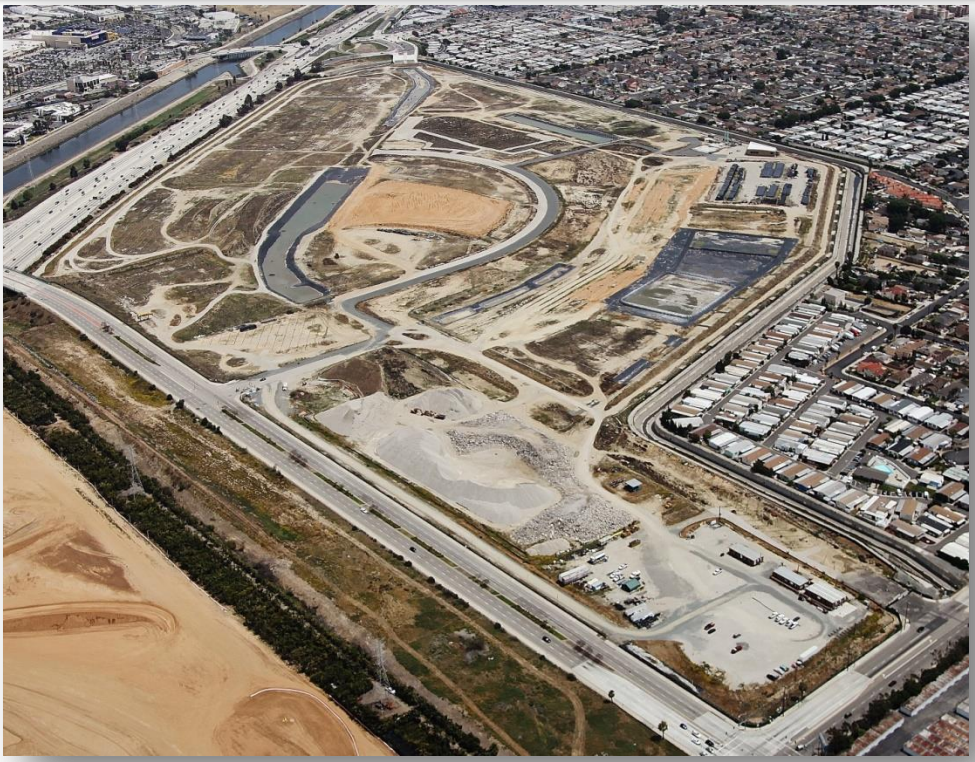
Cal Compact Landfill Progress Report



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December 4, 2018

Executive Summary

The Carson Reclamation Authority ("CRA") took title to the former Cal Compact Landfill (the "Site") on May 18, 2015, as part of a transaction with Cardinal Cavalry, LLC, a partnership formed for the purpose of developing an NFL stadium on the site for the San Diego Chargers and the Oakland Raiders. Prior to the CRA's acquisition, the parcel was under private ownership with a developer seeking to implement the Boulevards at South Bay project, a mixed use project featuring retail, residential, and entertainment uses on the Site.

The CRA itself was created in February, 2015 in order to facilitate the transaction and to mitigate the City's potential environmental liability as the owner of a landfill.

Since 1968, when the former landfill closed, the Site has been studied and analyzed for its ability to be remediated and developed into productive land uses, as it represents some of the best-located real estate in Southern California.

Today, the CRA has negotiated a Conveyancing Agreement with CAM-Carson, LLC, a partnership between the Macerich Company of Santa Monica and Simon Property Group of Indianapolis, to develop a high-end fashion outlet mall on Cell 2 of the Site. Macerich and Simon are among the largest retail developers in the country. At full completion, the outlet mall would feature over 500,000 s.f. of retail gross leasable area on a 41 acre site that faces the 405 Freeway.

The CRA is also negotiating with other developers for the remainder of the site, which

totals about 110 gross acres.

As of the date of this Report, the CRA is under contract with CAM-Carson, LLC for the development of the outlet mall project on Cell 2 of the Site, and under an Exclusive Agreement to Negotiate with Grapevine Development, LLC for the development of Cell 1 with hospitality and regional sports/entertainment uses. Grapevine's agreement also allows them to propose a site plan for Cells 3, 4 and 5 within the initial period. If deemed feasible and desirable by the CRA, a new ENA would be drafted for those cells. If not, CAM-Carson has a Right of First Negotiation on whichever cells are available.

Nearly all of the design work is complete on the vertical improvements on Cell 2, and the environmental design, which lags because it responds to the vertical improvements, is nearly complete. The initial pre-construction activity is underway, with the relocation of soil stockpiles and the implementation of the indicator (test) pile driving program to collect data on some of the actual sub-surface conditions on Cell 2. Heavy work will commence in January. Nearly all the initial field work is performed by contractors hired by RES, the CRA's Horizontal Master Developer, on behalf of the CRA. A large portion of the cost of the work is to be reimbursed by CAM-Carson.

This report provides a brief summary of the history of the Site and a chronology and summary of the activities of the CRA since its formation in 2015, a status report on where the redevelopment project is today, and a discussion on what the next steps are in the project.

Contents

Cal Compact Landfill History

The Site is a former landfill which consists of five waste "cells" separated by haul roads which were built on native soil, and which operated from 1959 until approximately 1968. Clean-up of the landfill and implementation of remediation systems are subject to oversight by the Department of Toxic Substance Control ("DTSC") through a lawsuit entitled *California Department of Toxic Substances Control v. Commercial Realty Projects, Inc., et al*., (U.S. District Court, Central District of California, Civil Action No. 95-8773). The court entered a Consent Decree in December 1996; a Consent Decree resolving claims against Atlantic Richfield Company, et al. on March 29, 2001; a Supplemental Consent Decree on March 29, 2001; and, Modifications to Supplemental Consent Decree and Defense Group Decree on March 29, 2001 (collectively, the "Consent Decree.")

During the life of the landfill, approximately 6 million cubic yards of municipal solid waste (MSW) and 6.3 million gallons of industrial liquid waste were disposed at the Site. A portion of the liquid waste was drilling mud from the local oil wells. Wastes that were permitted to be accepted at the landfill included solid organic and municipal waste, drilling fluids, carbide or acetylene sludge, cleanings from interceptors, clarifiers, screen chambers for the treatment of wastewater from vehicle washing, ceramic manufacturing, laundering, and food processing, sludge derived from the softening of water (lime soda process), paint sludge recovered from water and suspended synthetic rubber, carbon black slurry and diatomaceous earth filter agent (residue from filtering steam condensate).

Stockpiled Liner

Hazardous substances associated with the landfill have been detected in subsurface soil and groundwater on the Site. The contaminants of concern include volatile organic compounds, heavy metals, and petroleum hydrocarbons.

As a result of soil and groundwater contamination at the Site, resulting from its former use as a landfill, and the materials accepted for disposal, the DTSC classified the former landfill site as a hazardous substances site. Site investigations have detected the presence of Landfill Gas (LFG) as well as volatile organic compounds (VOCs) and metals in soil and groundwater. RAP implementation, initiated in 2008, resulted in the completion of planned soil compaction, grading to the level of the base of the landfill cap membrane system, installation of approximately half of the LFG extraction wells as well as the LFG flare, and installation and startup of the groundwater extraction and treatment system. In addition, a portion of the

Landfill Operations Center has been constructed, including its building protection system and the landfill cap in this specific area.

Environmental Remediation

Two initial investigations were conducted at the Site in 1978 and 1981, when landfill gases (methane and carbon dioxide) as well as volatile organic compounds ("VOCs") and metals in soil and groundwater were identified. In 1988, the DTSC issued a Remedial Action Order pursuant to California Health and Safety Code 25355.5(a)(l)(B) to fourteen (14) different potentially responsible parties ("PRPs"). The order alleged the existence of a release or threatened release and public nuisance, and required the submittal of a work plan to identify the hazardous substances present and determine the extent of cleanup required.

A Remedial Action Plan ("RAP") was approved by DTSC on October 25, 1995, under the supervision and oversight of DTSC, and DTSC entered into a Consent Order and Remedial Action Order with the former landfill owner (BKK Corporation), successor to Cal Compact Inc., for preparation of a RAP, and a Consent Decree with L.A. Metro Mall, LLC and Commercial Realty Projects, Inc., among others, for implementation of the RAP. In the Consent Decree, the DTSC divided the Insured Property into two operable units ("OUs"): the "Upper OU," which includes the soil, waste zone, and the groundwater immediately beneath the Site; and the "Lower OU," which includes the groundwater beneath the Upper OU. The DTSC established the OU designations in order to prioritize the remedial response to the areas of known impacts (Upper OU) over the areas of the Insured Property with only potential impacts (Lower OU).

The remedy in the RAP requires installation, operation and maintenance of (1) a landfill cap designed to encapsulate the refuse and create a barrier between future improvements and buried refuse, (2) an active gas collection and treatment system, designed to remove landfill gasses from under the landfill cap, and (3) a groundwater collection and treatment system designed to contain the groundwater plume and treat the extracted groundwater prior to discharge. In addition to the RAP-required remedy, a building protection system ("BPS") consisting of a secondary membrane liner adhered to foundation slabs, passive venting systems, and monitoring equipment will be installed in buildings on the Site. The Developer of the Site must install the landfill cap, landfill gas system, groundwater system, and building protection system (collective, the "Remedial Systems") and provide a mechanism for long-term operation, maintenance, and monitoring of the Remedial System.

Because contamination was known to be present in the Upper OU, the Consent Decree focused on the remediation of the Upper OU and did not address the Lower OU. It did, however, contain provisions for the DTSC to address the investigation and remediation of the Lower OU at a later date. Accordingly, the Upper OU investigations and remediation activities have been addressed independently and separate from the Lower OU activities.

Lower OU

As stated in the January 2005 Final Remedial Action Plan for Lower Operable Unit ("Lower OU RAP"), approved by the DTSC pursuant to the DTSC's revisions to the Lower OU RAP on January

24, 2005, the risk posed by the Lower OU is considered to be minimal. The results from a series of groundwater samples collected in the Lower OU in 1998 and 2000 indicated that no VOCs or metals were present at detectable concentrations in the Lower OU, except for barium and zinc, which were present at levels well below maximum contaminant levels ("MCLs").

The Lower OU RAP concluded that additional remedial investigation of the Lower OU was not warranted. First, the remedial actions for the Upper OU had already eliminated or significantly mitigated the potential for contaminants in the Upper OU to enter and impact the underlying Lower OU, and second, results for the baseline sampling event from the Gage aquifer indicated that no VOCs were present at detectable concentrations in the Lower OU and that metals were not present at concentrations in excess of MCLs.

Groundwater Extraction System

Despite the absence of any constituents above MCLs, for two reasons the Lower OU RAP recommended ongoing groundwater monitoring activities as the sole response activities required for the Lower OU: (1) to ensure compliance with the technical requirements of the Consent Decree (i.e., to avoid doing nothing, when the Consent Decree required at least some remedial activities); and (2) to use the groundwater monitoring results from the Lower OU to assess the effectiveness and success of the Upper OU remedial measures. The duration of the groundwater monitoring program will vary depending on future findings and decisions, but it is expected to extend until 2059. Regardless, the Lower OU contains no known constituents above MCLs.

Upper OU

In response to the earlier investigations, the RAP recommended the following remedial action: (i) containment of the impacted soil and buried waste through the use of a low-permeability or bentonite amended clay cap; (ii) extraction and treatment of the contaminated groundwater; (iii) collection and treatment of the landfill gas; and (iv) long-term environmental monitoring of the groundwater and landfill gas. To that end, the RAP set forth a combination of the following activities:

- Construction of a low-permeability clay cover system for the entire site to contain the buried waste and the impacted soil on-site;

- Installation of groundwater extraction and treatment systems along the downgradient side of the site to intercept/capture groundwater contamination coming from the site. The perimeter groundwater system will also capture offsite migration of the groundwater contamination that exceeds the remedial goals in the RAP;
- Installation of landfill gas extraction, control, and treatment system along the perimeter of the site within the waste zone to minimize the potential off-site migration;

Landfill Gas Collection System

- Implementation of long-term monitoring of the groundwater and landfill gases;
- Long-term maintenance of the cap.

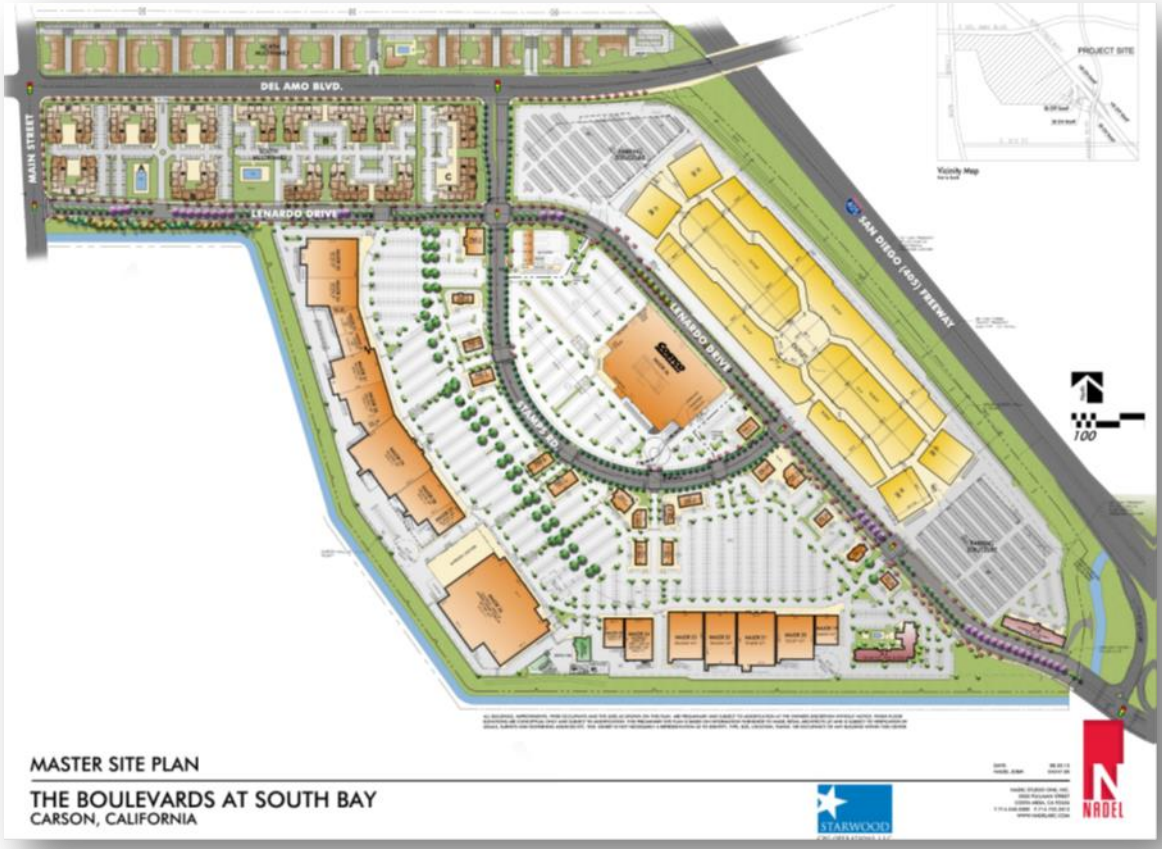
Development History of the Site

The development planned for the Carson Marketplace, later known as The Boulevards at South Bay, was designed to create a unique and vibrant center for the City of Carson. Plans were to develop the site with a central entertainment complex (including destination theaters, a live music venue, restaurants, outdoor cafes and a large outdoor promenade area) and up to 400 for-rent residential units, 1,150 for-sale residential units, 300 hotel rooms, and total retail space of about 1.25 million square feet. The Site was located within Carson's Redevelopment Project Area No. 1, which allowed for residential and commercial development.

In 2015, the Site was proposed as the location for an NFL stadium, as the City and the CRA reached an agreement with the San Diego Chargers and the Oakland Raiders, which were proposing the development of an NFL stadium at the Site. On January 12, 2016, the NFL instead approved a location in the nearby City of Inglewood for the relocation of up to two NFL teams to

the Los Angeles area, which effectively ended the stadium effort at the Site.

Prior to the NFL project and even the Boulevards project, the Site had had a number of owners and developers, including the Metromall project under the direction of real estate services giant CBRE, in the 1990's through the early 2000's; a previous attempt at developing an NFL stadium led by Hollywood super-agent Michael Ovitz (though no team was identified) around 2003; and, ultimately Carson Marketplace, proposed by Carson Marketplace, LLC ("CM"), a Delaware limited liability corporation whose members included the LNR Commercial Property Investment Fund Limited Partnership ("LNR CPI Fund"). LNR Commercial Property Group ("LNR CPG") acted as the fund's General Partner. LNR CPG was an operating division of LNR Property Corporation ("LNR"). LNR Property Corporation was a real estate investment, finance, development and management company. In January 2013, Starwood Property Trust, Inc. and Starwood Capital Group purchased LNR, thereby acquiring the general partner of Carson Marketplace. There was no real property conveyance of the Site; it was still owned by CM when the CRA acquired it in 2015. The Carson Marketplace project was approved in 2006.



Commencement of Work on the CM Project

On December 31, 2007, CM and Tetra Tech, Inc. ("TT") entered into two guaranteed fixed-price remediation contracts for completion of the requirements of the RAP: the Fixed Price Design

and Construction Environmental Assurance Agreement ("D&C Agreement"); and the Fixed Price Operation and Maintenance Environmental Assurance Agreement ("O&M Agreement" or "EAA") (together, the "Remediation Agreements"). The Remediation Agreements required TT to complete, among other things, design, construction, operation, and maintenance of a landfill cap, landfill gas system, groundwater system, and building protection system, as well as any other design-, construction-, operation- and maintenance-related actions and tasks required by the DTSC or other applicable environmental regulatory authorities. In support of TT's obligations in the Remediation Agreements, Carson Marketplace purchased American International Specialty Lines Insurance Company Policy No. EPP 7783922 ("AIG Policy" or "EPP"), a finite cost-cap policy with a limit of liability of $76.3 million and an original notional commutation account of over $25,000,000, not including funds growth. The negotiation of the Remediation Agreements also provided for the creation of a trust account at Wells Fargo Bank ("Wells Fargo") with the DTSC (the "Environmental Trust Account") that provided funding for certain obligations in the RAP, ran to the benefit of DTSC, and was administered by TT (until termination of the TT contract), and has a balance of approximately $32 million.

Under Section X of the EAAs, TT provided a broad indemnity to CM and its assignees (including, now, the CRA) for claims and losses arising from TT's performance of the services.

TT was obligated to construct the Remedial Systems, perform long-term operation, maintenance, and monitoring of the Remedial Systems, and satisfy environmental requirements relating to the landfill refuse for a fixed price, irrespective of the actual cost of such services. The escrow account received funds to provide for construction of the landfill cap, landfill gas system, and building protection system, and the EPP Policy received funds to provide for construction of the groundwater system and operation, maintenance, and monitoring of all Remedial Systems. Wells Fargo and AIG paid TT as work was completed based upon the terms of the EAAs, the escrow agreement, and the EPP Policy. Outside of seeking payment from Wells Fargo, as the escrow agent, and AIG, as the insurer, TT had no recourse against CM or other parties for payment of the services it is obligated to provide under the EAAs. The CRA assumed the policy from CM (and later terminated it, see below). The Cost Cap policy is what provided the financial assurance that there were funds available to complete the remediation, as required by DTSC.

In addition to providing a mechanism for funding a portion of the fixed payments to TT, the EPP Policy provided $35 million in cost overrun insurance for the work to be performed under the EAAs. The term of the EPP Policy was 20 years (December 31, 2027 was the termination date). If TT failed to perform its obligations under the EAAs, CM or its assignees would have had the right to access the funds that were placed in the escrow account and EPP Policy and the right to seek coverage for insured cost overruns.

It is important to note in this section that TT's EAA contracts did not provide for actual phased development, and had to be renegotiated to make way for a phased development program, since the structure of the EAAs was that TT held the environmental risk on behalf of the property owner, essentially for a fee. Since phased development is significantly more risky than a single-phase developer, one way TT managed the risk was to hold very firmly to the

contractual site plan and the original provisions of the EAA (no phasing), secured by AIG's EPP (which made payments only on the original site plan, and no phasing) and memorialized in the Compliance Framework with DTSC. Even with a release of liability from the CRA, TT felt strongly enough about their risk exposure that they were willing to discuss termination of the Remediation Agreements. There is a separate section on the TT Termination.

CRA Acquisition of the Site

The former Carson Redevelopment RDA ("RDA") had a long term interest in the development of the Site and committed to assisting the remediation of the Site through an Owner Participation Agreement ("OPA") with CM. The OPA for The Boulevards project was executed on July 25, 2006, and amended in 2008 and 2009. Under the OPA, the former RDA (now Successor Agency) was obligated to provide a total of $120 million in financial assistance to remediation work on the Site and the development of certain on- and off-site public improvements. CM utilized some $69.5 million of the funds to perform remediation but the project was incomplete.

As a result of the passage of Assembly Bill 26 by the California Legislature (ABx1 26), however, the RDA was dissolved on February 1, 2012. Assembly Bill 1484 amended ABx1 26 (ABx1 26 and AB 1484 are collectively called the "Dissolution Act"), establishing the Successor Agency for the former RDA (Successor Agency) as a separate public agency charged with winding down the RDA's affairs, including making payments due for enforceable obligations (as defined in the Dissolution Act), and performing obligations required pursuant to enforceable obligations.

As of May, 2015, the RDA had made payments totaling $69.5 million, leaving an outstanding funding obligation of $50.5 million payable by the Successor Agency toward Site remediation. More specifically, the Successor Agency was obligated to issue additional bonds and/or provide other assistance totaling the remaining $50.5 million for remediation and infrastructure.

In April, 2015, the California Department of Finance ("DOF") confirmed that the obligation of the RDA to provide redevelopment funding remained in place and approved the Successor Agency issuing a $50.5 million financing to continue the project. On April 27, 2015, the DOF provided a letter to the Successor Agency stating that based on the DOF's review and application of the law, Oversight Board Resolution No. 15-27, approving the Settlement Agreement, was approved. The "Method of Finance" section of the Settlement Agreement contemplated the issuance of the Series 2015B Bonds in order to refund the Series 2015A Bonds. The issuance of both the Series 2015A Bonds and Series 2015B Bonds was approved by the DOF.

RDA Financial Assistance

The OPA describes the RDA's obligation to reimburse CM the sum of up to $120 million in net proceeds for remediation work and CM public improvements. Subject to satisfaction of certain conditions and milestones, the RDA would contribute up to $100 million of net proceeds to both the Environmental Trust Account and as direct reimbursement to CM as follows: (i) RDA PA1 TA Bonds – RDA issued bonds totaling $30.5 million net proceeds to be contributed to the Trust

Account (completed); (ii) Refunding Bonds – RDA to issue bonds totaling $30.5 million plus carry costs to be paid to CM upon the creation of tax increment (pending); (iii) Financial Assistance – RDA cash totaling $39 million, including $3 million towards documented Initial Remediation Work paid directly to CM (completed), $4.4 million upon earlier of 1) the issuance of PA1 TA bonds or 2) May 1, 2009 paid directly to CM (completed), and up to $31.6 million contributed to the Trust Account (completed).

The RDA, without cost or expense to CM, constructed the Avalon Boulevard Interchange Improvements (bridge and off-ramp improvements and all other related improvements), which was to be concurrent with CM's construction of the Project. The Avalon improvements were completed in 2012.

CM Obligations

Subject to terms and specifications set forth in the OPA, CM obligations included preparation of the Remedial Design, installation and construction of the landfill cap, landfill gas system, building protection system, groundwater treatment system, deep dynamic compaction, site work and grading, and all related insurance, supervision, design, consultant, and other related costs as required by law; the ongoing operation, maintenance, and monitoring of the remedial systems installed upon the Site pursuant to the Initial Remediation Work as required by the Parties, the RAP and DTSC; and, the design, construction, and installation of the applicable mitigation measures per the Mitigation Monitoring Plan in the Environmental Impact Report, including off-site improvements, Lenardo Drive improvements and Stamps Drive. Cost of CM's Public Improvements was to be reimbursed through CFD Financing provided for in the Method of Financing. CM installed backbone utility lines, with the remaining CM Public Improvements to be completed with phases of the development.

Pursuant to the OPA, CM issued a performance promissory note dated March 9, 2009, payable to the City at the order of the RDA (the "Promissory Note") to evidence CM's obligations to make certain payments under the OPA if certain remediation and development thresholds and timelines were not met, including the obligation to pay an initial Sales Tax Threshold Shortfall Payment of $3 million dollars pursuant to the OPA, which became due on November 30, 2015. There was also a Deed of Trust and Assignment of Rents dated February 17, 2009, for the benefit of the RDA and the City securing the obligations under the Performance Note ("City/Agency Deed of Trust"), on a substantial portion of the Site for the benefit of the RDA.

CM Public Improvements

Per the OPA and upon CM's request, the RDA agreed to issue Community Facilities District Bonds for up to $20 million in net proceeds to reimburse CM for the actual cost of CM's Public Improvements. Once a Site Sales Tax threshold of $4 million was achieved in a 12-month period, the RDA was to reimburse CM 100% of the CFD bond debt service on an annual basis. Until the Site Sales Tax threshold was achieved, RDA would make annual payments to CM equal to the lesser of i) CFD bond debt service or ii) 50% of the Site Sales Tax received for the recent 12-

month period. Reimbursements were to continue through fiscal year 2033/34. *This mechanism has been replaced by the full issuance of the $50.5 in new Successor Agency debt in 2015, which replaced the $100 million described above, plus this $20 million commitment via the CFD.*

Foreclosure and Settlement

By 2015, CM had fallen behind on fulfilling their obligations to the RDA. As a result, on April 21, 2015, the CRA, in conjunction with the City and Successor Agency approved a "Settlement, Release and Indemnification Agreement" ("Settlement") between those three entities and CM. The Settlement was entered to resolve ongoing disputes over the OPA between the former RDA and CM entered into on July 25, 2006, and amended in 2008 and 2009. Under these agreements, the CRA assumed the obligation to continue the remediation of the 157-acre project site and also received the benefit of the RDA's former obligations.

The Settlement replaced the prior obligations imposed by the OPA and set forth a new "Method of Finance" for the outstanding $50.5 million, making such funding available for the CRA to complete Site remediation and public infrastructure. Cardinal Cavalry, LLC, the entity formed by the San Diego Chargers to develop the stadium, was unwilling to take title directly from CM due to the environmental liability issues, and was unwilling to indemnify CM. Therefore, the CRA created to carry out the remediation was an appropriate legal vehicle to take title. Under this structure, the City and its general fund is not liable for debts and liabilities of the CRA. In consideration of the concessions and various releases made in the Settlement, the CRA agreed to take title to the Site and indemnify CM.

CALReUSE Grant

The California Pollution Control Financing Authority ("CPCFA") issued a California Recycle Underutilized Sites ("CALReUSE") Remediation Program Grant (the "Grant") to CM for The Boulevards at South Bay site in 2009. The Grant was provided to the Boulevards assist in the remediation of the full 157 acre Site, specifically providing $5 million for the installation of the primary liner for the DTSC-approved remediation project. In connection with the Grant, CM agreed to provide 61 units of affordable housing at less than or equal to 50% Area Median Income for 55 years as part of a 400-unit rental apartment contemplated to be part of the Boulevards development.

Due to the serious real estate and economic recession, the CM development stalled and CM was facing the potential of not being able to meet its obligations under the agreements with the City and Successor Agency. In May 2015, CM entered into the Agreements with the CRA described elsewhere in this report and, among other things, agreed to assign and the CRA agreed to assume the Grant.

At the time the Grant was originally awarded, CM was a limited liability company whose membership and sale are also described in this report. It was CRA's belief that the Grant

Agreement did not restrict or prohibit the sale or transfer of the membership interests in a parent of CM (or other upstream entities).

The transfer of the Grant to the CRA was in the public interest and furthered the goals of the program. The CALReUSE program was created for the purpose of brownfield cleanup that promotes infill residential and mixed-used development, consistent with regional and local land use plans. The Site is a former landfill that is undergoing remediation with the oversight of the DTSC. Certain DTSC-approved remedial systems for the Site include a groundwater collection and treatment system, a landfill gas collection and treatment system and a cap (liner). By the time of the CRA's acquisition, the groundwater extraction and treatment system was complete and operational. Much of the landfill gas collection and control system had been built and a portion was operational. The liner has been purchased as provided for by the Grant and a portion of the liner had been installed in areas of the Site that were anticipated to be used for surface parking as part of the Boulevards development.

The CPCFA made the Grant for the purpose of funding Brownfield Infill Project costs relating to the installation of the primary liner at the Site. CM purchased all of the primary liner material and installed it over 40 acres of the Site. However, the remainder of the liner cannot be installed until the construction of building foundations. The liner acts as a cap on the surface of the landfill. To support buildings and other structures on the Site, the structures must be constructed on piles that are supported in native earth materials below the landfill. The foundation piles must then be physically integrated with the liner at the surface, in effect sealing the top of the piles with the liner. The location of the remaining landfill gas collection wells should also be integrated with the location of the buildings. Therefore, the completion of the remaining portions of the remedial systems must go hand in hand with actual Site development.

The Grant Agreement was scheduled to terminate in November 2015, but was extended by a vote of the CPCFA Board to April 30, 2016 to allow the CRA the ability to pursue and finalize development plans for the Site and the appropriate infill development.

At the time of the CRA's acquisition of the Site, it was proposed as the location for an NFL stadium. Alternatively, the Site was already approved for a mixed-use development, although the ultimate configuration of the development would be modified from that anticipated by the Boulevards plan.

The Carson Reclamation Authority provided a schedule of completion dates with respect to the status and timing of the Brownfield Infill Project (Cleanup) and Infill Development Project (Housing) in its July 15, 2016 application to the CALReUSE program. That application received Board approval on August 19, 2016. One issue with CALReUSE, however, is that the project schedule approved in the Grant Agreement is very out of date due to a number of project delays. In a recent meeting in Sacramento, their staff outlined why schedule delays are a problem for CALReUSE:

- The CALReUSE program sunsets on June 30, 2020, meaning no new grants after that date.

- The CRA's new grant was approved in August, 2016 with a project schedule that went beyond the June 2020 date, to December 2020.
- Even with the completion of the project late in 2020, there were milestones early in the project to warn CALReUSE that a default is likely, and they could demand the return of grant funds plus interest from the CRA. It would have had to be early enough to capture the funds and grant them to another applicant prior to June 2020. Such a date would be about November 2019.
- The current LAPO project schedule shows project completion in October 2021. A warning date of similar length of time prior to scheduled opening, as suggested above, would be September 2020, after the program itself sunsets.
- The final reason that schedule is a problem is that under the circumstances of the CRA's grant approval by the Board, the CPCFA Executive Director personally had to assure the Board that she would never recommend an extension of the dates on this project, even at the risk of her own position.

Therefore, CALReUSE cannot entertain a request for a straight-up extension of dates based on the old schedule. Such a request was already precluded at the original approval, and would only exacerbate the existing schedule issues. A more practical alternative may be to redefine the January 2019 milestone as something both achievable and still able to demonstrate that the overall project is still moving forward and likely to be completed. It further must be some action undertaken by DTSC that gives the milestone an official signoff. The recommended suggestion was a letter from DTSC that says the design of the remedial systems is in place and that, as such, they would be able to deliver the HRE on the site by date certain (i.e. August 2020).

Next Steps

- Staff has scheduled a conference call with DTSC for November 28. RES is coordinating with DTSC on the meeting.
- CRA will request that the CALReUSE Board approve an amendment at its January 15, 2019 meeting to the Timeline Milestone that currently requires an HRA on Cell 2 to instead be a DTSC letter that certifies that the design of the remedial systems is in place and, as such, DTSC would be able to deliver an HRE on the site by date certain (i.e. August 2020). This letter would affirm the common understanding of what the systems are and that DTSC has granted its consent.
- CRA will also request that DTSC send a representative to the January 15 CPCFA Board meeting to answer questions on the approval of the remedial systems.
- In addition, the CRA will agree to add the Artists' Colony and Veterans' Village projects to the Timeline Milestones, with dates for occupancy permits for the two housing projects. (Right now, the Artists' Colony project anticipates a Certificate of Occupancy in late August, 2019. I don't have an answer from the Veterans project yet.)
- CRA will request that CALReUSE consider construing the completion of the two affordable housing projects in 2019, plus the August 2020 HRE as "Substantial

Completion" of the activities under the grant, and find that acceptable performance under the grant.

Infill Housing Projects

To meet the additional obligation of the Grant, to develop at least 61 affordable housing units, the CRA proposed two new Infill Projects, or Substitute Housing Projects, proposed by different development companies, one 50 unit project located at 600-610 West Carson Street and 21723-21725 South Figueroa Boulevard, and the other a 46 unit project located at 21205 South Main Street in Carson. No residential development was proposed as part of the Cell 2 Development Project.

The Infill Grant Regulatory Agreements were included as part of the Disposition and Development Agreement packages with the two affordable housing developers, Thomas Safran & Associates and Meta Housing, with the understanding that the Regulatory Agreement would be recorded against the property at the time the Infill developers acquire the property from the private sellers, and that such regulatory agreement will be replaced by the Carson Housing Authority Regulatory Agreement requiring the affordability of the units for a period of 55 years and compliance with other standard affordable housing provisions. These Regulatory Agreements are now in place as both projects have completed financing and are under construction.

AIG Funding of LFGS OM&M/Dispute

The Environmental Protection Program Policy (the "EPP Policy") that CM purchased from AIG at the time it entered the EAAs with TT, provided for AIG to cover the operating cost of the Landfill Gas Collection System ("LFGS") under the Policy, once it was fully installed. Under the same Policy, AIG did pay for the monthly OM&M of the Groundwater Treatment and Extraction System ("GETS") as the system was fully installed in 2014-15 per the D&C EAA and commenced operation under the OM&M EAA. On February 25, 2015, however, the completion and operation of the LFGS for Cells 3 and 5 was required by a DTSC Directive (the "DTSC Directive") and should have been covered by the Policy.

Once the LFGS in Cells 3 and 5 was installed, AIG declined to pay for the partial installation and associated OM&M of the LFGS because the provisions of the Policy did not trigger their obligation to pay until a Site-wide Health Risk Assessment ("HRA") was approved. Under the provisions of the Compliance Framework Agreement, an HRA cannot be obtained until the remedial systems on all five cells are installed and operating, which was not the case here. Had the schedule in the original Endorsement been adhered to, AIG would have been required to pay for LFGS OM&M activities across ALL cells of the project for the four years from 2011 through 2015, but instead, AIG reaped a benefit from the delay and avoided covering millions of dollars of OM&M activities over those four years.

Together TT and the CRA argued that the DTSC Directive was a modification of the Remedial Plan and therefore should have been covered under the policy. The design and construction of the LFGS, the development of the LFGS O&M Plan and the startup and implementation activities

were all complete and none of these tasks had been or were planned to be submitted to AIG for payment under the Policy.

The DTSC Directive expressly required the CRA to begin the OM&M activities immediately and notwithstanding that a Site-wide HRA had not yet been completed and the "term" of the OM&M Agreement had not formally begun. DTSC intended to begin the "term" of these activities in Cells 3 and 5 in 2015, not upon completion of the entire site. The DTSC additionally stated that its "directive is a requirement based on protection of human health and the environment." Accordingly, DTSC expressly required that CRA commence the activities in Cells 3 and 5 immediately, notwithstanding the original order of these activities as shown in the Remedial Plan and the Clean-Up Schedule.

AIG was very aware of and was kept informed of the discussions with DTSC, which discussions occurred over a period of many months. Nevertheless, they did not pay for the OM&M of the LFGS, which averaged about $60,000 per month during the remainder of the TT contract.

The steadfast refusal of AIG to consider a change in circumstances revealed a significant problem with the EPP, and ultimately with the TT Fixed Price EAAs: both the EPP and the EAAs were underwritten against a very specific project site plan, very specific regulatory process which did not factor in the necessity of a phased occupancy of the site, and a very specific project schedule and milestones. The contractual site plan was Carson Marketplace SP-33, which had been superseded a number of times (the working Boulevards site plan was SP-44) and the contractual project schedule anticipated completion in 39 months. Under the Compliance Framework Agreement, the HRA (necessary to trigger AIG's obligations) could not be obtained until all five cells were completed and signed off. TT had burned through the entire project's "Project Management" line item, for example, over the first 39 months, as they would have been expected to, and was now into a change order process with Starwood and later with the CRA for routine site maintenance costs. The ability of the property owner to amend the TT scope of work to save money during that time was quite limited: since TT was the holder of the environmental liability, it was their decision and not the property owner's whether to demobilize or, for example, to perform less dust, noise and air quality monitoring to save money.

A change in these contracts was clearly necessary for the CRA to move forward on any project.

Termination of Tetra Tech

On January 29, 2017, CRA and TT closed and executed a Termination of the TT Agreement. The termination of TT did not adversely affect the overall Development schedule, and in fact built in flexibility that may allow the projects to move more quickly.

One part of the Termination was the cancellation of the AIG EPP for operation and maintenance of the remedial systems and a return of money designated for future payments (a "commutation" of the policy). The problems with the EPP based on its inflexibility are noted in the previous section. The commutation (fully described below) led to a discussion on the EPP

with DTSC, because the EPP provided a portion of the financial assurance to DTSC that the remedial work is able to be completed; therefore, any change would also require the consent of DTSC.

Mutual Release and Retained Liability

Between May, 2016 and January, 2017, the CRA negotiated the voluntary termination and release of liability with TT in order to accommodate the Phased Development of the Site, not allowed under the TT contract, the DTSC approvals, or the AIG policy. The CRA, the City, and TT each executed a "Mutual Release" which provided for the release by each Party and the City of all claims, demands, losses, causes of action, damages and expenses of any kind or manner now existing or hereafter arising out of the Remediation Agreements, except for the TT Retained Liability. TT will have no ongoing liability for the design or performance of the Remedial Systems and was released by the CRA.

Notwithstanding the execution and delivery of the Mutual Release, TT shall remain liable to CRA for claims made against CRA resulting from or arising out of TT's errors and omissions and all other professional liability claims arising out of work performed by TT under the Remediation Agreements; provided, however, (a) TT's liability shall be capped at and shall not exceed $2,500,000 in the aggregate; and (b) TT's liability shall be excess of the existing Ace CPL Policy, the New CPL Policy (issued through Tokio Marine), the Predevelopment PLL Policy (issued through Beazley) , the Renewal Predevelopment PLL Policy, the Development PLL Policy and the Renewal Development PLL Policy, as and to the extent such policies provide coverage for any such claims, including without limitation, defense costs or loss (the "TT Retained Liability"). TT shall name CRA as an additional insured on the Commercial General Liability policy that is maintained by TT as part of the TT Practice Insurance.

CRA agreed that any contractor that takes responsibility for installing, repairing or operating remedial systems at the Site will be named as named insured on the PLL Program and any contractor performing work on the remedial systems at the Site will be named as named insured on the CPL Program.

There was a number of pre-closing activities that both parties agreed to undertake, during a period called the Cooperation Period. For example, during the Cooperation Period, TT cooperated with CRA in negotiating with DTSC to obtain DTSC's approval of the Phased Development Plan, which included assisting CRA in amending the Compliance Framework Agreement. CRA provided a copy of the Phased Development Plan to TT for their review prior to CRA's submission to DTSC.

TT also cooperated with CRA in delivering to CRA the Work Product. Upon Termination, CRA became the owner of record of the Work Product, including (i) items which were required by SCS to complete the Performance Report and to confirm that the Landfill Gas System and Groundwater System were operating properly; and (ii) CRA and/or its consultants would require in order to effectively continue the remedial activities on the Site immediately after the Termination Date, including as-built plans and drawings for the groundwater system and the landfill gas system and all related monitoring and extraction wells. Prior to Closing, TT

transferred, assigned and delivered the Work Product. TT also provided to CRA a complete written inventory, including a description and location of all Physical Products.

Commutation, Financial Assurance, and Trust Account

The TT termination required the consent of DTSC, which was an Additional Insured on the AIG EPP policy. CRA expected AIG to commute the EPP and return the notational commutation account balance to TT and negotiated for the commutation account balance to be returned to the CRA, less any settlement amount agreed upon in the termination agreement. Also, under the original EAAs, the environmental risk was transferred to TT in return for a fee. Any termination of the contract needed to mitigate TT's post-termination environmental risk and contractor's liability.

TT cooperated with the CRA in commutating the AIG EPP Policy. TT and CRA sought a return of premium to TT that exceeded the amount remaining in the Notional Commutation Account as of the Termination Date. Prior to Closing, DTSC, TT, and CRA each executed a Release and Commutation Agreement setting forth the requirements for commutation of the AIG EPP Policy. After full execution and delivery by TT, CRA, Carson Marketplace, LLC and DTSC of the Release and Commutation Agreement, TT received from AIG the Negotiated Commutation Amount pursuant to its status as the "Named Insured" under the AIG EPP Policy. On the Termination Date, TT distributed the CRA's portion of the Negotiated Commutation Amount to the CRA. The CRA received approximately $7.4 million from the Commutation Account and TT received approximately $4.0 million.

DTSC also needed to approve the new form and amount of the financial assurance required to be maintained by the CRA after the Termination Date. DTSC is always concerned about both closure and post-closure care and insisted that any new financial assurance would consist of a combined Trust Account supporting both closure and post-closure care for the CRA's Phased Development Plan. The new financial assurance needed to replace the EPP and the Environmental Trust Account that were established under the EAAs and the AIG EPP policy, described below.

The original establishment of the Carson Marketplace Design and Construction EAA Trust Agreement occurred on April 13, 2009 with CM as Grantor, TT as Beneficiary, and Wells Fargo Bank, N.A. as Trustee, and deposited approximately $79,347,714 (the "Remediation Trust") to support and fund certain remediation activities associated with the Site under the D&C EAA Agreement and the Regulatory Documents. Under the termination, TT assigned its rights and obligations under the Environmental Trust Account to CRA. Prior to Closing, CRA and TT each executed a Trust Assignment and Assumption Agreement; and, DTSC provided its written consent to the transfer of the assets in the Environmental Trust Account to CRA pursuant to the Trust Assignment and Assumption Agreement utilizing the funds in the account. The amount transferred to the CRA in the Environmental Trust Account was approximately $31.9 million.

This previous DTSC Trust Account supported closure activities associated with (a) completion of landfill gas system; and (b) completion of liner/cap installation. In addition, there is $4 million +/- of liner material stockpiled on-site to be utilized in the closure (purchased with the Cal

ReUSE grant in 2009) and $2 million of other materials that are on-site and paid for. CRA calculated the combined value of these stored materials and the existing DTSC Trust Account at $38 million.

With assistance from TT and SCS, CRA calculated the annual post-closure O&M costs to be approximately $1.3 million and created a 13 year present value calculation of $13,660,822. This took into account the O&M work that had been conducted by CRA at the site for the previous few years and still provided for two full 5-year review processes to occur. CRA established an enterprise fund ("Enterprise Fund") with the proceeds of the Remediation Trust in substantial conformance with Sections 22228 and 22241 of Public Resources Code, Sections 43500-43610.1 and sections of Title 27, California Code of Regulations (the "Regulations"). DTSC ended up requiring the amount of $13 million to be held in the Enterprise Fund for post-closure activities as a hedge against a closure without development and no private parties making payments into CFD 2012-1.

Additionally, the City Council took action as the Board of CFD 2012-1 in January, 2017, as the Operator of the remedial systems over the life of the Project, and authorized the pledge of $2,323,750 per year in CFD 2012-1 revenues pursuant to Title 27, California Code of Regulations, Division 2, Subdivision 1, Chapter 6 for the operation and maintenance of the remedial systems at the Site. A separate section of this report contains more detail on CFD 2012-1 and 2012-2.

Phased Development Plan/MAPO

One of the primary reasons for terminating the TT Agreement, commuting the AIG EPP Account, and establishing and Enterprise Fund with DTSC was to facilitate the phased development – more specifically, the phased occupancy – of the Project, which was precluded by the existing agreements. A necessary next step was developing and receiving approval from DTSC of the Phased Development Plan (PDP) for the Site.

A preliminary PDP was drafted and received sign-off from TT and Beazley Eclipse, the Pollution Legal Liability Policy insurer, in 2016, and a Working Draft was submitted to DTSC in February 2017, with the understanding that the addendum outlining general health and safety protocols for phased development may need to be amended once the "Master Developer" negotiation was concluded (pursuant to the 2016-17 RFP, discussed below) and the two projects and schedules were reconciled. Mitigation of impacts between cells remained a concern of DTSC, and caused some minor redrafting of the initial draft PDP.

For all of 2017, the CRA's Horizontal Master Developer, RE|Solutions, LLC ("RES") (the RES contract is discussed below) worked with DTSC to refine and amend the original PDP to respond to DTSC's comments and conform the document to current development plans and staging. DTSC first asked for the plan to be referred to as the Phased Occupancy Plan (POP), since "phased development" of individual cells has always been allowed under a similar set of protocols since 2006, though the *occupancy* of individual cells has been subject to the Site-wide HRA. Later, DTSC referred to it as the Management Approach to Phased Occupancy (MAPO),

retaining the focus on occupancy (vs. merely development) of individual cells, and also referencing a management approach that could be applied site-wide.

One of the elements developed as part of the PDP/POP/MAPO process was the Roadmap to Occupancy ("RtO"). A copy of the RtO is included as an exhibit. The RtO is a flow diagram of the process and management approach that will allow phased implementation of the remedy, phased Site development, and phased occupancy of the developed Cells. The MAPO is discussed in further detail below. The CRA received approval from DTSC of the RtO in October, 2017.

The objective of the RtO is to establish a mechanism that integrates the various approval and decision-making milestones allowing for the development of a particular Cell and incorporates all the elements necessary to implement phased occupancy. The key components of the process are:

(i) establish a step-by-process for evaluating management plans and mitigations to ensure a phased approach is protective of on- and off-site populations;

(ii) establish a step-by-step process for evaluating health risk issues as the remedial system construction is completed in phases;

(iii) minimize potential time gaps associated with completing, reviewing and approving documents that would be required for DTSC to issue a no-objection letter for Certificate(s) of Occupancy for each Cell; and

(iv) standardize the documentation requirements for each Cell.

All versions of the phasing document (the PDP, POP and now MAPO) recognized that the remedial components for the entire site have already been approved (landfill gas collection and control, groundwater extraction, building protection system, etc.), but that the layout of the remedial systems for each cell may be altered slightly and will be implemented based on the ultimate approved development plan for each cell of the Site. Following implementation of remedial systems for a given cell, a Remedial Action Completion Report ("RACR") and a cell-specific Health Risk Assessment ("HRA") would be prepared for that cell and submitted to DTSC for its review and approval prior to occupancy. In addition, a focused Health Risk Evaluation (HRE) is also contemplated, with the goal of allowing non-hazardous waste site operations ("HAZWOPER") workers to conduct vertical construction activities on that cell.

The RtO flow diagram will be utilized during each construction phase and shows the documents that will be produced prior to implementing construction of each phase, during the various steps of completion of the phase, and then at the completion of each phase prior to occupancy. The flow diagram also illustrates the generalized permitting and review process that will be followed as the phase is completed. This document does not attempt to show all permitting and approvals, such as general construction and permitting and design review and approval. The RtO has now received approval from DTSC, subject to its inclusion in the full revised MAPO.

A draft of the MAPO was submitted to DTSC for review in Q1 2018 and their final comments were received about March 18. A final, official sign-off on the MAPO, requested by Simon during their due diligence, was received from DTSC on May 31, 2018.

Under a phased occupancy approach, each phase of development will be independently evaluated for health risks posed by not only that Cell's development activities, but also for the possible impacts to and from other Cells and the associated potential exposures and risks. Cell-specific mitigation measures will be designed to offset potential risks that are identified. Risks to the appropriate populations – construction workers, commercial workers/users, general public, etc. – will be evaluated for both intra-Cell and Cell-to-Cell receptors at different points of the process, as detailed below.

DTSC previously had approved a phased landfill closure and development process for the Site (the September 28, 2009 Compliance Framework Agreement). In 2017, DTSC agreed that phased occupancy of the Site is also allowable under and pursuant to the general procedures established in the attached RtO and the more specific requirements of the MAPO. The phased approach to occupancy required that plans for both installation of the remedy and any subsurface work be submitted to DTSC in advance for review and approval. As part of the approval process and prior to occupancy of any cell, appropriate mitigation measures will be implemented to ensure that remedial or foundation work in an open area of the site is protective of users of the developed areas.

All remedial construction and development work at the Site will be performed by HAZWOPER trained workers until otherwise notified by DTSC after approval of a FHRE as outlined below.

All appropriate and necessary mitigation measures identified in the Mitigation Measures Implementation Plan will be implemented during remedial construction to ensure protection of users/occupants of adjacent landfill cells.

Following installation of the landfill cap membrane, Building Protection Systems ("BPS") will be installed in areas below building slabs.

Foundation Systems and Vertical Construction

Slab, foundation systems and vertical construction will commence following installation of the remedy and the installation of piles and sub-slab portions of the BPS. Components of the BPS that rely on vertical construction will be completed as soon as practicable and the operation and performance of the BPS will be demonstrated to the satisfaction of DTSC and LA County. (The requirement for BPS is an LA County requirement for all structures with enclosed space in "methane areas" – former or active oil fields, marshy areas, and former landfills. DTSC reviews the BPS design on this project.)

A cell-specific Site Certification Completion Report and HRA will be submitted to DTSC. The cell-specific Site Certification Completion Report will document that all remedial actions required by the RAP are complete for the cell, and allow DTSC to partially certify the remedy for that cell. The HRA will assess the risk to all potential users (maintenance worker, commercial worker, retail user, etc.) of the cell based on the completion of the remedy. The HRA must document

that there are no unacceptable risks to the potentially exposed populations. Upon DTSC's approval the HRA and Site Certification Completion Report, DTSC will notify the City of Carson and other regulatory agencies whether it has any objection to occupancy of the certified portion of the Site.

Boundary of Upper Operable Unit

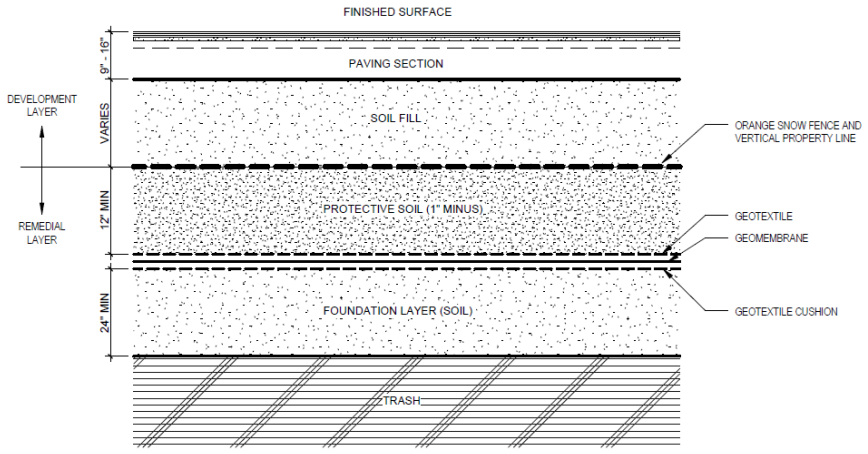
It was crucial in seeking approval of the PDP to also have DTSC create a boundary of the top of the regulated layer: without such a boundary, there would be no "unregulated layer" for the vertical developer to work in, notwithstanding the vertical separation of the site. This led to a discussion of the term "site soils."

In October 1995, DTSC approved the RAP for the Upper Operable Unit ("Upper OU") at the Site (Brown & Root Environmental, 1995). The RAP defines the Upper OU as encompassing "site soils, the waste zones above and within the Bellflower Aquitard, and the Bellflower Aquitard down to, but not including the Gage Aquifer." The term "site soils," however, is not further defined in the RAP or elsewhere. Furthermore, the Site has been disturbed by excavation, import and filling activities since the RAP was issued. Accordingly, it was not clear, when drafting the PDP, which soils were intended to be regulated as part of the Upper OU, and which soils may lay above this regulated surface.

The landfill cap design specified in the RAP, as modified by the 2009 Explanation of Significant Difference, contemplates a protective soil cover over a landfill cap membrane in areas where no building slabs are or will be present ("Open Areas," i.e. parts of the Site not covered by a building or structure of any kind). The protective soil cover is the uppermost remedial design element of the landfill cap in the Open Areas. Under buildings or structures (i.e. those areas that are not Open Areas), the gravel layer associated with the required BPS will serve as the protective cover for the landfill cap membrane. Therefore, DTSC acknowledged and agreed that the upper boundary of the Upper OU at the Site shall be: (1) at the top of the protective soil cover above the landfill cap membrane in Open Areas where no building foundation is present, which shall be delineated with a colored plastic or mesh marker; or (2) in areas that are not Open Areas and where a building foundation is present, at the bottom of the structural slab.

Diagram of Vertical Property Boundaries

This clarification helped define the real property lot line division between the Remedial Lot that requires remedial action and necessarily includes the regulated surface that



constitutes the Upper OU boundary, and a Development Lot where development can take place outside of the Upper OU. This distinction was important for both CRA's vertical developer partners at the Site and for the new Specific Plan Amendment and tract map.

Community Facilities Districts 2012-1 and 2012-2

One of CM's obligations to DTSC was to create a structure for ensuring long-term operation, maintenance, and monitoring of the Remedial Systems. As part of that structure, CM was to establish a non-profit mutual benefit corporation that would have long-term responsibility for environmental conditions at the Site following construction of the Remedial Systems (the "Mutual Benefit Corporation"). In addition to operation, maintenance and monitoring of the Remedial Systems, the Mutual Benefit Corporation would have had responsibility for satisfying any unexpected environmental requirements relating to the landfill and responsibility for obtaining environmental liability insurance when the PARLL Policy expired in September 2016. The CRA assumed CM's obligations, however, as part of the Settlement and Release Agreement.

The mechanism for funding the ongoing O&M environmental obligations was through the formation of a Community Facilities District ("CFD"). The CFD will collect special taxes from owners of the Vertical Lots to fund long-term operation, maintenance and monitoring of the Remediation Systems, to fund any unexpected environmental response actions at the Site, to purchase renewal or replacement environmental liability insurance, to fund the administrative expenses of the CFD, to create appropriate reserves, and, if surplus funds are available, to reimburse the developer for a portion of the pre-funded costs. The CFD will transfer the taxes collected to the CRA.

History of the Two Community Facilities Districts

Two Community Facility Districts were established by City under statutory authority to pay for, respectively (i) O&M for Remedial Systems (CFD 2012-1) ("Remediation CFD") costs and (ii) the costs of installation, operation and maintenance of Entry Signs and Entry Plazas and the costs of operation and maintenance of public infrastructure within the Site (CFD 2012-2). These CFDs will be restructured by the City such that the Project will be charged only such annual amounts as are necessary to pay the Project's pro rata share, (i) for the Remediation CFD, of only those line items for operation and maintenance of the Remedial Systems set forth in the Exhibits required in connection with the Site (the "O&M") and (ii) for the Infrastructure CFD, (1) costs of operation and maintenance of public infrastructure within the Site and (2) costs of installation, operation and maintenance of the Entry Plazas, including Entry Signs as set in the Agreement.

Actual CFD assessments can rise or fall due to the actual costs of such line items; provided that, regardless of actual costs incurred by City, CRA or any CFD, Developer, the Project and the Developer Property shall not in any event be charged, collectively, by the Existing CFDs or the CFD for the items specified in clauses (i) and (ii)(1) above, more than $1.75/sq.ft. of Gross Building Area ("GBA") on an annual basis. Developer shall be responsible to pay its pro rata share of the costs of installation, operation and maintenance of the Entry Plazas, including Entry Signs, which shall be equal to thirty percent (30%) of the reasonable costs incurred by the City in

each year for such purpose. This is the maximum cap on all taxes negotiated for the development project on Cell 2.

Summary of Development Insurance Programs

In connection with the original acquisition of the Site by CM, two additional environmental insurance programs were purchased. A Pollution and Remediation Legal Liability Policy ("PARLL") was obtained by CM from Indian Harbor Insurance Company ("XL"), which had a limit of liability of $50 million and a term of ten (10) years, expiring on September 29, 2016. A "follow form" excess policy, with substantially similar terms and providing a limit of liability of $50 million in excess of the XL PARLL policy was issued by Chubb Custom Insurance Company. In addition, a stand-alone Contractors Pollution Liability ("CPL") policy having a limit of liability of $25 million per incident and $50 million in the aggregate was issued by Illinois Union Insurance Company ("Ace"). The term of the CPL policy was extended through December 21, 2016.

Given the impending expiration of these policies, as well as certain contractual requirements necessitating a continuation of, and/or the procurement of additional, environmental insurance coverage, in 2016 the CRA worked to procure multiple lines of coverage, which included pollution legal liability and contractors' pollution liability.

Since the CRA was preparing the Property for mixed-use/commercial development in phases, where each phase represents development of a different portion or "cell" of the Insured Property, and to satisfy the obligations of the inherited Remediation Agreements with TT, CRA needed to procure a pollution legal liability ("PLL") policy, effective September 29, 2016, that contained coverage terms similar to those provided in XL PARLL policy, but updated to reflect the current conditions on the Property and such proposed development activity. As part of the negotiations on the termination of its contract, CRA negotiated a term sheet with TT which allowed the replacement PLL policy to have a reduced limit of liability of $25 million during the period prior to large-scale development.

Broker Selection

In May 2016, the CRA undertook the process of selecting a specialty insurance broker to assist the CRA in procuring the replacement PLL policy and other environmental policies that may be needed to support the phased development. Because of the highly specialized and technical nature of this type of coverage, which extends even to the selection of the broker, the CRA's Special Insurance Counsel handled the RFQ process and participated in the broker interviews. All of the major insurance brokerages with an environmental lines practice were included in the RFQ process, including Aon, Marsh, Willis, Alliant, and JLT. In addition to information about their firm and environmental brokers, Brokers were required to provide:

1. Descriptions of representative experience involving brokerage of complex pollution insurance programs on brownfield sites, with a particular emphasis on one or more of the following: (a) large-scale redevelopment projects, (b) redevelopment of closed landfills, (c) programs involving multiple lines of coverage and/or high aggregate limits of liability, including limits of at least $100 million on a single product line and (d) programs involving

significant manuscripting of policy language to conform to legal or contractual requirements.

2. Descriptions of representative experience with funded cost-cap program similar to the AIG policy and the use of such products, surety products or guaranteed investment contracts as financial assurance in favor of the Department of Toxic Substances Control for closure and post-closure obligations on closed landfills in California.

3. Description of representative experience with facultative reinsurance programs, quota share or excess policy placements to obtain aggregate limits of more than $100 million to support projects involving multiple stakeholders or named insureds.

JLT was selected to be the broker on this policy. JLT was also the broker on the CPL policy, which was helpful at the point when the CRA was ready to procure an Owner Controlled Insurance Program ("OCIP") to cover all of the parties with an insurable interest across the entire site with multiple lines of insurance (discussed below).

Insurance Solicitation

The CRA needed to must procure, prior to expiration of its existing PARLL insurance program on September 29, 2016, new PLL coverage that accommodated the phased development approach. Coverage would satisfy the following two conditions:

1. Coverage terms consistent with those provided in the XL PARLL policy.

2. Coverage terms that are consistent with the phased nature of development on the Insured Property, and the fact that certain "cells" within it will receive DTSC approval for development before other cells. It is anticipated that such DTSC approval will require a cell-specific Health Risk Assessment that would establish that (i) an adequate buffer exists between the cells for which active remediation has been completed and any un-remediated or partially remediated cells; (ii) adequate measures are in place to ensure health and safety on the Insured Property generally. The DTSC approval process has been discussed with DTSC. By extension, any "re-opener" coverage – reflected in the PLL policy language – would conform to the regulatory approval process described therein.

The 2016 environmental insurance program served as a "bridge" to the ultimate development of the property according to the mixed-use development plan (the "Bridge PLL"). The CRA sought the right to cancel and rewrite the Bridge PLL into a "Development PLL" once the development of the Property was to begin. In that manner, the pollution program sought in 2016 served as a bridge between the expiring XL/Chubb program and the new pollution insurance program that was specifically tailored to support multiple developers and end users during development of the Property. To that end, the CRA opted to buy a lower limit of liability and shorter term than the original 10 year/$100 million acquired in 2006 from XL and Chubb. These terms and limits were permitted by the term sheet CRA and TT negotiated and executed. With the option to cancel the Bridge PLL and rewrite for more limit (to accommodate the multiple developers seeking dedicated limits) and a full 10 years (if available), the CRA saved premium in the short term by purchasing less limit and shorter term. CRA also avoided "burning

term" on a longer term policy/higher coverage policy (i.e., carrying expensive insurance for a period of time when it is not as useful as it will be during development.

Selected Insurer

JLT sent the PLL solicitation to 16 different insurance markets. Three markets declined to bid at all (Great American, Liberty, Navigators); seven markets declined to bid on participating in the Bridge PLL for providing the primary layer of coverage (Allianz, Allied World, AXIS, Berkley, Endurance, Pioneer, Zurich); and, six markets submitted a quotation of coverage (Aspen, Chubb, Ironshore, XL Catlin, Beazley, and Tokio Marine). For the following reasons, the coverage offered by Beazley was recommended and purchased:

1. Beazley had four other Lloyd's of London companies (syndicates) that subscribed to Beazley's underwriting and share in the risk on certain policies, including this one. When the CRA needed to move forward with the Development PLL program, it was be able to directly call upon those syndicates' capacity (i.e., additional limits) to support the Development PLL program. This arrangement had numerous benefits, including: having access to existing companies who already understand the risk, and who rely upon Beazley for the detailed underwriting; avoiding gaps in coverage as a result of exclusions imposed by numerous separate and distinct excess carriers; having one insurance company (Beazley) handle all claims and policy endorsements for the Development PLL, regardless of size or amount; and easier access to other companies within Lloyd's of London for increased capacity, which will be needed for the Development PLL.

2. Beazley also offered the most flexibility in crafting coverage around the Phased Development Plan.

3. Beazley offered the most flexibility in allowing a cancellation of the Bridge PLL program, without penalty, to be rolled into a Development PLL program.

4. At $771,799 for five years of coverage and a $25 million limit of liability, the Beazley quote is competitively priced. All of the other quotes for similar coverage were within 15% of this price, with the exception of XL, which was almost double the price in premium.

The Bridge PLL Policy

This Beazley Bridge PLL policy was for a term of five years, or until September 29, 2021, at a cost of $$771,799 for the entire term, plus Surplus Lines Tax and Stamping Fees. The Beazley policy provided coverage for both pre-existing and new pollution conditions for Remediation Expenses, Third Party Bodily Injury, Third Party Property Damage, Legal Defense Expenses, Emergency Response Costs, Catastrophe/Crisis Management Costs, Transportation (First party and Third party carrier), Non-owned Disposal Sites, Business Interruption, including loss of rent (which had been specifically requested by Macerich), and Diminution of Value coverage, including first-party Diminution of Value coverage.

The CRA had the right to cancel and rewrite the policy for a longer term and at a higher dollar amount, under the terms described above. (The CRA and CAM-Carson LLC, a subsidiary of Macerich ("Developer") bound the Development PLL in December 2017, rolling the Bridge PLL

into the new, much larger Development PLL.) The newly negotiated premium is a relatively small percentage of likely cost of the full Development PLL, and therefore represented a substantial cash flow savings to the CRA at that time.

The Predevelopment CPL Policy

Like the original PARLL policy, in connection with the original acquisition of the Site by CM, a stand-alone CPL Policy having a limit of liability of $25 million per incident and $50 million in the aggregate was issued by Illinois Union Insurance Company ("Ace"). One of the requirements of the Remediation Agreements was that the property owner carries a CPL Policy for work performed by the contractor on the site. The contractor carried a similar policy. In 2015 the CRA renewed CPL Policy No. G2390164A 001 procured through JLT, effective December 21, 2007 to December 21, 2015, made through ACE American Insurance Co. for a period of one year, to December 21, 2016. At that time, however, the aggregate limit of liability available under the Policy was reduced to $10,000,000 in the aggregate.

On November 1, 2016 the CRA Board approved the voluntary termination and release of liability with TT in order to accommodate the Phased Development of the Site. CRA and TT executed the Termination Agreement November 14, 2016.

Notwithstanding the execution and delivery of the Mutual Release executed at Closing on the Termination Date, TT shall remain liable to CRA for claims made against CRA resulting from or arising out of TT's errors and omissions and all other professional liability claims arising out of work performed by TT under the Remediation Agreements up to an aggregate cap of $2,500,000 (the "Tetra Tech Retained Liability"), which TT Retained Liability is excess of the Ace CPL Policy, the New CPL Policy, the Predevelopment PLL Policy, the Renewal Predevelopment PLL Policy, the Development PLL Policy and the Renewal Development PLL Policy.

CRA also agreed that any contractor performing work on the remedial systems at the Site will be named as named insured on any new CPL program obtained by CRA.

The Development-Related Insurance Programs

In working toward the Development PLL and Development CPL in 2016 and 2017, the CRA, its Horizontal Master Developer, RE | Solutions, LLC (“RES”) and Developer pursued the following insurance programs for the installation of remedial systems and required mitigation measures for the Site, the construction of site infrastructure and foundation systems and the vertical development of the Macerich retail outlet mall on Cell 2 of the Site (the “Project”) (collectively, the “Development Insurance Programs”):

1. Owner Controlled Insurance Program, “OCIP” or “GL Wrap”;
2. Owner’s Protective Professional Indemnity (or Insurance) Policy;
3. Builder’s Risk Policy;
4. Contractor’s Pollution Liability Policy/Professional Liability Insurance Policy; and
5. Pollution Legal Liability Policy.

The Development Insurance Programs, as well as the order of priority for coverage under those programs, are summarized below.

Owner Controlled Insurance Program ("GL Wrap" or "OCIP")

CRA and Developer undertook a joint OCIP insurance program that will include general liability and excess (umbrella) coverage for the Project. This program is an occurrence based, dedicated liability insurance program for all tiers of horizontal and vertical contractors and subcontractors working on the Project, which is placed and controlled by the owner of the property or the project. The OCIP will be administered by Construction Risk Partners, an affiliate of the broker of record, JLT. The GL Wrap will be the primary bodily injury coverage at or on the property during the Project, and will include affirmative coverage for concussive risk, but shall otherwise exclude losses arising out of pollution conditions. The GL Wrap may also be expanded to cover work performed by CRA to install remedial systems, mitigation measures and related infrastructure on the other cells of the Site, together with vertical construction thereon.

The GL Wrap includes coverage limits for the Project as follows: (i) for commercial general liability, applying to all enrolled parties jointly, the following limits: (1) $2,000,000 each occurrence; (2) $4,000,000 general aggregate; (3) $4,000,000 products and completed operations aggregate; and (4) 10 years products and completed operations extension; and (ii) for excess liability, the following limits: (1) $200,000,000 each occurrence; (2) $200,000,000 general aggregate; (3) $200,000,000 products and completed operations aggregate over the term of the policy; and (4) 10 years products and completed operations extension. Except for completed operations (which will be an aggregate over the term of the GL Wrap), the GL Wrap provides that all limits automatically reinstate annually. The GL Wrap further specifies that the issuance of Certificates of Occupancy for all buildings and structures at the Project be the trigger for the initiation of completed operations coverage for such work.

In the GL Wrap for the Project, the CRA, RES and Developer, as well as the general contractors and subcontractors of all tiers will be enrolled in the program as insured parties. CRA and RES request bid alternatives or insurance credits by contractors and subcontractors in exchange for their participation in the GL Wrap. The GL Wrap will be priced based upon construction values and premium and administrative fees will be paid sequentially on an annual basis as construction on the various landfill cells is initiated and conducted.

Owner's Protective Professional Indemnity Policy ("OPPI")

This is an excess professional liability policy written on behalf of the owner. The coverages are equivalent to professional liability insurance [PLI a/k/a Errors and Omissions (E&O)] policies, but an OPPI runs only to the owner and sits excess of design/engineering professionals' own E&O insurance, which is primary. The OPPI provides first party coverage to the owner, but does not extend to the design professionals or contractors (i.e. the engineers, architects, etc. are not added as named insureds to the policy).

Developer and CRA obtained an OPPI program to cover activities associated with vertical development of Cell 2 (Developer's development site) as well as horizontal development of the entire Site and will require appropriate underlying professional liability limits from all directly-

contracted design firms, construction managers and the general contractor in order to enable underwriting of the OPPI policy. The OPPI will have a limit of liability of at least $25,000,000. It is anticipated that all of the direct contracts between CRA/RES and various design professionals and contractors will be covered by the CPL/PLI program discussed below. Accordingly, the OPPI program for the Project will be focused primarily on the vertical construction effort to be undertaken by Developer on Cell 2as well as the horizontal construction by CRA/RES throughout the Site. Design work contracted for by Developer, even if fabricated and installed by CRA as part of its work effort, will be covered by the OPPI (i.e. pile design, foundation system design).

Builder's Risk Policy

A Builder's Risk insurance policy provides first party property coverage for damage to real property incurred during construction. Once construction is complete, Builder's Risk policies cease providing coverage. Under the Builder's Risk policy, the insured property is the assets that are installed or being built on the property.

Here, Developer and CRA obtained and will maintain a phased Builder's Risk program for all of the horizontal and vertical construction components at the Project (currently anticipated to be approximately $350,000,000) with a limit equal to 100% of the replacement value of all such horizontal and vertical components. The Builder's Risk program may be expanded in the future to cover horizontal work conducted by CRA/RES on other cells of the Site and vertical construction work thereon. The Builder's Risk program will also contain earthquake coverage with a limit of liability of at least $50,000,000 for the Project, which may be increased or decreased based on the findings of Probable Maximum Loss reports to be conducted annually or at such other frequency as may be agreed to by CRA and Developer. The Builder's Risk program will be an occurrence based policy and the limits will automatically reinstate upon any loss thereunder at no charge to the insureds; provided, however, that the limit of loss for earthquake and flood coverage will be expressed as an annual aggregate amount. The Builder's Risk program will be primary with respect to all property damage at, on or under the property during the term of the Project and will also include LEG-3 coverage with respect to repair of physical damage to work or remedial components arising out of a loss.

The Builder's Risk program will protect the insurable interest of CRA, RES, Developer and their various contractors and subcontractors in any materials and/or equipment being used in the implementation of the remedy, installation of piles and foundation systems, and the construction of buildings at the Project if there is a physical loss or damage during construction. The City of Carson will be listed as a loss payee under the Builder's Risk program with coverage derivative of the coverage provided to CRA to the extent such coverage is commercially available.

It is intended that the Builder's Risk Policy will cover the future phases of construction work at the Site to be conducted by CRA, RES and future developers. CRA, RES, Developer and any applicable future developer will coordinate with the broker of record to define the future phases of work. Upon completion of development for each phase, as evidenced by issuance of Certificates of Occupancy for all buildings and structures in such phase, the entire phase

(including vertical and horizontal improvements) will be removed from coverage under the Builder's Risk program and will be covered under the applicable owner's conventional property insurance program. As of the date hereof, it is anticipated that the phases of development to be insured under the Builder's Risk program will roughly coincide with the boundaries of each "cell" of the landfill. Upon completion of remedial construction, the Builder's Risk program will be concluded and each respective owner of a portion of the property within the Project will be required to maintain a property policy with respect to its owned property. CRA will maintain a property policy (including earthquake coverage) with respect to the installed remedial systems, offsite improvements and sub-foundation systems owned by CRA or the City of Carson in perpetuity.

Contractor's Pollution Liability Policy/Professional Liability Insurance ("CPL/PLI")

CPL is a contractor-based policy, offered on a claims-made basis, that provides third-party coverage for bodily injury, property damage, defense, and first party coverage for cleanup as a result of pollution conditions (sudden/accidental and gradual) arising from contracting operations performed by or on behalf of a contractor party. Professional Liability Insurance (PLI) covers contractors' and subcontractors' professional work (i.e. design work).

In 2015 the CRA renewed the CPL Policy, effective 12/21/2007 to 12/21/2015, made through ACE American Insurance Co. It was originally procured in 2007 by Carson Marketplace and renewed annually. The Predevelopment CPL was renewed again in 2016.

On November 1, 2016 the CRA Board approved a voluntary termination and release of liability with TT in order to accommodate the Phased Development of the Site. CRA and TT executed the Termination and Release Agreement on November 14, 2016 and the Confirmation of Termination in January, 2017. Notwithstanding the Mutual Release and Termination, TT shall remain liable to CRA for claims made against CRA resulting from or arising out of TT's errors and omissions and all other professional liability claims arising out of work performed by TT under the Remediation Agreements, up to a cap. TT's retained liability shall be excess of the previous Ace CPL Policy, the Tokio Marine CPL Policy, the Predevelopment PLL Policy, and the Development PLL Policy.

In December 2017 the CRA approved the renewal of a required CPL/PLI Policy for a period of four additional years and with an increased aggregate limit of liability of $50,000,000 per incident and in the aggregate for pollution conditions resulting from contracting operations of CPL and $25,000,000 of PLI per incident and in the aggregate for professional services contracted directly with RES or CRA, with both coverages subject to a SIR of $500,000 per incident and a policy term through and including December 21, 2022.

The CPL/PLI program has a retroactive date of December 31, 2007 for all coverages (the date TT first began design work on the site). The CPL/PLI also contained at least 10 years of "completed operations" coverage and was to provide coverage for certified acts of terrorism. (Ultimately, two stand-alone terrorism policies were purchased instead.)

All contractors and subcontractors performing construction (including installation of remedial systems, building protection systems, foundation systems, sub-foundation systems, performance of site grading, infrastructure improvements and construction of vertical improvements) on the Project will be listed as an insured on the CPL/PLI program with respect to contractor's pollution coverage provided thereunder and will have the unrestricted ability to make a claim under the CPL/PLI program. However, the PLI portion of the coverage under the CPL/PLI will only list CRA, RES and all direct subcontractors of RES that perform work on the project as insureds with the unrestricted ability to make a claim under the CPL/PLI. The City will also be named as an insured under the Development CPL/PLI with the unrestricted ability to make a claim thereunder. Coverage will include new designers and contractors doing work in the future through the life of the policy. The contractors currently listed under the policy are:

- Tetra Tech, Inc.
- Stearns, Conrad, & Schmidt, Consulting Engineers, Inc. (SCS)
- Snyder Langston, L.P.
- TRC Solutions, Inc.
- Leighton Consulting, Inc.
- Michael Baker International, Inc.
- Cambridge CM, Inc.
- Dirtonu, Inc. dba Murrow CM
- Cummings Curley and Associates, Inc.

The CPL policy includes future and retroactive professional liability coverage in the same policy, which provides protection to the CRA and its new and future contractors over design work and professional errors and omissions, including those committed in the past by TT or its subcontractors in excess of the liability cap provided for in the Termination and Release Agreement.

The primary layer in the CPL/PLI is Tokio Marine, at $25 million in CPL limit and $10 million in PLI limit. The Follow Form Excess Program members are Pioneer, at $10 million in CPL and $10 million in PLI, followed by Allied World (AWAC) at $15 million for CPL and $5 million in PLI.

This Tokio Marine policy and other policies are for a total term of six years, or until December 21, 2022, at a Net Premium Total for the $50/25 million priced at $2,660,043 for the entire term, plus an estimated Surplus Lines Tax and Stamping Fee of 3.2% ($85,121). The JLT Brokerage Fees are an additional $300,000, for a grand total of $3,045,164. Developer has paid for 40% of the cost of the program.

Pollution Legal Liability Policy ("PLL")

PLL is site specific pollution coverage (typically defined as discharge, dispersal, release, escape, migration, emanation of a pollutant or waste from or through an insured location) for third party bodily injury and property damage claims and first party claims for cleanup costs. CRA/RES will obtain a PLL policy for the Site with limits of liability of at least $100,000,000 per incident and in the aggregate, an SIR of $250,000 per incident and a term of 10 years. The PLL

program will include coverage for pre-existing and new pollution conditions and coverage for certified acts of terrorism.

The PLL program lists CRA, the City of Carson, RES, Developer and future developer partners of CRA as insureds with the unrestricted ability to make a claim under the PLL program. It will not extend coverage to contractors or subcontractors working on the Project. Macerich will have a dedicated sublimit of $50,000,000 and any future developer partners of CRA will have a dedicated sublimit in an amount not to exceed $50,000,000, but it is anticipated that the aggregate limit of the PLL program will be increased as future developers are added to the policy. The PLL will be primary and non-contributory to any other insurance carried by Macerich or any other future developers.

Order of Priority

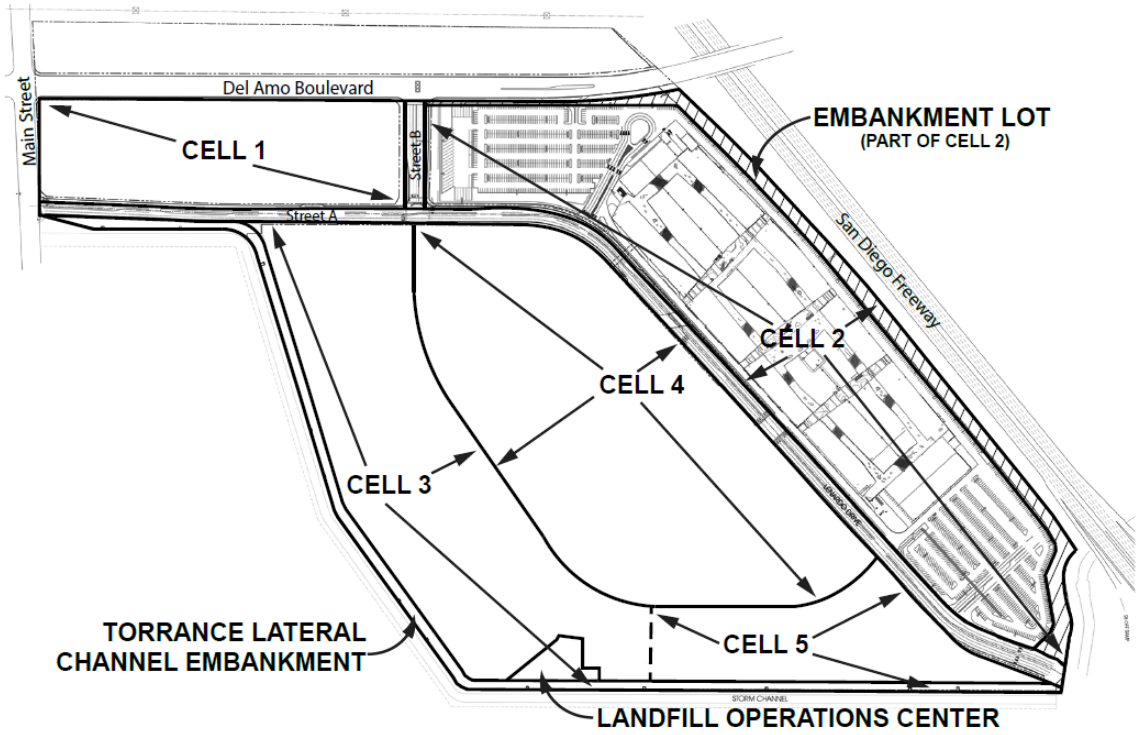
(a) Property Damage. The Builder's Risk program will be primary with respect to all property damage at, on or under the Project during the term thereof, followed by the GL Wrap (excess and difference in conditions/difference in limits) and then the CPL/PLI program (excess and difference in conditions/difference in limits); provided, however, that the PLL program will be primary over the CPL/PLI for any of Developer's and CRA's property damage losses that may be covered thereunder.

(b) Bodily Injury. The GL Wrap will be primary with respect to all bodily injury losses at, on or under the Project during the term thereof, including affirmative coverage for concussive risk, followed by the CPL/PLI program (excess and difference in conditions/ difference in limits); provided, however, that the PLL program will be primary over the CPL/PLI for any of Developer's and CRA's bodily injury losses that may be covered thereunder.

Macerich/Simon Agreements

On April 3, 2018, the CRA approved a Conveyancing Agreement (the "Agreement") with CAM-CARSON, LLC, a Delaware limited liability company ("Developer"), an affiliate of The Macerich Company of Santa Monica, California for the development of a high end fashion outlet mall. The Agreement was amended and reapproved on September 4, 2018. The City Council also approved a Development Agreement with the Developer and a Cooperation Agreement with CRA whereby CRA agreed to construct certain public infrastructure on behalf of City and City would agree to provide sales tax proceeds to CRA to enable CRA to meet its obligations to, among other things, undertake site preparation of Cell 2 and construct certain Offsite Improvements (as defined in the Agreement). The effectiveness of the Development Agreement, the Cooperation Agreement and the Conveyancing Agreement are contingent, one on the other and the priority of various agreements is further described in Section 16.3.2 of the Development Agreement. As required by the "Development Agreement Statute," Sections 65864 through 65869.5 of the Government Code as a condition to execution by City of the Development Agreement, the Conveyancing Agreement provides Developer with a legal or equitable interest in the Developer Property.

Under the terms of the Conveyancing Agreement, the CRA will convey to Developer approximately 41 net acres of the Surface Lot of Cell 2 and certain easement areas ("Cell 2 Surface Lot"), and will retain approximately 5.3 acres lying along the I-405 Freeway and between the freeway and the Cell 2 Surface Lot ("Embankment Lot"). The CRA will also convey certain easement rights to Developer for purposes of construction, operation and use of the Project and Project signage, including an easement in the Embankment Lot for the Developer Pylon Sign described below. The property and easement rights to be conveyed by the CRA to Developer are referred to as the "Developer Property."



Project Description

The Developer has proposed a high-quality, state of the art, fashion outlet retail center of not less than 450,000 GBA square feet (for Phase I only) and up to 711,500 GBA square feet (taking into account Phase I and Phase II, which may be developed separately or concurrently), which may include, at the sole discretion of Developer, sit-down restaurant space of up to 15,000 GBA square feet, a VIP lounge, and the various take-out and on-site food and alcohol service uses permitted by right or with an administrative use permit or conditional use permit (in each case upon the approval by City of such permit) in the Specific Plan, and related signage on the Developer Property.

While individual stores will have varying high quality architectural frontages facing inward, the exterior, particularly facing the Freeway, will have superior architectural design and signage suitable for a high fashion outlet center, and which will make the Project stand out from other I-405 Freeway projects.

Macerich Qualifications

Macerich currently owns and manages 55 million square feet of regional shopping centers and is one of the largest owners and operators of shopping centers in the United States. They have demonstrated skill and expertise in retail and mixed use real estate development and the ability to attract first class commercial tenants. Headquartered in Santa Monica, the Developer also has substantial local Southern California experience, owning and managing Santa Monica Place, Lakewood Center, Los Cerritos Center and Stonewood Mall.

The company has developed a Fashion Outlet in the Chicago area and is developing a similar property in Downtown Philadelphia.

Fashion Outlets of Chicago is an enclosed outlet mall located one-half mile west of O'Hare International Airport, in Rosemont, Illinois. It opened on August 1, 2013. The outlet mall contains about 150 stores including Armani, Bloomingdale's Outlet, Neiman Marcus Last Call, Saks Fifth Avenue Off Fifth Outlet as well as well-known fashion brands such as Tory Burch, Prada, Barneys New York, Burberry, Elie Tahari, Longchamp, and Herve Leger.

In March 2015, Fashion Outlets of Chicago was selected as the 2014 Best Factory Outlet Center in the world at the MAPIC Awards. Created in 1996, the MAPIC Awards reward excellence, innovation and creativity in the retail real estate industry. It is an organization of the most influential industry professionals in the world. The mall was also the recipient of the International Council of Shopping Centers' 2014 U.S. Design and Development Gold.

CEQA Review/Supplemental EIR

The original Carson Marketplace Specific Plan was subject to extensive environmental review with a Final EIR certified by the City Council on February 8, 2006, and was thereafter subject to legal challenge in Carson Coalition for Healthy Families v. City of Carson/Carson RDA, LASC Case No. BS102076, which case the City and former RDA prevailed on both in the trial court and the Court of Appeal (Appellate Case No. B194923). An addendum to the Final EIR was approved by City in 2009. The City Council previously prepared and certified a SEIR for the District at South Bay Specific Plan.

On April 3, 2018 (1) the City Council held a public hearing on CRA's application for amendment of the Boulevards Specific Plan and Developer's application for a Development Agreement and certified the Supplemental Environmental Impact Report for The District at South Bay Specific Plan, State Clearinghouse No. 2005051059 (the "SEIR"). The SEIR identified that implementation of the proposed modified Project would require certain approvals, including approval of the Cooperation Agreement and the Conveyancing Agreement by the CRA as a responsible agency under the California Environmental Quality Act (CEQA). The Cooperation Agreement and Conveyancing Agreement were expressly included within the scope of the project, and were environmentally assessed in the SEIR. Neither the Cooperation Agreement nor the Conveyancing Agreement changes the environmental assessment of the SEIR.

Community Benefits Public Hearing

As part of the Public Hearing on the Project, the City Council was required to make findings related to its Community Benefit. These included these significant regional and community public benefits:

- Increased Tax Revenues. Due to the strategic location between Orange County, Long Beach, and Los Angeles, there is great potential for increased revenue through proper site development. The Project is estimated to produce over $3,000,000 in annual sales taxes. The development of the entire Site as planned could result in an aggregate increase in real property taxes, sales taxes, transient occupancy taxes, and other revenues to City exceeding $5,000,000 to $7,000,000 per year.

- Overcoming Constraint of Site Conditions. The Site is the only major undeveloped property exceeding 100 acres along the entire I-405 Freeway due to its extraordinary remediation costs and geotechnical costs, estimated to exceed $150,000,000. Many development projects have been proposed for this site over the past four decades, but none have been financially feasible because of the environmental and geotechnical/soils condition of the Site. Developer has agreed to advance approximately $60,000,000 towards the Site Cost, without which advance this development could not be realized.

- $10,000,000 Infrastructure Cost Advancement by Developer. Due to CRA's shortage of resources to complete all of its necessary Offsite Improvements work, Developer will advance $10,000,000 to the CRA for purpose constructing required public offsite infrastructure and other improvements.

- Community Focal Point. The unique development proposed promises to be a community and regional focus of economic and social activity helping to provide a new community center for Carson and giving it a regional presence competitive with other major regional centers in the highly competitive Los Angeles market area.

- Job Generation. The Project entails a land use and infrastructure plan that will support the creation of a major job center in City and significantly improve City's jobs to housing balance. The Project is proposed to provide substantial economic and employment opportunities for the community, with a goal of generating at least 1,600 new direct construction jobs, with another 1,000 indirect and induced, as well as 1,500 new permanent jobs.

- Insurance – Developer paying for 40% of all Pollution Liability Insurance Program premiums for the entire Site and a pro rata cost for Builder's Risk and General Liability Insurance (in total, valued at approximately $5,000,000). The Project contributes to a robust insurance program to provide coverage against environmental claims against the developers and property owners and contractors developing the Site, as well as business operations, general liability, personal injury, property damage and other claims. Total insurance coverage for all types is over One Billion Dollars ($1,000,000,000) of coverage.

- Carry Costs. As part of Developer's agreement with CRA to acquire the Developer Property, Developer will agree to reimburse CRA for its proportional share of the operation and maintenance costs of the Site during the development period.

- $4,000,000 Deposit for the Right to Negotiate. In June of 2017 Developer deposited with the City $4,000,000 for the right to negotiate. Two Million Dollars ($2,000,000) of that amount became nonrefundable immediately in June 2017 and will only be refundable in the event of CRA default. The amount of $1,300,000 is refundable upon timely grand opening of Phase I of the Project. Another $700,000 will be become refundable upon timely grand opening of Phase II of the Project.

- Reimbursement of City Costs and Expenses by Developer. To date the Developer has paid in excess of $1,000,000 towards the City's costs, including for all consultants and Attorney time.

- $11,000,000 Penalty if Developer Does Not Timely Develop Site. If due to Developer fault the Project is not completed as set forth in the Agreements, Developer shall pay the City $11,000,000 in liquidated damages. The City holds a Letter of Credit from Developer in that amount.

- Sheriff. Developer will provide substantial private security and will coordinate with the Los Angeles County Sheriff's Department to contribute towards sharing the costs of sheriff's staffing for the 157 Acre Site.

Reimbursement Agreement

Upon execution of the Reimbursement Agreement and ENA in July 2016, Developer deposited $1,000,000 for land use entitlement consultant costs. Since then the Developer has been paying its fair share for the CRA's out-of-pocket costs for preparing the Conveyancing Agreement, including attorneys' fees, economic consultants, and other costs, as well as the City's out-of-pocket costs for processing any Site Plan or development application, including the preparation and/or review of such plans, studies, permits, conditions, site plans, general plan or zoning entitlements, environmental documents, and agreements as may be required for the Project.

The Reimbursement Agreement also required the Developer to pay for 50% of the CRA's "holding costs" for Cell 2 (estimated at 27% of the whole 157 Acres) until the execution of the Development Agreement, at which point the percentage increases to 100% of Cell 2 costs. These amounts are subject to review of the CRA's actual operating costs. The holding cost has been defined to mean all costs incurred by the environmental contractor for project management, construction management, storm water management, site security, vector control, weed abatement, perimeter gas monitoring, the operation of the landfill gas system and other such direct costs to the extent shown as line items on an agreed budget.

Conveyancing Agreement

The Conveyancing Agreement is the agreement by which the CRA transfers title to the Project to the Developer, and contains nearly all of the business terms, including the cost share for the remedial systems, piles, vertical improvements, and site work. For example, while the CRA is

responsible for construction, operation and maintenance of the Remedial Systems and BPS, the Developer is responsible for the construction, operation and maintenance of the vertical components of the Project. In addition to the Remedial Systems and vertical components, there are additional components that must be built, including the piles, pile caps and structural slab systems that contact the site's soils and are necessary to support the Project.

Allocation of Responsibility and Costs

1. The CRA shall perform site grading up to subgrade elevation for building slabs, parking lots, roads, lighting, signs, etc., including the import and export of any soils as needed and any consolidating contaminated fill materials and Surface Grading of the Cell 2 Surface Lot so as to accommodate the necessary soil barrier between the proposed foundation system and the trash that is to remain in place (the "Site Preparation Work"), which shall be consistent with the requirements of the Remainder Site pursuant to a Site-Wide Grading Plan for the entire Site, though work will only be performed on Cell 2.

2. Certain Offsite Improvements, including Del Amo Boulevard frontage, a section of Stamps Road, and Lenardo Road be made as a condition to development of the Site. The CRA will construct these at its cost subject to receiving funds from Developer in the amount of $10,000,000 pursuant to Section 6.2 of this Agreement, as a loan for such improvements which shall be repaid from Sales Tax pursuant to the Cooperation Agreement between City and CRA. Infrastructure includes all utilities, storm drains, curb, gutter, base course and final paving for public streets, sidewalks, street landscaping, signage and street lighting.

3. The CRA shall engineer, design, obtain required approvals of and install and maintain all Storm Water Pollution Control Measures required under the applicable Urban Storm Water Mitigation Plan and other applicable regulations (the "Stormwater Work"). A plan was approved in 2008 -2009 and infrastructure has already been installed.

4. The CRA shall install foundation piles for buildings and other structures, pile caps, grade beams, utility shelves, pits, vaults, retaining walls, the vapor barrier system, under-slab utilities, (the "Sub-Foundation Systems") except for those, if any, to be installed by Developer; "Sub-Foundation Systems" include the piles, the pile caps, landfill cap membrane tie-in (pile boots), pile systems for other site improvements such as fire hydrants and parking lot lighting. The CRA shall also construct the Structural Slab at Developer's expense.

5. Developer shall undertake and pay for all vertical construction of the Project from top of Structural Slab and shall own and maintain the slab. On-Cell paving, parking lot improvements, landscaping, lighting and signage will be undertaken by Developer. The CRA will deliver the Site with sufficient clean soil depth above the Landfill Cap so the Developer can construct surface parking lots and drive aisles and install signage, lighting and landscaping without impacting the regulated subsurface layer.

6. The CRA shall furnish and install all wet and dry utility stubs from the city street to the edge of Cell 2 Site; and construct underground utility runs within the Cell 2 Subsurface Lot from CRA-built utility lines at the property line to locations at Developer's utility shelf, as specified by Developer. Infrastructure and Utilities on the Site are the Developer's responsibility.

7. The CRA shall process all approvals required by DTSC, including the Roadmap to Occupancy and Management Approach to Phased Occupancy (and other DTSC documents related to phased occupancy of the Site) and other DTSC regulatory approvals necessary to complete the subsurface work and the construction of the Remedial Systems. The CRA will also develop and implement a site-wide Institutional Control Program, CC&Rs, and an Environmental Covenant recorded on the Site.

8. The CRA shall oversee the master civil engineering of the Site, including the revisions to Parcel Map No. 70372 to: (i) separate Cells 1 and 2 (they are currently combined as Parcel 1 on the map); (ii) separate the Embankment Lot from the Cell 2 Surface Lot; and, (iii) prior to closing, fix the property line between the Surface Lot and the Subsurface Lot line at the bottom of the structural slab above the BPS under the buildings, and at a distance of no less than one foot (1') above the landfill liner in non-building areas.

9. The CRA shall retain ownership of the Embankment Lot and shall grant easements to Developer and Remainder Developers to access, erect, maintain, power, repair and replace freeway pylon signs and additional freeway monument signs located on the 2,200-foot-long Embankment, pursuant to the Master Sign Program, the cost of which shall be borne by Developer and Remainder Developers and which will control the design and location of all 157 Acre Site signage, which must be consistent with the Specific Plan. The CRA shall also install and maintain the Embankment landscaping and irrigation; the maintenance cost will be assessed as part of CFD 1, described below.

10. The CRA has already undertaken the revision of the Specific Plan and EIR to reflect changes in existing conditions and changes to the Plan due to the Project. Developer participated in the cost of the EIR pursuant to the Reimbursement Agreement.

11. The CRA shall maintain responsibility for the implementation of the EIR mitigation monitoring and reporting measures, including BPS. These include actions that must be taken to offset impacts from the planned remediation and development Project, as specified in the Final Environmental Impact Report. Developer will be responsible for any "normal course" EIR mitigation requirements, e.g. such as construction-related noise, dust, OSHA, etc. and mitigation measures required in the EIR.

12. The CRA shall install Remedial Systems (the "Remedial Systems") to be owned, constructed, operated and maintained by the CRA including the Groundwater Extraction and Treatment System, the Landfill Gas Collection and Control System, and Landfill Liner and Cap. Capital expense for the Remedial Systems and BPS (up to the cap), shall be funded from the Cell 2 portion of the CRA's funds described in the CRA Funding Plan.

Maintenance expense will be paid through CFD 1. The Agreement clearly states that the Developer shall not make advances for, nor shall any Developer advances be used for, the Remedial Systems or any other work or improvements to remediate the contamination of any portion of the Site.

13. The CRA shall construct the BPS, which includes below-ground and above-ground improvements, such as venting systems and gas monitoring systems up to a cap of $9.00 per square foot of foundation slab, with the Developer responsible for the remaining cost of the BPS, subject to negotiation with CRA. The Parties shall cooperate to minimize the cost of the BPS in a manner acceptable to DTSC and LA County. The BPS is described as follows:

    a. There are two types of slab areas: (1) open slab with no building footprint above, like walkways or plazas; and (2) building slab directly under building envelopes that require a codified methane mitigation system.

    b. The purpose of a BPS building system over, or in the vicinity of, a landfill is to prevent Landfill Gas (LFG) from entering the above and below-grade building structures, where it can accumulate posing health risk concerns as well as explosive concerns when the methane concentrations reach or exceed five percent by volume in the atmosphere. DTSC approved BPS components for a slab-on-grade development at the former Cal Compact landfill consist of the following:

        i. A below-slab passive venting system consisting of a network of perforated pipes embedded in a permeable 9”-12” thick layer of 1”-minus rock/crushed concrete layer under the entirety of each building slab that vent to the structure roof line. The passive venting system has been designed to be connected to the centralized methane monitoring system and accommodate an emergency blower to create an active venting system in the event of methane detections above a design threshold.

        ii. A secondary geomembrane (HDPE) system that would be mechanically attached to and seal the bottom of each building slab.

        iii. Continuous gas detectors in each of the vent risers programmed to alert appropriate personnel at different methane concentrations.

    c. Staff and project consultants agree on the installation details for slab-on-grade construction but have several recommendations to improve the design. However, certain components of the BPS may not be required due to the Developer’s podium design, since the proposed design already separates the occupied buildings from the methane source by an open air parking structure. In effect, with exception for elevator shafts and other equipment penetrations of the final cover, all components of the development are separated from the landfill cover with a well-defined air break between the parking level concrete slab and the bottom slab of the occupied building structures.

d. However, some level of BPS for the site exists due to prior regulatory approval of a full BPS. Therefore, the CRA has designed a slightly modified BPS somewhat less expensive to install; additionally, there will still need to be a BPS membrane installed in the approximately 35,800 square feet of proposed on-grade enclosed structures (waiting lounges, electrical rooms, utility rooms, etc.). The cost of the BPS for a slab without enclosed buildings above depends on several parameters, including complexity of the foundation and utility trenches/corridors.

Other Deposits and Economic Terms

The Developer deposited $4,000,000 with the CRA on June 28, 2017, for purposes of securing their performance. Thirty-three percent of the Deposit shall be refunded upon the grand opening of Phase I of the Project, and 17% of the deposit shall be refunded only upon the Grand Opening of Phase II. The other half of the Deposit is nonrefundable except in the case of an CRA Default giving the Developer the right to terminate this Agreement, and then only if Developer does terminate this Agreement.

Also, in the event of a failure to complete the project timely (subject to allowable delay such as force majeure), the Developer shall pay an additional $11,000,000 to the CRA as consideration for lost opportunity.

Developer will also indemnify the CRA against any loss of the CRA's $5.6 million CALReUSE grant to the extent such loss results from Developer's failure to diligently pursue the Project.

The CRA shall prepare a final total actual summary showing all costs incurred by Developer to develop the Project upon the conclusion of the construction and opening of the Project. A Feasibility Gap is the difference between the capitalized value of the net operating income of the Project capitalized at the Required Return, and a Project which would not achieve the Required Return (the "Acceptable Project Development Cost"). Based upon estimated Project revenues, an Acceptable Project Development Cost can be derived, and the Feasibility Gap is the difference between Acceptable Project Development Costs and Actual Project Development Cost. If the Actual Costs are higher than the Acceptable Costs, there is a Feasibility Gap which is to be offset with the Sales Tax Assistance.

However, if construction has not commenced on Phase II by the seventh anniversary of the Grand Opening of Phase I of the Project, then, from and after the date of such seventh anniversary, the foregoing payment rate of 50% of the sales taxes received by the City accruing from the Project shall be changed to 45% percent of the sales taxes received by the City accruing from the Project from and after such seventh anniversary. If by the tenth anniversary of the Grand Opening of Phase I of the Project Developer does commence construction on Phase II, then such payment rate shall be adjusted back to 50% of the sales taxes received by the City accruing from the Project from and after the Grand Opening of such Phase II.

The reimbursement term ("Reimbursement Term") commences on the date of Developer's first receipt of sales tax reimbursements from the Project and ends on the twenty-fifth anniversary of such date, subject, however, to certain adjustments contained in the Agreement. If the

payments are insufficient to fully repay the Total Recovery Amount, the portion of the balance unpaid at the expiration of the Reimbursement Term shall be forgiven by Developer.

The "Look Back" Provision

The payoff of the Total Recovery Amount through sales taxes projected is based on estimates, but the Project may exceed expectations if either (i) the overall cost of the Project is less than estimated, or (ii) sales taxes generated exceed projections and thus cause the Total Recovery Amount to be paid off prior to the Loan Term. The CRA doesn't want to provide financial assistance if such assistance is not required to produce the Required Return, or the Total Recovery Amount could be repaid in less than 25 years, as Developer would then receive a windfall. Therefore, the parties have negotiated a "look back" provision to determine if the Project is being over-subsidized and make adjustments for the future.

1. Aggregate Development Cost. Upon the conclusion of the construction and opening of Phase I of the Project, CRA shall provide a final accounting of the Site Development Advances. Such accounting shall be updated, if necessary, at the time of determination of the Feasibility Gap as described below. The actual development cost of the entire Project, including tenant improvements, shall be determined based on the costs reported by the Developer's parent, The Macerich Company, in its SEC filings, or, if not reported in such filings, then on another financial report that has been audited by a "Big Four" accounting firm. The actual development cost of the entire Project, plus the total amount of Offsite Advances and Site Development Advances, shall be the "Aggregate Development Cost."

2. Actual NOI. The actual Project real estate net operating income shall be determined for the full calendar year before the Calculation Date, excluding any Sales Tax Assistance Payments received by Developer and its affiliates (the "Actual NOI"). The Actual NOI shall be based on a financial report that has been audited by a "Big Four" accounting firm, unless there is a pending legal or regulatory challenge to such financial reporting, in which case the Actual NOI can be audited by a "Big Four" accounting firm retained by CRA. Additionally, if Developer has represented to any third Party in connection with an acquisition or loan transaction in the six months prior to the date of determination that the Actual NOI is higher than that contained in such financial report, then such higher Actual NOI shall be utilized.

3. Acceptable Development Cost. The "Acceptable Development Cost" shall be determined by dividing the Actual NOI by the return on cost that Developer needs to achieve in order to move forward with the Project (the "Required Return"), which is an amount equal to (i) 8%, increased at a rate of (ii) 4% per annum from the first anniversary of the Grand Opening of the Project to the date of determination.

4. Feasibility Gap. If the Aggregate Development Cost is greater than the Acceptable Development Cost, then the difference shall be the "Feasibility Gap". If there is a Feasibility Gap, CRA shall be required to reimburse on account of Developer Site Development Advances the lesser of (i) the aggregate amount of such advances, and (ii)

the Feasibility Gap. Sales Tax Assistance payments made prior to the date of such determination shall be credited to reimbursement of advances for the CRA Work in accordance with the Recovery Terms. If the Acceptable Development Cost is equal to or greater than the Aggregate Development Cost then CRA shall not be required to reimburse the Site Development Advances.

5. Sample Calculation. A "Sample Calculation of Total Recovery Amount Payments" illustrating the application of the foregoing is attached in the Exhibits.

6. Payments Pending Determination of Feasibility Gap. Until the Feasibility Gap has been determined, all payments on account of the Total Recovery Amount shall be made in accordance with Section 7.2, with Sales Tax Assistance Payments credited first towards the Offsite Advances.

The Cooperation Agreement

Because the Site, including the Cell 2 Subsurface Lot, is a contaminated and poorly-compacted landfill subject to the RAP, the Parties acknowledged that development of the Project on the Cell 2 Site would be financially infeasible unless the Cell 2 Site itself were very substantially remediated and improved to address both its environmental and compaction issues. Additionally, CRA has a responsibility under the RAP to remediate the Site and has certain funds to do so. CRA believes that the sales tax revenues to be generated by the Project, as well as the secondary benefits of economic development in this area of the City spurred by development of the Project, justify the expenditure of substantial funds to address those issues so as to permit such development.

CRA is the Seller of the Cell 2 Surface Lot to Developer and performs specified remediation of hazardous materials on site, develops certain offsite improvements pursuant to this Agreement and the Conveyancing Agreement, and installs various subsurface improvements in order to make the site developable, described in the Conveyancing Agreement as the Site Development Improvements. CRA retains ongoing responsibility for operation and maintenance of the Remedial Systems and BPS required by DTSC.

The division of responsibility on the Site is driven in part by the environmental liability, as well as developing a manageable and equitable business deal for both sides. The CRA will (i) construct the Remedial Systems and BPS in accordance with applicable governmental requirements, (ii) deliver foundation systems within the Subsurface Lot and a structural slab upon which Developer can construct, (iii) the Developer will not have to undertake construction or maintenance within the contaminated soils or groundwater of the Subsurface Lot, and (iv) these mechanisms in accordance with the insurance provided for in the Agreements will limit Developer's exposure to environmental liability in the undertaking of the Project.

The CRA is performing certain work and improvements (i) due to its obligations to DTSC to deal with the hazardous materials on the site; (ii) due to its obligations to Developer to prepare the Cell 2 Site so that it can be developed, and so that Developer does not work within the Cell 2

Subsurface Lot; and (iii) due to its obligations to City to construct certain public infrastructure as described below:

1. DTSC Remediation Systems and BPS Costs. The RAP requires that Remedial Systems be constructed and operated for many years to cap the landfill and remove landfill gas and groundwater contaminants. Pursuant to the Conveyancing Agreement, CRA is responsible for the full cost of constructing the Remedial Systems, and the cost of constructing the additional required Building Protection Systems (described and defined in the Conveyancing Agreement as the "BPS") up to a cap of $9 per square foot of foundation slab, with any additional costs of BPS subject to negotiation by the Parties. CRA's costs for constructing Remedial Systems and BPS shall be paid from CRA funds held for such purpose. The costs of operating, maintaining, repairing and replacing the Remedial Systems to be constructed and retained by CRA shall be paid through the CFD. CRA will retain ownership of and responsibility for construction, maintenance, repair and replacement of above-ground BPS improvements (e.g., venting systems and gas monitoring systems), but operating and maintenance expenses can be recovered through the CFD described in the Development Agreement.

2. Site Development Improvements. The CRA shall perform work necessary to prepare the site for development, given its current poor state of compaction and environmental contamination. This work includes (i) the Stormwater Work, (ii) the Sub-Foundation Systems, (iii) the Utility Work upon Cell 2, and (iv) the Foundation Systems, all as further described in the Conveyancing Agreement (the "Site Development Improvements"). The Site Development Improvements are being constructed and maintained by CRA, but all Site Development Costs, including for future maintenance and repair will be advanced or reimbursed by Developer (the "Site Development Advances") in accordance with the Conveyancing Agreement, subject to reimbursement through the Sales Tax Financing Assistance pursuant to the Conveyancing Agreement.

3. Construction of Public Infrastructure. City has the responsibility to provide public infrastructure and services on, over and in the Site, including streets, sidewalks, parkways, sewer, water, drainage, lighting, and other utilities, and must assure accessibility to the Site. Under this Agreement, the City contracts with CRA to construct such improvements to avoid any City liability for the remediation of the Site by working on the site. By this Agreement with the City, CRA will construct all such improvements outside Cell 2 and such other public offsite infrastructure, further described in the Conveyancing Agreement as the Offsite Improvements. The total estimated cost of such Offsite Improvements is approximately $23,350,000. CRA is paying for the construction of the remaining portion of the Offsite Improvements with its own funding, but the CRA's resources are insufficient to undertake all costs of the Offsite Improvements, so Developer is advancing up to $10,000,000 for this purpose. Additionally, except for Stamps Road south of Lenardo Drive, all roads and Offsite Improvements built by CRA on the Site and after formal acceptance by City will be maintained by the City as public streets and improvements. City agrees to accept such improvements if properly

constructed in accordance with all City standards and will (i) be responsible for all liability claims for public use not resulting from the contamination, and (ii) accept ownership of the improvements. City will maintain such roadway systems in a finished and attractive manner conducive to the success of the Project.

The CRA has contracted with third parties to construct the Remedial Systems and perform its related obligations, to operate remedial systems, to manage the construction process and remedial systems, and provide various related expert services (the "Horizontal Master Developer") for the entire Site. The CRA and Developer have worked together to coordinate and share information with respect to plans and specifications, bidding materials, insurance, phasing, scheduling and consultants and contractors for the foregoing. Until completion by the CRA of its work on the Cell 2 Subsurface Lot, the CRA retains site control over Cell 2 except for the equitable interest provided to the Developer (the Cell 2 Surface Lot) to allow for the effectiveness of the Development Agreement.

Working through its Horizontal Master Developer (described below), the CRA will undertake all of the work on the site that involves environmental liability. Some, such as installing the piles or the structural slab, will be paid for by the Developer. Work falls on a spectrum from clearly environmental (the remedial systems) to purely vertical (the vertical development and core and shell of the mall). Some work undertaken by the CRA will be at the Developer's cost.

In addition to maintaining its regulatory authority under State law, the City provides public infrastructure and services to the Site, including streets, sidewalks, parkways, sewer, water, drainage, lighting, and other utilities, and must assure accessibility to the Site ("Infrastructure Obligations"). The City will contract with the CRA to perform the City's Infrastructure Obligations to avoid any City liability for the remediation of the Site, which was a purpose for creating the CRA in 2015. The CRA shall be responsible for constructing the Offsite Improvements (defined below) to serve the Site. In addition, CRA shall be responsible for certain site preparation work that is being undertaken by the CRA as a result of the environmental and geotechnical condition of the Site, defined as "Site Development Improvements". However, the CRA does not have sufficient funds to pay for the Offsite Improvements and Site Development Improvements. Developer is willing to advance funds to CRA to fund the Offsite Improvements and Site Development Costs. If Developer were unable to recover such advances, such development of the Project would be financially infeasible. In order to make the development of the Project financially feasible, the Parties have negotiated an arrangement whereby the City will turn over to CRA 50% of sales taxes derived from the Project, and CRA will in turn pay over such amounts to Developer as recovery of its advances, for a period of up to twenty-five years, subject to certain limitations and exceptions, to the extent required to make the Project economically feasible.

The City will derive sales tax revenues from the development of the Project and agrees to pay CRA 1/2 of the sales tax revenue the City receives from operation of the completed Project on the Cell 2 Surface Lot, in exchange for CRA undertaking the Offsite Improvements and Site Development Improvements. Those sales tax proceeds shall be paid by City to CRA and CRA to

Developer to reimburse Developer for advances made by Developer to fund the cost of certain Offsite Improvements and Site Development Improvements.

The Validation Action

The Supplemental Consulting Agreement with Developer provides for consulting/legal services by Orrick, Herrington & Sutcliffe, LLP ("Orrick") on behalf of the City and CRA to file and process a Validation Action in order for the City and CRA to comply with its obligations under the Validation and Reimbursement Agreement II. Under the Validation and Reimbursement Agreement, the Parties have agreed to bring the Validation Action in the Superior Court of California pursuant to California Code of Civil Procedure 860 et seq. to validate the Revised Conveyance Transaction as provided in the Project Agreements. If the Validation Action results in final non-appealable judgment that the City's agreements contained in the Project Agreements to make the Sales Tax Assistance Payments to Authority for payment by Authority to Developer comply with applicable California law, then the Revised Conveyance Transaction shall be implemented. Otherwise, the Revised Sales Tax Transaction shall be implemented instead of the Revised Conveyance Transaction. From the City and Authority perspective, the Revised Conveyance Transaction is preferable for a number of reasons.

Under the Validation and Reimbursement Agreement, the Developer is obligated to pay for any and all costs of the City and Authority in connection with the Validation Action, including Orrick's legal fees, all City Attorney's fees, and all consultant or third party costs in preplanning, filing and obtaining judgment in the Validation Action. In addition, the Supplemental Consulting Agreement with Orrick provides for Developer's agreement to directly fund any and all of Orrick's legal fees and costs related to the Validation Action.

Project Delay and Simon Entry

After the April 3, 2018 approval of all the Project Agreements, the Specific Plan Amendment, and Certification of the SEIR, Developer and the CRA agreed that the agreements would be fully executed on or about May 18, which represented the 30th day after the second reading of the Development Agreement. A major point of negotiation during the drafting of the Agreements was the expectation of what was to occur in the event of a CEQA lawsuit: (1) obligations to defend, (2) rights to settle a lawsuit without the other party, and (3) new project changes required to satisfy a court. Given that over the first several months Developer could advance $40,000,000 to $50,000,000 to the project, plus be subject to additional deposits and penalties to the CRA contained in the contract, they wanted to be sure that there was no CEQA litigation filed during the statutory challenge period. There wasn't.

During the 30-day waiting period for the execution of the documents (other design and contract work was still being performed, though) Macerich's board directed the CEO to seek a major financial partner for the Project, to mitigate some of the increasing risk associated with the changing retail development environment. Shortly after May 18, Macerich notified the City that it intended to partner with Simon Property Group on the development of the Project and was working quickly to develop partnership documents for such a deal. Simon engaged in a very expedited due diligence process to get up to speed on the project.

As a measure of good faith, in late May Developer reimbursed the CRA its 40% share of the combined Pollution Legal Liability (PLL) and Contractor's Pollution Liability (CPL) policies, or nearly $3,000,000. This was to be paid at the time the Agreements were fully executed. The total premiums for the policies, bound in December and paid by the CRA in February, was nearly $7,400,000.

Simon is larger than Macerich and one of the largest mall developers in the USA. The concept is that they would be 50-50 partners with Macerich being the administrative partner in charge of day to day activities, but SI-Carson having the right to become the administrative partner in the future or take over from Macerich.

As of December 31, 2017, Simon owned or held an interest in 207 income-producing properties in the United States, which consisted of 107 malls, 68 Premium Outlets, 14 Mills, four lifestyle centers, and 14 other retail properties in 37 states and Puerto Rico. Internationally, they had ownership interests in nine Premium Outlets in Japan, four Premium Outlets in South Korea, two Premium Outlets in Canada, two Premium Outlets in Malaysia, and one Premium Outlet in Mexico. Simon also owns an interest in eight Designer Outlet properties in Europe, of which six properties are consolidated, and one Designer Outlet property in Canada.

In undertaking their due diligence, Simon requested (i) some changes to the transaction structure, (ii) that a validation action be undertaken, and (iii) that several documents which were going to be done at a later time be prepared now. The modifications to the transaction and preparation of the different documents meant that the City Parties would incur additional expenses, so the City requested that the Reimbursement Agreement which had previously expired, be renewed and extended to pay these additional expenses.

Accordingly, the actions brought before the City Parties at the July 3rd meeting included the following:

1. Consent to Transfer: Approves identity of new body to include SI-Carson Property Group or a subsidiary thereof as a 50-50 member of CAM-Carson, the Developer entity.

2. Agreement to Undertake Validation and Reimburse Expenses: Commits parties to undertake validation action of Project Agreements, provides language for a Ground Lease, or if the Validation Action fails, a Lease-Lease arrangement, provides that Developer will fund eligible expenses with an initial deposit of $100,000 which will be replenished as drawn upon.

3. Operational Agreement: Subject to administrative approval and provides that CRA will fulfill its DTSC obligations with respect to phased development of the 157 Acre Site.

4. Easement Agreement: Allows Developer to enter the Cell 2 Site and perform work if CRA defaults.

5. Deed of Trust: Secures Advances made by Developer to pay for work, with resale rights if CRA does not complete its work.

One of the biggest factors in Simon's due diligence was the renegotiation of the Snyder Langston contract into a "true" Guaranteed Maximum Price ("GMP") contract. Snyder Langston is the civil general contractor, hired by RES on behalf of the CRA to construct the public improvements, install the piles, and construct the structural slab for the FOLA project. The contract with RES was a Master Services Agreement ("MSA") with specific work orders for different aspects of the work, including a Work Order for piles and a separate Work Order for concrete work. The renegotiation concluded after the receipt of the final set of bids, for concrete work, in mid-August, and the award of the subcontract for such concrete work by Snyder Langston at the end of August.

Vertical and Horizontal Lot Lines and Easements

Due to the contaminated condition of the Site, the intent of Developer to acquire only non-contaminated property and the likelihood of settlement of the former landfill contents over time, it is intended by CRA and Developer that CRA retain the Subsurface Lot and the Embankment Lot. The vertical lot lines are being revised based on new grading plans and updated approval by DTSC of the location of the vertical lot separation. In the Agreement the CRA will convey the various components of the Developer Property pursuant to a metes and bounds description and the City will, upon due consideration of same, provide a certificate of compliance pursuant to the Subdivision Map Act as to each parcel so created.

Vertical Subdivision

In an effort to further mitigate environmental risks associated with future development of the Property, CM subdivided the Site into two separate vertical air space lots: a surface lot (the "Surface Lot") and a subsurface lot (the "Subsurface Lot"), which are referenced as Parcels 1 (Subsurface Lot) and 2 (Surface Lot) of Parcel Map No. 70372. The Subsurface Lot consists of the landfill refuse and contamination, in which the Remedial Systems have been and will be constructed including (i) all of the land within one (1) foot above the landfill cap in all areas outside of the building slabs, (ii) all of the land below the building slabs, and (iii) all improvements now or in the future located below such depth or below the building slabs, including the Remedial Systems. The other lot (the "Surface Lot") consists of all of the land and airspace above the Subsurface Lot. The goal of the vertical subdivision was to allow development activity on the Surface Lot to occur while remedial activities are undertaken (pursuant to DTSC approval, as explained above) on the Subsurface Lot.

Cell 2 Site is currently approximately 46 acres and is currently shown in Subdivision Map No. 70372 combined with Cell 1. The Surface Lot is currently shown on such subdivision map at an elevation two feet above the level of the proposed trash liner on the Cell 2 Site. CRA shall adjust the horizontal and vertical subdivision lines separating the Developer Property from horizontally and vertically adjoining lots so as to match the final design of the Project, at CRA's sole cost and as reasonably necessary to match the final Project design. Such adjustments shall (i) move the line separating Cells 1 and 2, (ii) adjust the vertical lot line between the Cell 2 Subsurface Lot and the Cell 2 Surface Lot to the bottom of the Project's foundation slab and as otherwise shown in the Exhibits to the Agreement. CRA shall retain all portions of the Cell 2 Site located below the

Cell 2 Surface Lot (the "Cell 2 Subsurface Lot") and the Embankment Lot subject to the easements below.

Horizontal Subdivision

Pursuant to the Conveyancing Agreement, CRA will separate the Embankment (defined in Section 8.7 of the Agreement) from the Cell 2 Surface Lot. CRA has agreed to convey to Developer only a portion of the Surface Lot of Cell 2, which is approximately 41 acres (the "Cell 2 Surface Lot"). Note that Parcel Map No. 70372 consolidated as many as ten parcels into the Surface and Subsurface Parcels and consolidated the Surface Parcels into two parcels. Cell 2 shares an assessor's parcel number ("APN") with Cell 1. Cells 3, 4 and 5 share another APN. The Cell 2 Property will contain its own APN for Macerich's development. CRA will further subdivide parcels within the Surface Lot, which parcels then will be developed or leased or sold pursuant to the approved Phased Development Plan. Ownership of the Subsurface Lot will remain with CRA.

Easements

The Cell 2 Surface Lot is being acquired by the Developer from the CRA subject to certain easements. The following easements (collectively, the "New Easements", the form and further substance of which shall be negotiated and finalized as a condition of Closing unless otherwise waived as a condition by both Parties:

1. Freeway Advertising Sign Easement. An easement to Developer to erect, access, maintain, power, repair, communicate with, replace and remove advertising signs on the areas shown as "Freeway Advertising Sign Easement Areas", with CRA retaining the right and obligation to maintain the parcel on which such advertising signs are located (other than the easement areas) in accordance with landscaping and maintenance standards to be negotiated between CRA and Developer as part of the easement.

2. Wayfinding Sign Rights. The right to include and maintain the Project's name and logo on wayfinding and directional signs at the Main Street 405 Freeway Ramp, Del Amo Boulevard and any other entrances to the 157 Acre Site, as well as within the 157 Acre Site, at the locations shown as "Wayfinding Sign Easement Areas". The design of such signs shall be typical for similar projects and shall provide for the overall 157 Acre Site project name and the names and logos of not more than five projects within the 157 Acre Site, which shall include the Project, with no other project's name or logo being larger or more prominent than those of the Project, and otherwise shall be subject to the prior approval of Developer.

3. Subjacent Support Easement. An easement over the Cell 2 Subsurface Lot to a level 500 feet below the upper surface thereof, and the Site Development Improvements therein, for support for the Project and the Cell 2 Surface Lot, which shall permit the Remediation Systems and any other uses not inconsistent with subjacent support of the Project.

4. Utility Easements. An easement for the delivery of water, gas, electricity, telephone, cable, fiber optic and other communications services and utilities, and the removal and drainage of sanitary waste and stormwater, over CRA's facilities for such utilities located in the Cell 2 Subsurface Lot and the other portions of the 157 Acre Site, to connections to such facilities in the public streets or other publicly-owned locations.

5. Subsidence Easements. An easement to permit encroachment of parking lot and similar improvements into the Cell 2 Subsurface Lot by virtue of compaction and subsidence of soils and other materials underlying the Cell 2 Surface Lot.

Development of the Other Cells

With the negotiations on Cell 2 underway with Macerich, to facilitate the development of the other four cells or the Site, the CRA issued a Request for Qualifications in June, 2016 to partner with a Proposer to develop the majority of the Site. The Proposer could have proposed to undertake all of the vertical development on the four cells, some of the cells, or only fulfill the "Horizontal Proposer" role by completing the remediation, installing the structural piles and building foundation system, and negotiating the development deals with the ultimate builders.

From the original RFQ process, the CRA selected and is now under contract with a Horizontal Master Developer, RE|Solutions, LLC (RES) of Denver, Colorado. RES solely proposed to be the "horizontal" or "environmental" master developer, rather than proposing any vertical development of their own. RES was initially engaged by the CRA on a consulting basis as the "environmental master developer" and now under a Development Management Agreement has undertaken the coordination of all of the aspects of the project – vertical design and construction, environmental design and construction, regulatory approvals, insurance and risk management, etc. into a single "horizontal brownfield development;" prepared the Specific Plan Amendment; and managed the EIR process. As the Master Horizontal Developer, RES assumes the CRA's responsibilities in installing the remedial systems, offsite improvements, developers' piles, BPS, and structural slabs.

During the review process, the CRA reviewed site plans and Proposers' pro formas to decide which developer(s) it chose to move forward in negotiation. Proposers needed to be able to describe their conceptual proposal and articulate how their development concept conforms (or doesn't) to the Specific Plan, demonstrate the market feasibility of the proposal, and describe their experience in developing such a project on other sites. Furthermore, since the Project Site is a former landfill, proposers needed to be able to demonstrate some familiarity with developing on contaminated land, particularly on landfills, or that they had a strong team of environmental advisors.

Upon the successful selection of a Master Developer, the CRA intended to work with the Master Developer to make any necessary revisions to the existing Specific Plan, Development Agreement, Owner Participation Agreement, Construction Management Agreement and/or other related documentation (the "Development Agreements"). The Development Agreements

would task the Master Developer to complete the horizontal development of the Site, including but not limited to assuming responsibility for ongoing carry costs, completion of outstanding remedial work and infrastructure installation as necessary to deliver parcels for vertical construction to individual users. The Master Developer was to: (i) work through the City to update the Specific Plan and other existing Development Agreements; (ii) execute to completion the remediation and horizontal site development (which are integrally related) – including the design, scope and implementation of the remaining remediation work, (ii) complete all off- and on-site improvements needed to provide site delivery to each user of parcels within the Site; and (iii) market, source and execute sales and/or ground lease transactions with buyers and tenants for the different surface parcels pursuant to the updated development plan. The Master Developer may be the vertical developer on any or all of Cells 1, 3, 4 or 5 as well.

The CRA was also interested in the Developer's understanding of the Carson retail, hospitality, and residential markets and approach to the project. In 2016, any proposed changes to the site plan from what was already approved would have significant ramifications, since that site plan formed the basis of the Specific Plan, Development Agreement, Fixed Price Contract with TT, Cost Cap Policy with AIG, the XL PLL policy, and the DTSC permit. If the Developer proposed other than what was already approved, they need to describe:

- How different from the approved site plan was the proposed project, i.e. was it substantially big box retail, did it contain a residential element, were there cells the Developer would propose to leave for a future development cycle?
- What type of retail would be most suitable for the remaining four cells?
- If the Developer proposed residential for any portion of the site, what was the proposed product type, e.g. apartments vs. for sale condominiums?
- Did the Developer propose any land use not considered in the approved site plan? (This could include any public space such as parks or sports facilities, or certain types of entertainment facilities, or office or non-retail commercial uses.) Did the Developer propose leaving approved land uses out of the plan? If so, why?
- If proposing a hotel, what market segment was the proposed hotel? What market would the Developer anticipate the hotel serving (e.g. business, retail shoppers, users of other entertainment uses in Carson, such as the StubHub Center or Porsche)?

On January 12, 2017, a City Council Subcommittee and staff conducted the final set of interviews for the recommended master developer(s) for the balance of the site. Two firms were selected for further negotiation – one for Cells 3, 4, and 5 for a commercial development (Vestar) and one firm for Cell 1 for residential development (Lincoln Property Company). The caveat with the residential developer (Lincoln) was that their proposal contained a significant feasibility gap from the beginning; the City and CRA reserved the right to reject the project if no means were determined to fill the gap.

Vestar

Vestar was selected at the commercial developer for Cells 3, 4 and 5. The design for the proposed Vestar development was very close to the approved Site Plan noted above, which

would have required the least amount of Specific Plan, regulatory, and insurance changes among all of the proposers. Over the next few months, their site plan was finalized, and the CRA and Vestar reviewed the cost assumptions and funding for the proposed development, including foundation and environmental systems. Their design, along with Lincoln Property's residential design for Cell 1, was included in the Project Description for the site-wide Supplemental EIR, which was required for the Macerich outlet mall project.

While Vestar was diligent in developing new iterations of their site plan in response to the CRA's feedback, spent hours working through their pro forma to get their project to a feasible state, and prepared all of the CAD-level site plans for the early SEIR work, they did not negotiate within the CRA's "term sheet" format, and never reached a negotiated ENA. Because they had concerns about the feasibility of their site plan, which would have led to not wanting to enter an ENA, they wanted to spend their time (and money) refining their plan rather than negotiating a possibly-pointless agreement. The also had concerns about the CRA's desire and ability to deliver them a site in a timely manner. As such, they did not make a deposit, which would have paid the CRA's expenses of negotiating the DDA and processing and approving the Entitlements, including the CEQA documents, with all unexpended funds to go to the City's Community Foundation.

Vestar instead offered a $250,000 escrow deposit to cover third party legal fees in the negotiation of the DDA, but not for any staff costs or even for the entitlement costs for the Specific Plan Amendment and EIR, since those costs were contained in their "conditions precedent to closing" described below. The estimated Carry Costs for 90 acres totaled about $200,000 per month, and the CRA expected that upon executing the ENA Vestar would pay their pro rata share each month. They instead offered $40,000 per month to also be deposited in an escrow payable upon delivery of the site by the CRA.

The deposits Vestar was or was not willing to pay during the negotiation were secondary to the essential financial feasibility of their project. They suspected that the CRA would not be able to provide enough subsidy to their project to make it feasible, and in the end they were correct.

Lincoln Property

Lincoln developed a site plan for Cell 1, approximately 15 acres. The CRA evaluated the Lincoln proposal for Cell 1 and its financial feasibility for several months. They proposed a multi-family project on that cell with 1,200 apartments in three buildings (83 units/acre). That density would have required a General Plan Amendment.

Lincoln was facing a number of constraints:

a. DTSC and LA County regulations require a separation of living space from the surface of the landfill, accomplished by building the units on a podium, with parking at grade, mainly to mitigate the presence of methane on the site. There can be no subterranean parking due to the prohibitive cost of relocating trash. To park the number of

residential units in the building (1,200), the developer proposed two levels of parking – one at grade and another above it. Structured parking adds cost to the project.

b. In addition, the Community Facilities District (CFD 2012-1) on the Site requires $1,000 per unit per year from residential uses. In Lincoln's case, the $1,200,000 for the CFD becomes a cost to the developer and "monetizes" at about $24,000,000 in reduced value to the project.
c. They proposed 3 buildings with 400 units each. The total slab of the whole project was about 650,000 square feet and required about 2,400 structural piles, at about $10,000 each. The required BPS – gravel, vent pipes, and membrane under the slab – would push the cost even more. The estimated "full" BPS was estimated at $12/s.f. While the buildings and the development of the units was proposed to be phased, DTSC will require all of the slabs and piles be installed in Phase 1 due to potential health risks of intra-cell phased development and residential occupants. In other words, Lincoln could not have residents living on the site (or even non-HAZWOPER-trained workers working) while they would still be penetrating the landfill with the installation of the piles. This front-loads $24,000,000-$30,000,000 in underground costs, while the units themselves would be built out over a 5-6 year period.
d. While Carson's rents on new, high quality rental housing are high enough to induce residential builders into the market, at over $2.25/s.f./mo., in this project factor (a), the structured parking and type of construction, leads to the conclusion that a developer would need nearly free land to make the project work; factor (b), the CFD, pushes the feasibility gap to about $24,000,000; and, factor (c), DTSC, requires the construction of the piles, BPS, etc. to be done all up front in the initial phase.

Based on the issues in both the Vestar and Lincoln projects, in October the CRA once again formally solicited proposals from other developers on the four cells. The RFQ was issued with advice to developers based on concerns about the feasibility of the residential product as well as single-story retail.

2017-2018 RFQ Process

In the second RFP process for the remaining four cells in 2017 seven proposals were received. One was rejected immediately as inappropriate for the site. The CRA selected five of the proposers to interview in December; two of the most complete proposals were assigned to the CRA's economic consultant to review. CRA staff interviewed the four "top" candidates in April and May. The Council Subcommittee created to interview developers made a preliminary selection in late May and gave the developer 60 days to finalize their plan and project pro forma. An ENA with one developer, Grapevine Development, LLC, was presented to the CRA Board at its November meeting. This ENA is solely for Cell 1, but the developer has an option and an opportunity to develop a plan for the remaining three cells during the ENA's initial period, 90 days.

Contracting

On July 26, 2017, the CRA entered into an Environmental Remediation and Development Management Agreement with RES to coordinate, oversee and implement the horizontal development at the project ("RES Agreement"). Part of RES' responsibility is to directly contract with professional services providers for the design components of the work and with the general contractors for installation of the remedial systems, the piles and other foundation elements of the project.

One of the most important tasks of the CRA is to maintain the project and development schedule that was included in the July 2016 ENA with Developer and to incorporate schedule and task elements from the other developers on the site. While the vertical developers have the resources to implement the schedule from the shopping center design and construction end, the CRA bears most of the responsibility for environmental compliance. These responsibilities include the submittal and follow up of all of the regulatory approvals through DTSC, which is necessary for the ultimate receipt of the Health Risk Evaluation ("HRE") by Developer for Cell 2. The cell-specific HRE is the last step required before Developer can begin to construct its vertical improvements on the site.

RE|Solutions, LLC

In RES' proposal dated August 25, 2016, submitted in response to the CRA's July 2016 Request for Qualifications for a Master Developer (the "SOQ"), RES proposed to serve as the CRA's Environmental Risk Manager for the development of the Site. RES proposed to assist the CRA and other developers by undertaking the installation of remedial and geotechnical systems, e.g. landfill cap, structural piles, etc. (collectively, the "Remedial Work") to prepare the property for vertical development. RES jointly proposed with TRC Solutions, Inc., ("TRC") a national engineering, consulting and construction management firm providing integrated services to the power, oil and gas, environmental and infrastructure markets. TRC serves a broad range of clients in government and industry, implementing complex projects from initial concept to operations.

RES currently perform a number of tasks on behalf of the CRA related to the regulatory approvals, project schedule, and environmental oversight. This original RES Agreement was to provide the CRA the type of services described above, as well as help finalize the DTSC approval of the TT termination, the AIG commutation, and assist with the negotiation with the other Master Developer proposers. The current RES Agreement is the Development Management Agreement, which is the Horizontal Master Developer contract (the "Contract") for "pre-development" activities and development activities, including site grading, installation of remedial systems, and installation of piles and other structural systems tied to the vertical development, as well as site infrastructure.

CCLF Predevelopment Services Contract

RES provided predevelopment services on the Site to undertake the contracting responsibility for all of the integration of the vertical and subsurface systems, complete Remedial Work, and procure the long-term O&M contractor. Under the Contract, the contractors that install piles

and deliver structural slabs to each vertical developer are now under contract with RES, not the CRA. The O&M contractor, under a new, rebid contract is also now under RES.

The integration of the vertical and subsurface systems encompasses the pile system, BPS, and the structural slab for each of the buildings. The Contract describes how the subcontracting process will be undertaken in order for the CRA to retain some control and approval of the contract form and the risk-reward arrangement between RES and the subcontractor.

RES has contracted with TRC Solutions, Inc., its co-proposer, as the Environmental Designer and General Contractor for purposes of bidding and selecting the contractors that will perform the installation, grading and horizontal development work.

Nature and Scope of Horizontal Master Developer Contract

In terms of the nature of the contract, RES assumed the environmental obligations of the CRA.

1. RES will be responsible for property management ("site control") until:

    a. The Remedial Systems are installed on all cells; and
    b. All Pads/Structural Slabs and BPS are installed in accordance with development plans provided by all Vertical Developers that have entered into DDAs with the CRA, or the contract is otherwise terminated.
    c. The issue of any termination prior to the completion of the project mainly applies to Cell 1, for which there was not an identified developer at the time of the contract (it was assumed Vestar would be the Cell 3, 4 and 5 developer). The Agreement provides a "baseline remedy" option for Cell 1 if its development extends beyond a date certain. The Agreement includes a form of right of first offer for Cell 1 in favor of RES if the CRA fails to line up a vertical developer.

2. Contracting – In seeking general contractors, there can be appropriate weight included in favor of contractors who have significant institutional knowledge of the Project. The single design contractor, TRC, will be responsible for coordinating and overseeing all aspects of remedial design for RES and will work with RES on refining and developing real time budgets and cost estimates for the remedial construction work to be conducted.

    a. The CEQA and EIR contracts remained with City of Carson as the Lead Agency. RES assumed some responsibility for the implementation of those contracts.
    b. RES rebid two work scopes under the SCS contract for prevailing wage issues, and then rebid the entire O&M contract. The rebidding effort reduced the ongoing O&M costs. There are some financial incentives in the Contract for RES to achieve those savings.
    c. Preparing amendments to the Specific Plan and General Plan as needed;
    d. Preparation of plans and specifications for all site improvements, including:
        i. All On- and Off-Property and On-Site (cell-specific) Utilities and Infrastructure;
        ii. Foundation Systems;

iii. Building Protections Systems (BPS); and
iv. Structural Slabs

e. Performing over-lot grading of the entire Site;
f. Construction and installation of the BPS, all Foundation Systems, Structural Slabs, Utilities and Infrastructure; and
g. Final design and installation of Remedial Systems.

3. RES will perform the following project management services:

a. Manage the overall Project, including schedule, budget and any reporting required under its contract;
b. Issue RFQs or RFBs with bid specifications as necessary to select and contract for the services;
c. Manage/oversee the performance of work being conducted by all contractors currently retained by the CRA
d. Manage the regulatory communications and approvals with DTSC, including any necessary plans, agreements, etc. to allow construction of Remedial Systems and certification of the remedies; and, RES will be responsible for management and coordination of the Enterprise Fund draws and cash-flow projections;
e. Coordinate with the various Vertical Developers selected by the CRA to ensure effective implementation of Site-wide Project requirements, such as CEQA, master grading plan, master planning for infrastructure improvements, stormwater management, Utilities, etc.;
f. Create and implement a community outreach program for the remediation and site improvement work.

4. The contract will be deemed complete when:

a. The remediation work is certified by DTSC; and

b. Pads/structural slabs are delivered to all Vertical Developers

5. RES will have the right to terminate if there is no development on any of the three Sites. In the case of termination:

a. RES would remain on the programmatic insurance policies; and

b. RES would be paid a completion fee of ½ of any unpaid liability assumption fee

Civil General Contractor – Snyder Langston

On August 23, 2017, RES sent Request for Qualification for Civil General Contractor ("RFQ") to perform work related to infrastructure improvements and foundation systems at the Site. Snyder Langston, the parent of SL Carson Builders, LLC, was selected by RES in September, 2017 as part of that RFQ process. RES determined, and staff agreed, that a formal cost-based bidding process would not provide a competitive advantage in this situation for various reasons

including the fact that formal bidding requires a detailed scope of work which would take several months to develop and result in significant delays (and costs) to the other moving components of the overall project, and also because the complex pollution liability insurance programs (CPL/PLI and PLL), which had to be bound before the end of 2017, required submittal of prospective contractor credentials in order to provide liability coverage.

The terms of the RES Agreement requires that the CRA, through CRA granted to its Executive Director, approve as to form any contract RES enters into for this Site and is a third-party beneficiary to those contracts.

RES is described as the "Owner" in the contract document, but the contract acknowledges it is not the fee owner of the real property upon which the Project and Work is to be performed, and that Owner is undertaking the Project as the environmental remediation and development manager engaged by the Carson Reclamation Authority (the "CRA") in accordance with the RES Agreement.

All contracts entered into by RES under the RES Agreement contain similar provisions. The Work performed under this contract will be subject to the terms and conditions of the RES Agreement with respect to permissible charges on account of the Work, limitations on markups, indemnification and insurance obligations, compliance with prevailing wage laws, coordination with separate contractors and activities on the Project site, review and approval of Work and access to Project records by CRA and its representatives, contract assignment rights and CRA's express status as a third-party beneficiary to all agreements entered into by RES in relation to the Project site.

The cost of the contract will be established through a Work Order process, since the nature of the Work will vary across the site, from constructing standard public infrastructure, to final grading of the site and installing the structural piles and slab for the buildings.

Some of the work, such as the street construction and utility installation, are CRA obligations and will be paid by the CRA from its own funds. Other work, such as the installation of piles and slab, will be paid by the CRA but then reimbursed by Developer for their share of the costs.

The Contractor will not self-perform any work, but will recruit, hire and manage subcontracts for nearly every aspect of the job. Part of the role of RES is to manage the Contractor's work, but also to ensure the coordination and cooperation between the Contractor and the Environmental General Contractor, TRC Solutions, and ultimately help coordinate the Contractor's work with Developer's (and others') vertical contractors that will construct the buildings and other improvements. As a result, a significant portion of the contract deals with how the Contractor gets paid by RES, how it pays its subcontractors, and how liens are released.

An Indemnity and Insurance Addendum ("Insurance Addendum") and Owner Controlled Insurance Program Insurance Manual ("OCIP Manual") are incorporated as part of the Master Agreement. The Contractor shall purchase from and maintain the insurance required in the Insurance Addendum and OCIP Manual. The Contractor also gets the benefit of the extensive Contractors Pollution Liability/Professional Liability Insurance policies ($50,000,000/

$25,000,000) and the General Liability and Builders Risk wrap program in the event of an incident on the site.

The contract with Snyder Langston is very significant in terms of its size and scope of work, so Staff believed it was prudent to present it to the Board for review and consent to the Executive Director's approval as to form of that contract. The scope includes construction of site work, infrastructure improvements and foundation systems for the project for the Developer project on Cell 2 and for similar work to be performed at a subsequent time on the other cells when other future development projects are approved by the Board.

Environmental General Contractor-TRC Solutions

In 2017, TRC ENVIRONMENTAL CORPORATION, a Connecticut corporation ("TRC") and RES entered into a Master Services Agreement ("MSA") which anticipated the issuance of various written work orders ("Work Authorizations") under which TRC will provide RES with various services. The scope of the Services, including the location of the Services will be detailed in one or more Work Authorizations, upon execution by TRC and RES (with the CRA Consent) are incorporated in and become a part of the MSA. The Services and schedule set forth in each Work Authorization are based upon site conditions known by TRC at the time of contract and information regarding the Site provided by RES and contained in the public domain.

General TRC Scope of Work

I. Provide Input to Project Schedule and Budget
II. Meetings and communications with DTSC, RES and CRA as necessary to coordinate the work
III. Finalize Remedial Design
    a. Review and update basis of design using current conceptual development plan
    b. Modify basis of design as needed to reflect Phased Development Plan and creation of "development layer" as part of lot conveyed to vertical developers
    c. Modify basis of design for building protection systems, based on concept of "BPS" light as applicable
    d. Coordinate cap design and foundation layer grading plan with final overall site grading plan developed by Michael Baker, International
    e. Finalize design for landfill cap, remaining gas collection and control system and BPS
    f. Complete design of control and monitoring system communications from buildings, wells, and probes to Operations Control Center
    g. Prepare remedial implementation design plan (RDIP)
IV. Prepare Construction Drawings for:
    a. Preparation grading for cap installation
    b. Landfill cap
    c. Additional GCCS system
    d. BPS
V. Prepare Bid Documents and Solicit Construction Bids
VI. Select Subcontractors for Construction of all Remedial Systems
VII. Manage Remedial Construction

a. CQA
b. Certification
c. Reporting

Current Project Status

When describing the Current Project status, it is important to not ignore the extensive work completed by Tetra Tech under the EAAs and the AIG EPP. This section catalogues that work and then describes the more recent, development related work contracted for the CRA by RES.

Work Under the EAAs

The original grant funds were applied to a portion of the costs incurred under the RAP, including the Linear Low Density Polyethylene (LLDPE) liner. The LLDPE liner is the primary barrier between the landfill material and the surface development. All of the LLDPE liner has been purchased and stockpiled on the site, and approximately 40 acres of liner have been installed already on Cells 3 and 5, in conjunction with the installation and activation of a section of the Landfill Gas Collection system. Most of the overall costs expended through the EAA Trust Accounts had a general benefit to the overall site and could be allocated to individual landfill cells on a pro rata basis.

The amount of $20,445,344.33 was expended by CM on the remediation activities prior to the establishment of the Trust Account, since its establishment the Trust Account is the most reliable calculation of the funds spent on remediation, as it was solely for remediation and not for other activities, such as site maintenance, perimeter monitoring, vector control, or storm water management, which are a number of the items paid through change orders. Trust Account Draw Request 56 (TA 56) was the last draw requests by Tetra Tech prior to the closing of the Trust Account and the opening of the Enterprise Fund.

The total amount spent on the direct remediation costs at the 2007 cost basis from the Trust Account so far was $42,437,904.56. The EAA with Tetra Tech allowed them to increase costs from the 2007 costs in the amount of 5.9% annually; these increases are shown as “interest” costs listed separately. With interest, the total amount spent out of the trust account was over $49 million.

In terms of expenditures from the Trust Account, tasks with site-wide benefits include design of the landfill cap and DTSC approval; design of the landfill gas collection system and DTSC approval; and design of the BPS and DTSC approval. The construction of the landfill gas collection and treatment system included delivery of the flare; purchasing the pipe for the header; delivery of material and construction of the 405 Freeway monitoring platform and the Torrance Lateral monitoring platform; installing gas probes, vertical, and horizontal landfill gas extraction wells; installing the landfill gas system header; installing the landfill gas system laterals; and, constructing the Landfill Operations Center (LOC) which serves the entire site. The LOC project included the foundation permit, the building plans, completing the slab/foundation, building construction, and obtaining the Certificate of Occupancy and installing the Gas Treatment System. (The office portion of the LOC is being value engineered and will be

constructed in 2019.) Post construction activities included the Gas System Prove-out and Shakedown, the Gas System Startup, Construction Management, and DTSC Approval of the Landfill Gas Completion Report.

In addition, rough grading to building pad elevations was done, though it was for the prior site plan and design; the delivery of the LLDPE Geomembrane and delivery of LLDPE geomembrane for pile cap boots was completed, and the 405 Freeway slope was constructed as well as the prescriptive cover. The Trust Account costs also included project management, on-site administration, design team coordination, and security and site maintenance costs, which were allocated to all of the cells.

Cell 2 Development Activity

The shovel-in-ground activities for Cell 2 commenced in October, 2018. The final pieces of insurance (pursuant to the Insurance Administration Agreement) -- the Builders Risk and General Liability – were bound approximately September 18. Both sides are working on solutions to shorten the overall project schedule.

All construction contracts for the CRA work have now been executed, the general liability and builder's risk "wrap" programs have been bound, and the Notice to Proceed to both TRC and Snyder Langston have been issued. Additionally, the Notice to Proceed from CAM-Carson, LLC to the CRA was issued as of September 18, 2018.

The shovel-in-ground activities for Cell 2 are now underway. The first set of tasks, instrumental to the grading effort, is the relocation of the large soil stockpile into 3,000 ton piles to be available for testing. That work is being performed by TRC. TRC work includes rough grading of the entire site in preparation for the installation of the remaining landfill cover membrane, as well as the installation of the membrane and landfill gas collection system on Cell 2.

The concrete piles, of which there are about 2,300 for the FOLA project, have been ordered and the pre-cast pile fabricators are constructing forms for them now. The piles are a relatively long lead time item (8-10 weeks) and will begin to be delivered to the site in late November. Work will occur on the site prior to that to create an on-site route for pile delivery trucks to deliver their cargo and turn around and leave. Some piles will be nearly 100' long and will be delivered via flatbed trailers.

This work will be undertaken by the CRA's Horizontal Master Developer, RES, through subcontracts with TRC and Snyder Langston noted above. The TRC work includes the rough grading of the entire site in preparation for the installation of the remaining landfill cover membrane, as well as the installation of the membrane and landfill gas collection system on Cell 2. Pile installation for the Developer (Cell 2) project by Snyder Langston will commence after TRC's Cell 2 grading work is completed. The "capping" of piles and the installation of the liner is a highly complex coordination job involving both contractors.

The activity that occurred in the past few weeks was that the indicator pile program had just commenced. A total of 26 piles were be driven on the site and then evaluated by the geotechnical engineer and pile designer for any design changes, i.e. potentially shortening piles

in some areas, adjusting the concrete mix, etc. Piles will begin fabrication in early December for installation commencing late January. Snyder Langston is contracted for this work through RES; this portion of the work is ultimately reimbursed by Macerich (and their partners, Simon Property Group, on a 50-50 basis) through the agreements with the CRA. The Snyder Langston contract for this portion of the work, which includes all of the pile installation and the concrete slab, is about $52.5 million.

Design of the remedial systems for Block A (the Macerich project is segmented into four blocks: A, B, C, and D) will be submitted by TRC to DTSC for review and approval on November 29. Other blocks will be designed, submitted and approved over the next few months. The under-slab remedial system design requires precise coordination with the developer's slab architect and structural engineer, and changes in the surface of the slab affect the design of other subsurface elements, including the liner.

In terms of overall project schedule for Cell 2 and how the schedule will be managed going forward, both the CRA and Macerich have engaged Cambridge Construction Management ("Cambridge") as the schedule-keeper, and they track hundreds of individual line items in a robust scheduling program, P6. Since the schedule is included in all agreements with Macerich, there shouldn't be any changes to the critical path without both sides knowing and consenting to them.