member

Letter to Mr. Richard J. Brandes
Balboa Management Group, LLC
Page 2
March 8, 2012

commencement of the Work--nor the City's authorization of the work--will constitute a waiver of, or satisfaction with, any condition set forth in the Ground Lease.

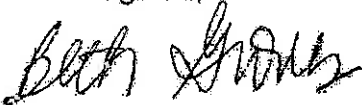
Additionally, in consideration of the access to the bond funds at this time, Balboa agrees to release item (b)(iii) of Exhibit C of the Ground Lease related to Property and possessory interest tax from the required "Conditions Precedent". The City is committed to assisting with this activity; however, it is no longer considered to be a condition precedent.

Balboa also agrees that the City is released from the April 2, 2012 completion date for the widening and improvement of Hamner Avenue along the length of the Silverlakes Property, the relocation of electricity power poles and the installation of the causeway beneath Hamner Avenue as listed in Exhibit G-2 of the Ground Lease and Exhibit F of the Development Agreement.

These activities are moving forward and will need to be coordinated with the Project's construction activities. Therefore, the completion date will be considered "uncertain."


I am including two originals of this letter. Please sign below and return one to me.

Best Regards,



Beth Groves
City Manager
City of Norco

Accepted by:



Richard J. Brandes
Manager
Balboa Management Group, LLC

Dated: 3/14/12

c. John Harper, City Attorney

EXHIBIT C

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
REVENUE BONDS
(SILVERLAKES EQUESTRIAN & SPORTS PARK)
SERIES 2015 (TAXABLE)**

CLOSING MEMORANDUM

Time

Preclosing: Wednesday, February 25, 2015

Closing: Thursday, February 26, 2015

Place

Orrick, Herrington & Sutcliffe LLP
777 South Figueroa Street, Suite 3200
Los Angeles, CA 90017-5855

Via On-Line Deal Room

Parties

California Statewide Communities Development Authority (“Authority”)
Balboa Management Group, LLC (“Borrower”)
Tom Stoddard (“Borrower’s Advisor”)
Kutak Rock LLP (“Borrower’s Counsel”)
Richard J. Brandes (“Guarantor”)
RPM Capital Management, LLC (“Bondholder Representative”)
Hinckley, Allen & Snyder LLP (“Bondholder Representative’s Counsel”)
Hutchinson Shockey Erley & Co. (“Financial Advisor”)
Stifel, Nicolaus & Company, Incorporated (“Underwriter/Placement Agent”)
Stradling Yocca Carlson & Rauth (“Underwriter’s Counsel”)
Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”) (“BC”)
Wilmington Trust, N.A. (“Trustee”)
Lesnick Prince & Pappas LLP (“Trustee’s Counsel”)
Lawyers Title Insurance Corporation (“Title Company”)

PRECLOSING

The documents listed below will be executed in advance of the Closing by the respective parties thereto in three (3) executed counterparts and delivered in escrow with Bond Counsel, on or before February 25, 2015. At that time, a preclosing conference will be held to confirm that all documents and papers are on hand, in proper form and properly executed. All such deliveries will be deemed to have been made in escrow until the final delivery at the Closing has been made.

Responsibility for preparing or assembling the documents is indicated in bracketed parentheticals. Each of the closing documents noted below will be dated as of February 1, 2015, unless otherwise indicated.

Closing Documents

1. Indenture, dated as of February 1, 2015 (the “Indenture”), by and between the California Statewide Communities Development Authority (the “Authority”) and Wilmington Trust, N.A. (“Trustee”) *{Bond Counsel}*
2. Loan Agreement, dated as of February 1, 2015 (the “Loan Agreement”), by and between the Authority and Balboa Management Group, LLC, a Delaware limited liability company (the “Borrower”) *{Bond Counsel}*
3. Project Resolution entitled “Resolution of the City Council of the City of Norco, California, Approving the Issuance of Bonds by the California Statewide Communities Development Authority to Finance the SilverLakes Project” adopted by the City Council of the City of Norco on December 17, 2014 (together with a certificate of the City) *{Bond Counsel/City}*
4. Norco SilverLakes Ground Lease (together with a certificate of the City) *{Bond Counsel/City}*
 - A. Norco SilverLakes Ground Lease, dated July 6, 2011 (the “Original Ground Lease”), between the City of Norco (the “City”) and the Borrower *{Bond Counsel/City}*
 - B. First Amendment to Ground Lease, dated as of January 21, 2015 (the “First Amended Ground Lease” and, together with the Original Ground Lease, the “Ground Lease”), between the City and the Borrower *{Bond Counsel/City}*
5. Memorandum of Ground Lease, recorded April 6, 2012 *{Borrower’s Counsel}*
6. City Council Minutes dated July 6, 2011 re Original Ground Lease, Shared Use Agreement, Development Agreement, and Funding, Construction and Acquisition Agreement and City Council Minutes dated January 21, 2015 re First Amendment and Memorandum of Understanding *{Bond Counsel/City}*

7. Norco Successor Agency and Oversight Board Resolutions re property transfer and Determination Letter of California State Controller and Determination Letter of California Department of Finance (together with a certificate of the City) ***{Bond Counsel/City}***
8. Security and Covenants Agreement (Borrower), dated as of February 1, 2015 (the "Borrower Security Agreement"), among the Borrower, the Authority and the Trustee ***{Bondholder Representative's Counsel}***
9. Deposit Account Control Agreement (Borrower), dated as of February 26, 2015 (the "Security Agreement"), among the Borrower, the Trustee and City National Bank (the "Depository Bank") ***{Bondholder Representative's Counsel}***
10. Distribution Agreement, dated as of February 16, 2015, between Richard J. Brandes and Belgravia Investors, LLC ("Belgravia") ***{Bondholder Representative's Counsel/Borrower's Counsel}***
11. Leasehold Construction Deed of Trust, Security Agreement and Fixture Filing, dated as of February 1, 2015 (the "Deed of Trust") ***{Bondholder Representative's Counsel}***
12. Ground Lessor Estoppel and Agreement dated as of February 26, 2015 by the City for the benefit of the Trustee and the Borrower ***{Bondholder Representative's Counsel}***
13. Title Instruction Letter ***{Borrower's Counsel}***
14. Title Insurance Report (Lawyers Title Insurance Corporation) ***{Borrower's Counsel}***
15. Lender's Leasehold Title Insurance Policy ***{Borrower's Counsel}***
16. Certificate or other Evidence of Insurance Coverage in accordance with Security Agreement ***{Borrower's Counsel}***
17. Security and Covenants Agreement (Guarantor), dated as of February 1, 2015 (the "Guarantor Security Agreement"), between Richard J. Brandes (the "Guarantor") and the Trustee ***{Bondholder Representative's Counsel}***
18. Continuing Guaranty, dated as of February 26, 2015 (the "Guaranty"), executed by the Guarantor in favor of the Authority, the Bondholder Representative and the Trustee ***{Bondholder Representative's Counsel}***
19. Deposit Account Control Agreement (Guarantor), dated as of February 26, 2015 (the "Security Agreement"), among the Guarantor, the Trustee and the Depository Bank ***{Bondholder Representative's Counsel}***
20. Perfection Certificate of the Borrower ***{Borrower's Counsel}***
21. UCC Financing Statements ***{Borrower's Counsel/Bondholder Representative's Counsel}***

Documents Relating to the Offering and Sale of the Bonds

22. Purchase Contract, dated as of February 17, 2015, (the “Purchase Contract”), between Stifel, Nicolaus & Company, Incorporated, as underwriter (the “Underwriter”) and the Authority, and approved by the Borrower and the Guarantor, together with the: ***{Underwriter’s Counsel}***
 - A. Borrower Letter of Representations ***{Underwriter’s Counsel}***
 - B. Guarantor Letter of Representations ***{Underwriter’s Counsel}***
23. Certificate of Bondholder Representative ***{Bondholder Representative’s Counsel}***
24. Limited Offering Memorandum ***{Underwriter’s Counsel}***
25. Continuing Disclosure Certificate, dated February 26, 2015, executed and delivered by the Borrower with respect to the Series 2015 Bonds ***{Underwriter’s Counsel}***
26. Certificate of Authorized Officer of the California Statewide Communities Development Authority Regarding Finality of Limited Offering Memorandum ***{Bond Counsel}***
27. Certificate of Authorized Officer of Borrower Regarding Finality of Limited Offering Memorandum ***{Underwriter’s Counsel}***
28. Certificate of Authorized Officer of ValleyCrest Landscape Development, Inc. Regarding Finality of Limited Offering Memorandum ***{Underwriter’s Counsel}***
29. Certificate of Authorized Officer of Near-Cal Corp. Regarding Finality of Limited Offering Memorandum ***{Underwriter’s Counsel}***

Borrower Documents and Certificates

30. Officer’s Certificate of the Borrower (executed by an Authorized Representative of the Borrower) with the following attachments: ***{Borrower’s Counsel}***
 - A. Certificate of Formation of Borrower dated March 16, 2010 certified by the Secretary of State of the State of Delaware, as amended by that certain Certificate of Amendment dated May 10, 2010, certified by the Secretary of State of the State of Delaware (certified by the Delaware Secretary of State) ***{Borrower’s Counsel}***
 - B. Limited Liability Company Amended and Restated Operating Agreement ***{Borrower’s Counsel}***
 - C. Certificate of Good Standing ***{Borrower’s Counsel}***
 - D. Certificate of Qualification ***{Borrower’s Counsel}***
 - E. Written Consent ***{Borrower’s Counsel}***

- F. Certificate of Registration dated March 29, 2010, certified by the Secretary of State of the State of California, as amended by that certain Amended Certificate of Registration dated May 25, 2010, certified by the Secretary of State of the State of California *{Borrower's Counsel}*
- 31. Closing Certificate of Borrower *{Borrower's Counsel}*
- 32. Signature and Incumbency Certificate of the Borrower, dated February 26, 2015 *{Borrower's Counsel}*
- 33. Succession Agreement, dated as of February 1, 2015 *{Borrower's Counsel}*
- 34. Certificate of the City *{Bond Counsel}*
- 35. Certificate of the City Clerk with the following attachments: *{Bond Counsel}*
 - A. Development Agreement, dated as of July 6, 2011 (the "Development Agreement") between the City and the Borrower *{Bond Counsel}*
 - B. Memorandum of Understanding Revising Performance Schedule with respect to Development Agreement, dated January 21, 2015 between the City and the Borrower *{Bond Counsel}*
 - C. Funding, Construction and Acquisition Agreement, dated as of July 6, 2011 (the "Funding Agreement") between the City and the Borrower *{Bond Counsel}*
 - D. Norco SilverLakes Shared Use Agreement, dated as of July 6, 2011 (the "Shared Use Agreement") between the City and the Borrower *{Bond Counsel}*
 - E. Conditional Use Permit No. 2008-09 approved on March 4, 2009 and Restated on July 6, 2011 *{Bond Counsel}*
 - F. Project Site Plan *{Bond Counsel}*

Certificates and Orders of the Authority

- 36. Certificate of the Authority together with Resolution Nos. 14R-72 and 14R-58 (certified by the Authority) *{Bond Counsel}*
- 37. Certified copy of Joint Powers Agreement *{Bond Counsel}*
- 38. Instructions of the Authority order directing the Trustee to authenticate and deliver the bonds, executed by the Authority and acknowledged and accepted by the Trustee *{Bond Counsel}*
- 39. Specimen Bond *{Bond Counsel}*

Guarantor Certificates

40. Closing Certificate of the Guarantor *{Borrower's Counsel}*

Other Documents Relating to Bonds

41. Receipt for Purchase Price (executed by the Trustee) *{Bond Counsel}*
42. Certificate of the Trustee, together with excerpt from the Bylaws of the Trustee indicating true signatures of authorized officers and certified by the Secretary of the Trustee, dated February 26, 2015 *{Bond Counsel/Trustee}*
43. Receipt for the Bonds (executed by Underwriter) *{Bond Counsel}*
44. Requisition from Costs of Issuance Fund, executed by the Borrower and the Bondholder Representative *{Bondholder Representative's Counsel}*
45. Form of Requisition from Project Fund *{Bondholder Representative's Counsel}*
46. California Debt and Investment Advisory Commission Proposed and Final Notices *{Bond Counsel}*

Legal Opinions

47. Final Opinion of Bond Counsel *{Bond Counsel}*
48. Supplemental Opinion of Bond Counsel *{Bond Counsel}*
49. Reliance Letters of Bond Counsel to Trustee and Bondholder Representative *{Bond Counsel}*
50. Opinion of Special Counsel to the Authority *{Bond Counsel}*
51. Opinion of City Attorney *{City Attorney}*
52. Securities Law Opinion of Counsel to the Borrower *{Borrower's Counsel}*
53. Opinion of Counsel to the Borrower and the Guarantor *{Borrower's Counsel}*
54. Opinion of Counsel to the Underwriter *{Underwriter's Counsel}*
55. Opinion of Counsel to the Trustee *{Trustee's Counsel}*

Documents Relating to the Project

56. GMP Construction Contract *{Borrower's Counsel}*
57. Architect's Contract *{Borrower's Counsel}*

58. Evidence of General Contractor's Insurance *{Borrower's Counsel}*
59. Evidence of Architect's Insurance *{Borrower's Counsel}*
60. Collateral Assignment of Contracts, Licenses and Permits, dated as of February 1, 2015, executed by the Borrower *{Bondholder Representative's Counsel}*
61. Payment Bonds *{Borrower's Counsel}*
62. Performance Bonds *{Borrower's Counsel}*

Miscellaneous

63. Distribution List *{Underwriter}*
64. Closing Wire Memorandum *{Underwriter}*

**NORCO COMMUNITY
REDEVELOPMENT AGENCY**

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

December 2014



JOHN CHIANG
California State Controller

December 29, 2014

Andy Okoro, City Manager
Norco Community Redevelopment Agency/
Successor Agency
2870 Clark Avenue
Norco, CA 92860

Dear Mr. Okoro:

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Norco Community Redevelopment Agency (RDA) to the City of Norco (City) or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether the asset should be turned over to the Successor Agency.

Our review applied to all assets including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers to the City or any other public agency have been reversed.

Our review found that the RDA transferred \$49,697,298 in assets after January 1, 2011, including an unallowable transfer to the City totaling \$5,500,000, or 11.07% of transferred assets.

However, on November 26, 2014, the Oversight Board deemed the asset valued at \$5,500,000, as governmental-purpose and directed the Successor Agency to transfer the property to the City. Therefore, no further action is necessary.

If you have any questions, please contact Elizabeth González, Chief, Local Government Compliance Bureau, by telephone at (916) 324-0622 or by email at egonzalez@sco.ca.gov.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

cc: Paul Angulo, Auditor-Controller
Riverside County
Patrick Malone, Chairperson
Norco Oversight Board
Olivia Hoyt, Accounting Manager
Norco Community Redevelopment Agency/Successor Agency
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Elizabeth González, Bureau Chief
Division of Audits, State Controller's Office
Reginald Nidoy, Audit Manager
Division of Audits, State Controller's Office
Sapna Paintal, Auditor-in-Charge
Division of Audits, State Controller's Office
Keith DeAnda, Auditor
Division of Audits, State Controller's Office

Contents

Review Report

Summary	1
Background.....	1
Objective, Scope, and Methodology.....	2
Conclusion.....	2
Views of Responsible Officials.....	2
Restricted Use	3
Finding and Order of the Controller	4

Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Norco Community Redevelopment Agency (RDA) after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the RDA transferred \$49,697,298 in assets after January 1, 2011, including an unallowable transfer to the City of Norco totaling \$5,500,000, or 11.07% of transferred assets. The asset must be turned over to the Successor Agency.

However, on November 26, 2014, the Oversight Board deemed the asset valued at \$5,500,000, as governmental-purpose and directed the Successor Agency to transfer the property to the City. Therefore, no further action is necessary.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA successor agencies and oversight boards to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety (H&S) Code beginning with section 34161.

H&S Code section 34167.5 states in part, ". . . the Controller shall review the activities of redevelopment agencies in the state to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency or any other public agency, and the redevelopment agency."

The SCO identified asset transfers that occurred after January 1, 2011, between the RDA, the City and/or any other public agency. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal action to ensure compliance with this order.

Objective, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency's operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, the RDA, the Successor Agency, and the Oversight Board.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review found that the Norco Community Redevelopment Agency transferred \$49,697,298 in assets after January 1, 2011, including an unallowable transfer to the City of Norco totaling \$5,500,000, or 11.07% of transferred assets.

However, on November 26, 2014, the Oversight Board deemed the asset valued at \$5,500,000, as governmental-purpose and directed the Successor Agency to transfer the property to the City. Therefore, no further action is necessary.

Details of our finding are described in the Finding and Order of the Controller section of this report.

Views of Responsible Officials

At an exit conference on June 19, 2014, we discussed the review results with Andy Okoro, City Manager; and Olivia Hoyt, Accounting Manager. On November 24, 2014, Mr. Okoro agreed that the draft review report was not necessary and that the report could be issued as final.

Restricted Use

This report is solely for the information and use of the City of Norco, the Successor Agency, the Oversight Board, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

December 29, 2014

Finding and Order of the Controller

**FINDING—
Unallowable asset
transfer to the City
of Norco**

The Norco Community Redevelopment Agency (RDA) made an unallowable asset transfer of \$5,500,000 to the City of Norco (City). The transfer occurred after January 1, 2011, and the asset was not contractually committed to a third party prior to June 28, 2011.

On June 30, 2011 the RDA transferred \$5,500,000 in land to the City. To accomplish the transfer, the RDA and the City entered into a Purchase and Sale Agreement authorizing the conveyance of the Silverlakes property, identified by Riverside County Assessor's Parcel numbers 152-060-004-0, 152-070-011-07, and 152-070-002-9.

Pursuant to Health and Safety (H&S) Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. The asset must be turned over to the Successor Agency for disposition in accordance with H&S Code sections 34177(d) and (e).

Order of the Controller

Pursuant to H&S Code section 34167.5, the City of Norco is ordered to reverse the transfer totaling \$5,500,000 and turn over the asset to the Successor Agency.

Corrective Action

Pursuant to a court order, the Silverlakes property is a deed-restricted property which can only be used for public park, recreational, and open-space purposes. On November 20, 2014, the Oversight Board adopted OB Resolution No. 2014-08, directing the Successor Agency to transfer ownership of the governmental-purpose property to the City. Therefore, no further action is necessary.

Please note, the Department of Finance (DOF) must approve the Oversight Board's decisions and resolutions. If the DOF does not approve the decisions, then the City is ordered to turn over the assets to the Successor Agency pursuant to H&S Code section 34167.5.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>



February 6, 2015

Mr. Andy Okoro, City Manager
City of Norco
2870 Clark Avenue
Norco, CA 92860

Dear Mr. Okoro:

Subject: Long-Range Property Management Plan

Pursuant to Health and Safety Code (HSC) section 34191.5 (b), the City of Norco Successor Agency (Agency) submitted a Long-Range Property Management Plan (LRPMP) to the California Department of Finance (Finance) on July 17, 2013. We approved the Agency's use or disposition of all the properties listed on the July 2013 LRPMP in our letter dated October 23, 2013. The Agency subsequently submitted a revised LRPMP to Finance on January 26, 2015 to include five additional properties, known as the Silverlakes Property, to the LRPMP. Finance has completed its review of the LRPMP, which may have included obtaining clarification for various items.

The Agency received a Finding of Completion on March 21, 2013. Based on our review and application of the law, the Agency's LRPMP, specifically related to transfer of the Silverlakes Property (Property), Assessor's Parcel Numbers 152-060-004-0, 152-060-011-6, 152-070-001-8, 152-070-011-7, and 152-070-002-9, to the City of Norco (City), is approved.

The Agency intends to transfer the Property to the City for future governmental use. Our approval of the transfer is based on our understanding that the Property is restricted by the Federal Court for use as a public park, recreational and open space, or public road, and that the Property will be developed as a public park and recreational facility.

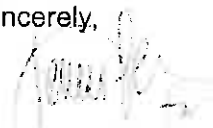
In accordance with HSC section 34191.4, upon receiving a Finding of Completion from Finance and approval of a LRPMP, all real property and interests in real property shall be transferred to the Community Redevelopment Property Trust Fund of the Agency, unless that property is subject to the requirements of an existing enforceable obligation. Pursuant to HSC section 34191.3 the approved LRPMP shall govern, and supersede all other provisions relating to, the disposition and use of all the real property assets of the former redevelopment agency.

Agency actions taken pursuant to a Finance approved LRPMP which requires the Agency to enter into a new agreement are subject to oversight board (OB) approval per HSC section 34181 (f). Any OB action approving a new agreement in connection with the LRPMP should be submitted to Finance for approval.

Mr. Andy Okoro
February 6, 2015
Page 2

Please direct inquiries to Beliz Chappuie, Supervisor, or Satveer Ark, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Cheryl Link, City Clerk, City of Norco
Ms. Pam Elias, Chief Accountant Property Tax Division, Riverside County
Ms. Elizabeth Gonzalez, Bureau Chief, Local Government Audit Bureau, California State
Controller's Office
California State Controller's Office

County Administrative Center- 4th Floor
4080 Lemon Street, P.O. Box 12005
Riverside, CA 92502-2205
(951) 955-3900
(951) 955-3990 - Fax



**COUNTY OF RIVERSIDE
TREASURER AND TAX COLLECTOR**

Palm Springs Office
997 E Tahquitz Canyon Way, Suite A
Palm Springs, CA 92262

Temecula Office
40935 County Center Drive, Suite C
Temecula, CA 92591

E-mail: ttc@co.riverside.ca.us
www.countytreasurer.org

June 18, 2013

BALBOA MANAGMENT GROUP LLC
BALBOA MANAGMENT GROUP LLC
P O BOX 609
SAN JUAN CAPISTRANO CA 92693

FINAL NOTICE

Re: Possessory Interest /Mobilehome Assessment # 009618830-5 2012/2013

We have not received payment for the delinquent tax liability on the referenced assessment. The taxes, which now amount to **\$44,279.03** for the above referenced tax fiscal year (s), require immediate attention. Please submit payment in full by June 28, 2013. Failure to submit payment or contact our office by this date will result in further enforcement actions.

Enforcement action may include the **seizure and sale** of assets, judgments, and levies on any property owned by you, or any other action available to our office in accordance with the law. We trust this will not be necessary.

If you have any questions you may contact our office at: 4080 Lemon St., 4th Floor, Riverside, CA 92501-3660, Tel: (951) 955-3900.

Very truly yours,

Tax Enforcement Unit

EXHIBIT G

THIS IS TO INFORM YOU THAT A TAX LIEN HAS BEEN
FILED WITH RESPECT TO UNSECURED PROPERTY

When recorded, mail to:

BALBOA MANAGMENT GROUP LLC
P O BOX 609
SAN JUAN CAPISTRANO CA 92693

Doc #. 2013-0309263
06/27/2013 11:33 AM Fee: NC
Page 1 of 1

Recorded in Official Records

County of Riverside
== Larry W Ward ==

Assessor, County Clerk and Recorder
**This document was electronically prepared and
recorded by the County of Riverside**

CERTIFICATE OF LIEN

(Recorded pursuant to Revenue and Taxation Code Section 2191.3 et seq.
and without acknowledgement pursuant to Government Code Section 27282)

STATE OF CALIFORNIA | SS
COUNTY OF RIVERSIDE

No. 0418167

I, Don Kent, Tax Collector of the County of Riverside, State of California, hereby certify that there are, on record in my office, unpaid taxes which were duly assessed, computed and levied for the fiscal year shown below pursuant to Section 2151 et seq. of the Revenue and Taxation Code.

The person(s) shown below is (are) liable to said County for the unpaid amounts set forth below plus any other penalties and charges which may accrue pursuant to law.

NAME AND ADDRESS

BALBOA MANAGMENT GROUP LLC
P O BOX 609
SAN JUAN CAPISTRANO CA 92693

<u>Fiscal Year</u>	<u>Tax Rate Area</u>	<u>Assessment Number</u>	<u>Tax</u>	<u>Penalty</u>	<u>Cost</u>	<u>Recording Fee</u>
2012-2013	015-024	009618830-5	\$40,182.32	\$4,018.22	\$37.50	\$23.00

Upon recordation of this certificate of lien, the total amount required to be paid constitutes a lien upon all personal property and real property now owned or subsequently acquired by the person(s) named herein before the date on which this lien expires.

This lien has the force, effect and priority of judgement lien for ten years from the recording of this instrument, unless sooner released or otherwise discharged.

Executed on 06/24/2013



Don Kent, Tax Collector



**RIVERSIDE COUNTY
UNPAID UNSECURED PROPERTY TAXES**

Offices in Riverside, Palm Desert and Temecula.
Visit our website: www.countytreasurer.org

IMPORTANT INFORMATION ON REVERSE SIDE

Debt Audit, Treasurer
6000 Loma St 1st Floor Riverside, California
92501-2009, Riverside, CA 92501-2009

Telephone: (951) 955-3500
or from area codes 951 and 760 only
toll free: 1 (877) RIVCOTX (746-7467)

Property Data: **UNPAID TAXES FROM 009618830-5**

ASSESSMENT NUMBER
000618830-0
LIEI NUMBER
201338591

Address Owner: **BALBOA MANAGEMENT GROUP LLC**

Tax year: **2013-2014**

**BALBOA MANAGEMENT GROUP LLC
BALBOA MANAGEMENT GROUP LLC
P O BOX 509
SAN JUAN CAPISTRANO CA 92693**

05/03/2015

LIEI NBR **0427688**

A "Lien Nbr" here indicates that a certificate of lien has been recorded against the owner. (Note: A lien may affect your credit rating.)

TAXES	RECORD DATE	MONTHLY PAYMENT	PARTIAL PAYMENTS MADE
SAJ, 136, 28	04/11/2014	07/01/2014	00.00

**NOTICE OF INTENT
TO ENFORCE
COLLECTION**

Fee	Amount
LIEI FEE	\$23.00
OTHER FEE	\$17.99

ADDITIONAL DELINQUENCY EXISTS

All questions about ownership, values or exemptions must be directed to:

Larry W. Ward, Riverside County Assessor
County Administrative Center, P.O. BOX 751
Riverside, CA 92501-0751

Website: www.riversideacra.com

Telephone:

Business and Agriculture (951) 955-6210
Boats and Aircraft (951) 955-6210
All other properties (951) 955-6300
Management (951) 955-6300

PAY THIS AMOUNT

If paid in full by **350,867.21**
MARCH 31, 2015

If paid in full by **331,484.08**
APRIL 30, 2015

The owner on the lien-date printed after "Owner" in the top box is responsible for the payment of this bill. Sale, removal or disposal of this property after the lien-date does not relieve that owner of the tax liability.

A partial-payment fee will be charged if your payment is less than the total amount due.

To enforce collection of this delinquency, the owner shown above is also subject to:

- Seizure and sale of personal property, improvements or possessory interest
- Suit for the amount due plus other charges.

**PLEASE KEEP TOP PORTION FOR YOUR RECORDS
(NO RECEIPTS WILL BE ISSUED - YOUR CANCELLED CHECK IS YOUR RECEIPT)**

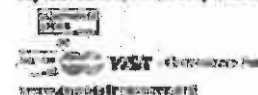
AMOUNT DUE	DEB NUMBER	DATE PAID	FISCAL YEAR	PAYMENT AREA	ASSESSMENT NUMBER
\$	201338591		2013-2014	015-024	000618830-0

**RIVERSIDE COUNTY
UNPAID UNSECURED PROPERTY TAXES**

LIEI NBR **0427688**

21 2 00000000 0006188300 00000000 13

Pay this bill by check or by credit card.



Check here for a change of mailing address.
Please provide all corrections on the reverse side.

cost to date

**RIVERSIDE COUNTY
ASSESSOR-COUNTY CLERK-RECORDER
COUNTY ADMINISTRATIVE CENTER
4080 Lemon Street
Post Office Box 12004
Riverside, CA 92502-2204
Telephone (951) 955-6200**

053153529-1

BALBOA MANAGEMENT GROUP LLC
BALBOA MANAGEMENT GROUP LLC
P O BOX 609
SAN JUAN CAPISTRANO CA 92693

Date Notice Mailed: 06-01-2012
Supplemental Assessment No.: 053153529-1
Assessment No.: 009618830-5
Street Address or Legal Description:
SEE ASSESSORS MAP

NOTICE OF SUPPLEMENTAL ASSESSMENT

One or more Supplemental Assessments have been enrolled for the property identified above. The calculation of the amount is shown in Section 1 below. The supplemental assessment is caused by one of the following events as indicated:

<input checked="" type="checkbox"/>	Change in Ownership	Date <u>07-06-2011</u>	Recorder's No. <u>9021841</u>		New Full Taxable Value
				TOTAL	3,700,200
				Land	3,700,200
				Structures	
<input type="checkbox"/>	New Construction	Completion Date _____			Value of New Construction
				TOTAL	
				Land	
				Structures	

The supplemental assessment is made in accordance with Article XIII A of the California Constitution that requires reappraisal of property upon change in ownership or completion of new construction. Important information concerning the Supplemental Assessment exemption, and your right to file an Application for Value Change is located on the back. If the Supplemental Assessment is a negative amount, the Auditor may make a refund of a portion of taxes paid on assessments made on the current roll, or the roll being prepared, or both.

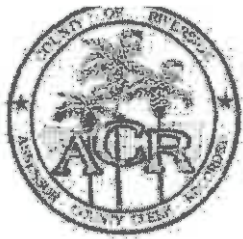
The amount of Supplemental Assessment is the difference between the New Full Value and the sum of 1) the Full Taxable Value on the Roll and 2) the total or Prior Supplemental Assessment(s) which have occurred during the same assessment year.

A special property tax bill, or refund, based on the amounts of the Supplemental Assessments noted below, will be mailed to the name and address noted at the top of this form. Please read the reverse side for other important supplemental assessment information and for information about your right to file an appeal on the later "regular" assessment which will be based on the "New Full Taxable Value" shown on this form.

1. Calculation of Supplemental Assessment(s)	First Supplemental Assessment Fiscal Year 2011-2012	Second Supplemental Assessment Fiscal Year
NEW FULL TAXABLE VALUE	3,700,200	
Less: Full Taxable Value on Roll	1	
Less: Amount of Prior Supplemental(s)		
AMT. OF SUPPLEMENTAL ASSESSMENT	3,700,199	

2. Exemptions:	Amount	Type
Current Roll		
Roll Being Prepared		

PROPERTY IN CALIFORNIA IS ASSESSED AT 100% OF FULL (TAXABLE) VALUE



LARRY W. WARD
RIVERSIDE ASSESSOR-COUNTY CLERK-RECORDER

COUNTY ADMINISTRATIVE CENTER
P.O. BOX 751
4080 LEMON STREET
RIVERSIDE, CA 92502-0751
Telephone: (951) 955-6200
Website: www.riversideacr.com

INFORMATION ABOUT SUPPLEMENTAL ASSESSMENTS

Proposition 13 requires county assessors to reappraise property whenever the property changes ownership, or whenever new construction occurs. Until legislation in 1983, the new value did not appear on the regular property tax bill until 4 to 16 months later. Supplemental assessments immediately enroll the new value to the tax Roll for the year in which the appraisal was made.

Since July 1, 1983, most changes in the ownership of real property and completion of new construction will have resulted in supplemental tax bills.

PRO-RATION OF TAXES [Revenue and Taxation Code Section 75.54(c)]

Effective on September 10, 1984, if subsequent changes in ownership occur before a supplemental tax bill has been issued on a prior supplemental assessment on the same property, taxes will be prorated between the individual owners involved, based on the actual period of ownership. This may apply if there is a value appearing in the box labeled, "Less: Amount of Prior Supplemental(s)," which is in Section 1 on the enclosed Notice of Supplemental Assessment.

AMOUNT OF SUPPLEMENTAL ASSESSMENTS THAT EQUAL ZERO (0)

On the enclosed Notice of Supplemental Assessment, if the "AMOUNT OF SUPPLEMENTAL ASSESSMENT" is equal to zero (0), no additional taxes will result from this action. However, if there is a value in the box labeled, "Less: Amount of Prior Supplemental(s)," then you may be liable for a pro-rated portion of the taxes based on prior supplemental assessment amounts. This would be in compliance with Revenue and Taxation Code Section 75.54(c), as explained in the preceding paragraph.

NOTE: SUPPLEMENTAL TAX BILLS MAY BE SENT OUT WITHIN ONE MONTH OF THE DATES SHOWN ON THE CORRESPONDING NOTICES.

SUPPLEMENTAL TAX BILLS ARE IN ADDITION TO THE REGULAR PROPERTY TAX BILL AND ANY OTHER PROPERTY TAXES DUE ON THE PROPERTY.

Automated Telephone Response System and Internet Accessibility

A 24-hour automated, toll free information line is available for Riverside County residents with touch tone telephones and their 10 digit assessment numbers. To reach this number in the Metropolitan Riverside area, dial (951) 955-6200. County residents outside the metropolitan area but within either the 951 or 760 area code may dial 1(800) 746-1544. You may also visit our website at www.riversideacr.com

Office Locations and Telephone Numbers:

Blythe

270 N. Broadway
Blythe, CA 92225-1608
(760) 921-5050

Riverside (Downtown)

4080 Lemon St., 1st Floor
Riverside, CA 92501-3609
(951) 955-6200

Hemet

880 N. State St., Suite B-6
Hemet, CA 92543-1496
(951) 766-2500

Indio

82675 Highway 111, #113
Indio, CA 92201-5994
(760) 863-7800

Riverside (Gateway)

2724 Gateway Dr.
Riverside, CA 92507-0918
(951) 486-7000

Temecula

41002 County Center Dr., #230
Temecula, CA 92591-6027
(951) 600-6200

For hours of operation and additional information,
please call our office or visit our website at
www.riversideacr.com

THIS IS TO INFORM YOU THAT A TAX LIEN HAS BEEN
FILED WITH RESPECT TO UNSECURED PROPERTY

When recorded, mail to:

BALBOA MANAGMENT GROUP LLC
P O BOX 609
SAN JUAN CAPISTRANO CA 92693

Doc #. 2013-0308633
06/27/2013 11:32 AM Fee: NC
Page 1 of 1

Recorded in Official Records

County of Riverside
== Larry W Ward ==

Assessor, County Clerk and Recorder

**This document was electronically prepared and
recorded by the County of Riverside**

CERTIFICATE OF LIEN

(Recorded pursuant to Revenue and Taxation Code Section 2191.3 et seq.
and without acknowledgement pursuant to Government Code Section 27282)

STATE OF CALIFORNIA | SS
COUNTY OF RIVERSIDE

No. 0417299

I, Don Kent, Tax Collector of the County of Riverside, State of California, hereby certify that there are, on record in my office, unpaid taxes which were duly assessed, computed and levied for the fiscal year shown below pursuant to Section 2151 et seq. of the Revenue and Taxation Code.

The person(s) shown below is (are) liable to said County for the unpaid amounts set forth below plus any other penalties and charges which may accrue pursuant to law.

NAME AND ADDRESS

BALBOA MANAGMENT GROUP LLC
P O BOX 609
SAN JUAN CAPISTRANO CA 92693

<u>Fiscal Year</u>	<u>Tax Rate Area</u>	<u>Assessment Number</u>	<u>Tax</u>	<u>Penalty</u>	<u>Cost</u>	<u>Recording Fee</u>
2011-2012	015-024	053153529-1	\$36,998.02	\$3,699.80	\$37.50	\$23.00

Upon recordation of this certificate of lien, the total amount required to be paid constitutes a lien upon all personal property and real property now owned or subsequently acquired by the person(s) named herein before the date on which this lien expires.

This lien has the force, effect and priority of judgement lien for ten years from the recording of this instrument, unless sooner released or otherwise discharged.

Executed on 06/24/2013



Don Kent, Tax Collector

Bicky Ross

From: Alvarado, Wendy <wjalvara@asrcikrec.com>
Sent: Thursday, January 03, 2013 10:34 AM
To: Bicky Ross
Cc: Gonzales, Jeffrey; Downs, Sean
Subject: RE: City of Norco Park - Silver Lakes Complaint

Good Morning Bicky,

Management and I have discussed the issues of the possessory interest for Norco Silver Lakes.

1. We have determined that based on the agreements, all elements have been met to create a possessory interest.
2. Based on the fact that there is an agreement to allow entrance to the property for pre-construction activities and also the installation of the infrastructure, the effective date of the possessory interest is the date the ground lease was signed, 7/6/2011. Also, rent has been paid to the City of Norco over this time.

Regards,

Wendy Alvarado
Supervising Appraiser
Total Property Division
Riverside Co. Assessor's Office

From: Bicky Ross [<mailto:bross@belgravia.com>]
Sent: Thursday, December 27, 2012 2:04 PM
To: Alvarado, Wendy
Subject: City of Norco Park - SilverLakes Complaint

Hi Wendy,

I just received this document that you requested regarding the SilverLakes Park in the City of Norco.

Best,

Bicky Ross

Bicky Ross | CFO
PO Box 609 | San Juan Capistrano | CA | 92693
O: 949.488.9292 | C: 949.697.8030 | F: 949.488.9291

This communication contains information that may be confidential. Except for personal use by the intended recipient, or as expressly authorized by the sender, any person who receives this information is prohibited from disclosing, copying, distributing, and/or using it. If you have received this communication in error, please immediately delete it and all copies, and promptly notify the sender. Nothing in this communication is intended to operate as an electronic signature under applicable law.

**AGREEMENT REGARDING
PARTIAL REMOVAL AND REPLACEMENT OF LEVEE**

This **AGREEMENT REGARDING PARTIAL REMOVAL AND REPLACEMENT OF LEVEE** ("Agreement") is entered into as of January 27, 2015, by and between **CITY OF NORCO**, a California municipal corporation ("Norco") and **CHINO BASIN DESALTER AUTHORITY**, a joint exercise of powers authority ("CDA").

RECITALS

A. Norco owns that certain levee located along the Santa Ana River in the City of Norco ("Levee").

B. CDA owns and operates two groundwater desalination plants and appurtenant facilities ("Desalters") in the Chino Basin and is currently constructing the Chino Desalter Phase 3 Expansion Project relating to the Desalters ("Expansion Project").

C. In furtherance of the Expansion Project, CDA is installing subterranean pipelines under and across the Santa Ana River. To install such pipelines, CDA hired a third party contractor to dig a tunnel under the Santa Ana River; however the "microtunneling" equipment used to dig the tunnel became lodged in the tunnel under the river. CDA desires to conduct an investigation to determine the reason the microtunneling equipment became lodged in the tunnel and to evaluate available methods of completing the tunnel ("Investigative Work").

D. CDA has obtained all necessary environmental clearances and approvals. The parties intend that Norco shall incur no liability for CDA's failure to comply with conditions of such approvals.

E. In order to perform the Investigative Work, CDA must remove the portion of the Levee described in Attachment No. 1, which is attached hereto and incorporated herein ("Applicable Portion").

D. Norco desires to permit CDA to remove the Applicable Portion of the Levee pursuant to the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants, restrictions, and promises set forth in this Agreement, CDA and Norco hereby agree as follows:

1. Removal of Applicable Portion of the Levee. Subject to the terms and conditions set forth below in this Agreement, Norco hereby expressly consents to CDA's removal of the Applicable Portion of the Levee.

2. Duty to Restore and Replace. Within thirty (30) days following completion of the Investigative Work, and in no event more than ninety (90) days following removal of the Applicable Portion of the Levee, CDA shall replace the Applicable Portion of the Levee. The Applicable Portion of the Levee, once replaced by CDA (referred to herein as the "Replaced Levee"), shall conform to the specifications set forth in Attachment No. 2 ("Specifications"), which is attached hereto and incorporated herein. Norco acknowledges and agrees that the Specifications represent the

levee that has been constructed by Norco and that CDA has not independently undertaken to evaluate the sufficiency of the Levee or the Applicable Portion thereof described in the Specifications. Norco shall cause an inspector employed by or under contract with Norco to oversee the restoration and replacement of the Applicable Portion of the Levee to confirm the work conforms to the Specifications and shall provide prompt written notice to CDA in the event any portion of the Replaced Levee does not conform to the Specifications.

3. Acceptance By Norco; Waiver and Release of Claims Against CDA. Within fifteen (15) days following the completion of the Replaced Levee, Norco shall cause an inspector to inspect the Replaced Levee on behalf of Norco. CDA shall pay the costs incurred by Norco to cause the inspection to be conducted. Such inspector shall, upon completion of the inspection, either accept the Replaced Levee on behalf of Norco or provide written instructions regarding the alterations required to be made to bring the Replaced Levee into compliance with the Specifications. Upon completion of the Replaced Levee in accordance with the Specifications, Norco shall accept the Levee. Upon acceptance of the Replaced Levee by Norco, CDA shall be released from all obligations under this Agreement, CDA shall have no further responsibility to Norco or third parties for the performance of the Levee or any portion thereof and Norco shall be deemed to have waived any and all potential claims Norco may have or may have had against CDA relating to the Replaced Levee. Further, Norco shall, within a reasonable time following Norco's acceptance of the Project, record a Notice of Completion relating to the Replaced Levee.

Norco understands and accepts the risk that Norco may, after acceptance of the Replaced Levee, discover a claim encompassed by the foregoing waiver and release which Norco did not know or suspect to exist, or which Norco could have known or suspected to exist. Norco hereby waives the protection of Civil Code Section 1542 which reads as follows:

"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."

4. Indemnification and Hold Harmless. CDA shall indemnify, defend and hold harmless Norco, and its respective officers, directors, employees, contractors, subcontractors and agents from any and all claims, suits or actions of every name, kind and description ("Claims"), to the extent arising from, relating to, or connected with the removal of the Applicable Portion of the Levee and replacement thereof with the Replaced Levee, to the extent such Claims arise after the date CDA begins the removal of the Applicable Portion of the Levee and before the date Norco accepts the Replaced Levee. Such indemnification includes claims that may be made by Balboa Management Group, LLC, relating to the improvements developed at the property known as the Silverlakes property, located at 5555 Hamner Avenue, which is owned by Norco. Notwithstanding anything to the contrary set forth in this Agreement, the foregoing indemnity shall not apply to the extent such matters are caused by (a) the negligence or misconduct of Norco, or its officers, directors, employees, contractors, subcontractors and agents or (b) to any Claims resulting from the Specifications or otherwise from the design of the Replaced Levee or any other portion of the Levee.

5. Insurance. Commencing upon the removal of the Applicable Portion of the Levee and continuing until Norco accepts the Replaced Levee ("Insurance Period"), CDA and its contractors, subcontractors and agents shall fully comply with the terms of the law of the State of California concerning worker's compensation, including Labor Code Section 3800. Said compliance

shall include, but not be limited to, maintaining in full force and effect one or more policies of insurance insuring against any liability Developer and its agents may have for worker's compensation. Each insurer providing such worker's compensation policy(ies) shall waive its rights of subrogation against Norco and its respective officers, directors, employees, contractors, subcontractors and agents, and shall issue an endorsement to the policy evidencing the same.

CDA and its contractors, subcontractors and agents shall each obtain at its sole cost and keep in full force and effect during the Insurance Period, general commercial liability insurance and automobile insurance issued by an "A:VI" or better rated insurance carrier as rated by A.M. Best Company as of the date that CDA obtains or renews its insurance policies, on an occurrence basis, in which Norco and its respective officers, directors, employees, contractors, subcontractors and agents are named as additional insureds with CDA. CDA shall furnish a Certificate of Insurance and additional insured endorsement to Norco prior to commencing the removal of the Applicable Portion of the Levee. The protection offered by each policy required by this Agreement shall:

(a) Include an endorsement naming Norco and its respective officers, directors, employees, contractors, subcontractors and agents as additional insureds;

(b) The general commercial liability policy shall provide a combined single limit policy for both personal injury and property damage in the amount of \$2,000,000, which will be considered equivalent to the required minimum limits; the automobile policy shall provide a combined single limit of \$1,000,000; and

(c) Bear an endorsement or shall have attached a rider providing that Norco shall be notified not less than thirty (30) days after any event of nonpayment of premium or before any expiration, cancellation, nonrenewal, reduction in coverage, increase in deductible, or other material modification of such policy or policies.

6. Attorney's Fees. If any legal action or proceeding arising out of or relating to this Agreement is brought by either party to this Agreement, the prevailing party shall be entitled to receive from the other party, in addition to any other relief that may be granted, the reasonable attorneys' fees, expert witness fees, costs, and expenses incurred in the action or proceeding by the prevailing party.

7. Notices. All notices required or permitted under the terms of this Agreement shall be in writing and sent to:

To CDA:

Chino Basin Desalter Authority
2151 S. Haven Avenue, Suite 202
Ontario, CA 91761
Attention: General Manager/CEO
Tel (909) 218-3729
Fax (909) 218-3777
cpaxton@chinodesalter.org

With a copy to: Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attention: Allison E. Burns, Esq.
Tel (949) 725-4187
Fax (949) 823-5187
aburns@sycr.com

To Developer: City of Norco
2870 Clark Avenue
Norco CA 92860
Attention: Andy Okoro
Tel (951) 270-5617
Fax (951) 270-5622

With Copy to: 2870 Clark Avenue
Norco CA 92860
Attention: John Harper, City Attorney
Tel (714) 771-7728
Fax (714) 744-3350

8. Time is of the Essence; Entire Agreement. Time is of the essence of the terms and provisions of this Agreement. This Agreement constitutes the entire agreement between Norco and CDA with respect to the matters contained herein, and no alteration, amendment or modification of this Agreement shall be effective unless set forth in a writing signed by all parties sought to be charged or bound thereby.

[Signatures appear on following page.]

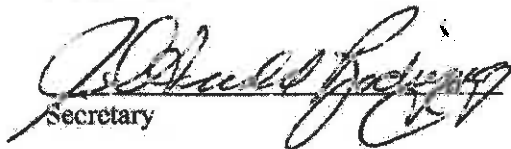
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

CDA:


CHINO BASIN DESALTER AUTHORITY,
a joint exercise of powers authority

By: 
Curtis Paxton, General Manager/CEO

ATTEST:



Secretary

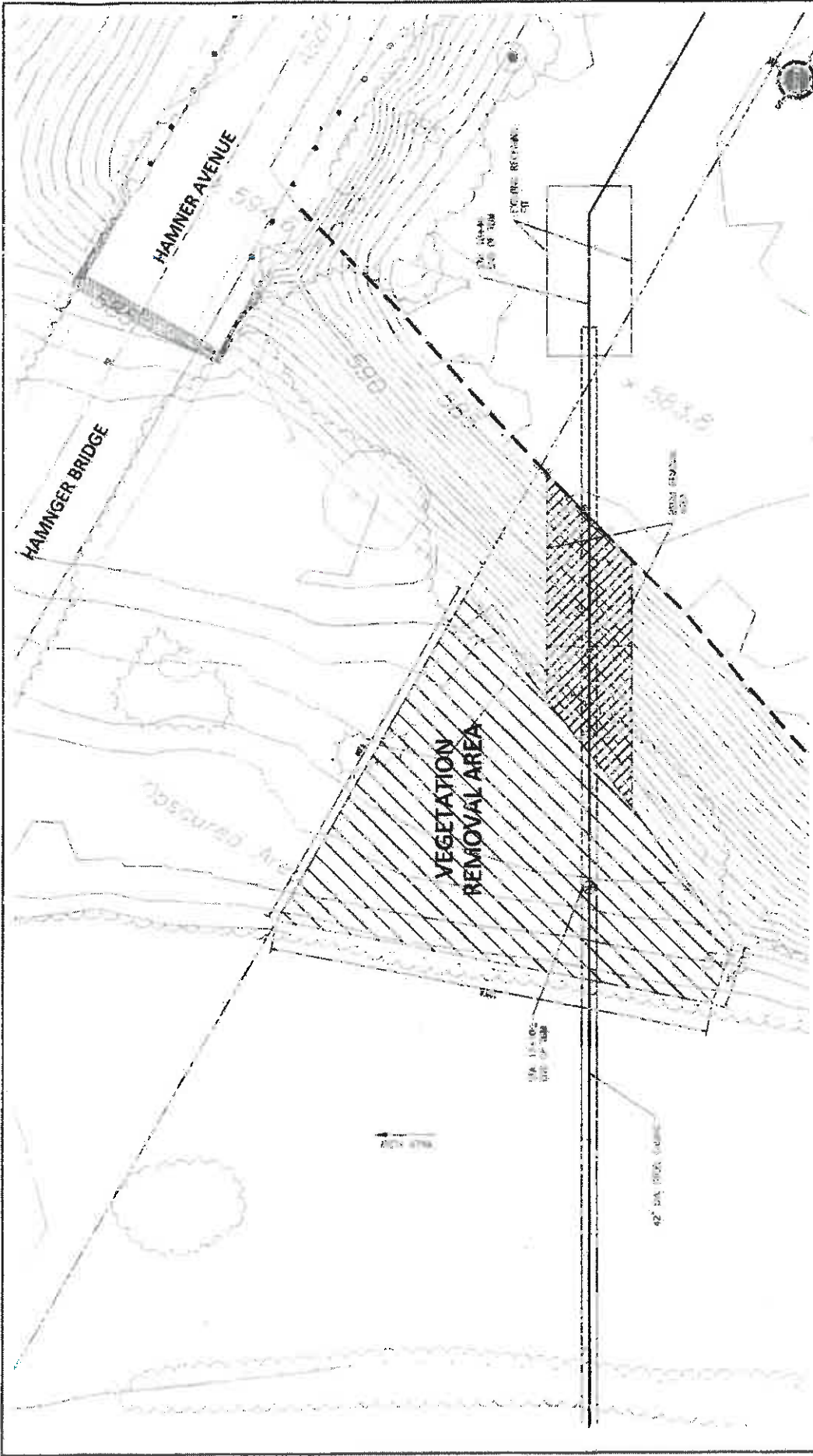
APPROVED AS TO FORM:


Stradling Yocca Carlson & Rauth,
General Counsel

NORCO:

CITY OF NORCO, a California municipal
corporation

By: 
Andy Okoro, City Manager



CHINO BASIN DESALTER AUTHORITY
 PREPARE: INSTALLATION AT THE
 SANTA ANA RIVER NORTH WORK AREA

NOTE:
 SEE SHEET 6 FOR PIPELINE PLAN AND
 PROFILE, AND FOR ADDITIONAL NOTES

SANTA ANA RIVER NORTH WORK AREA

GRAPHIC SCALE
 1" = 100'

WBBS
 CIVIL ENGINEERS
 1000 N. GATE AVENUE
 SUITE 100
 ANAHEIM, CA 92801
 (714) 771-1100

SCALE: 1" = 100'

ATTACHMENT NO. 1
DESCRIPTION OF APPLICABLE PORTION

[To be inserted]

ATTACHMENT NO. 1

ATTACHMENT NO. 2
LEEVE SPECIFICATIONS

[To be inserted]



NOTES:
 1. THIS PLAN IS THE PROPERTY OF THE CITY OF NORCO AND IS LOANED TO YOU FOR YOUR INFORMATION ONLY. IT IS NOT TO BE REPRODUCED OR COPIED IN ANY MANNER WITHOUT THE WRITTEN PERMISSION OF THE CITY ENGINEER.
 2. THE CITY ENGINEER'S OFFICE IS NOT RESPONSIBLE FOR THE ACCURACY OF THE DATA OBTAINED FROM THIS PLAN.
 3. THE CITY ENGINEER'S OFFICE IS NOT RESPONSIBLE FOR THE ACCURACY OF THE DATA OBTAINED FROM THIS PLAN.

LEGEND:
 [Symbol] [Description]



CITY OF NORCO
 DEPARTMENT OF PUBLIC WORKS

NOTE:
 THE CITY ENGINEER'S OFFICE IS NOT RESPONSIBLE FOR THE ACCURACY OF THE DATA OBTAINED FROM THIS PLAN.

CITY OF NORCO DEPARTMENT OF PUBLIC WORKS		CITY OF NORCO SANTA ANA RIVER SILVERLAKE PARK EXP-ROP REVENUE BOND PROJECT		SHEET NO. 1 TOTAL SHEETS 1
PROJECT NO. 100-100-100-100		PREPARED BY WEBB CIVIL ENGINEERS		DATE 10/1/10
DRAWN BY J. J. J.		CHECKED BY J. J. J.		SCALE AS SHOWN
APPROVED BY J. J. J.		DATE 10/1/10		PROJECT NO. 100-100-100-100