PREDEVELOPMENT AGREEMENT BETWEEN THE COUNTY OF SAN BERNARDINO REDEVELOPMENT AGENCY AND CALIFORNIA STEEL INDUSTRIES, INC.

This Predevelopment Agreement is entered into between California Steel Industries, Inc., a Delaware Corporation ("CSI"), and County of San Bernardino Redevelopment Agency (the "Agency"). CSI and Agency are sometimes collectively referred to as the "Parties."

RECITALS

- A. CSI owns real property located in the County of San Bernardino, State of California, containing approximately 440 acres of land and improvements located at 14000 San Bernardino Avenue, in the unincorporated area of Fontana (the "Property"). The Property is located within the Speedway Redevelopment Project Area (the "Project Area"). The Property is depicted on the site plans set forth and incorporated as Exhibit A ("Site Plan").
- **B.** CSI desires to make certain improvements to the Property in order to remove blighted conditions that exist on the Property and as part of an overall expansion of its operations and business.
- CSI has identified 29.5 acres on the north side of the Property which can be redeveloped into an industrial park to house four business partners ("Industrial Park Area") shown on the Site Plan. The proposed redevelopment will consist of four new buildings of approximately 100,000 square feet each. The redevelopment activities will also include new rail lines, roads, and landscaping. Additionally, Phase II of the project will demolish approximately 1.2 million square feet of blighted building on the west portion of the property. The total cost of the proposed redevelopment is anticipated to be approximately twenty million dollars (\$20,000,000). It is estimated that the improvements will create eighty (80) to one hundred (100) new Full Time Equivalent (FTE) jobs and retain current FTE job positions of the current Property tenants.
- **D.** In connection with CSI's intended improvements to the Industrial Park Area, CSI has requested the Agency to assist CSI with reimbursement of monies to be expended for predevelopment activities of the Industrial Park Area that will consist of processing a Conditional Use Permit ("Predevelopment Activities"). Given the current economic situation, it would be impracticable for CSI to obtain financial assistance in the private market, especially for the predevelopment activities. If CSI could obtain the funds, the terms would not be economically feasible and the overall Project would be jeopardized.
- **E.** The Agency has determined that the potential redevelopment of the site will assist in the elimination of blight as well as be beneficial to the economic and business development of CSI. Additionally, the redevelopment activity will assist the Agency in meeting its goals for the Project Area. The Agency is authorized to pay for all or part of the cost of improvements that will alleviate one or more blighted conditions consistent with the Redevelopment and Implementation Plan for the Project Area pursuant to Community Redevelopment Law Section 33490.
- **F.** The Agency is willing and agrees to provide financial assistance to CSI for the Predevelopment Activities. The Agreement and the commitment of Agency funds are limited solely to the Predevelopment Activities and Agency has not committed any financing for the actual development of the Property. Any financial assistance for the actual development of the Property will be a separate project and will be evaluated independently in Agency's sole discretion based upon the planned development for the Industrial Park Area by CSI and/or its business partners.

AGREEMENT

- 1. Agency Assistance. In connection with CSI's proposed redevelopment of the Industrial Park Area, the Agency agrees to reimburse CSI for the Predevelopment Activities including architectural design services; County of San Bernardino Land Use Services Department planning services; environmental impact report consultant services; studies; legal services; and grading, utility, and landscape plans as set forth in more detail and incorporated as Exhibit B in an amount not to exceed Five Hundred Thousand Dollars (\$500,000) ("Predevelopment Costs") as long as CSI complies with the conditions stated in this Agreement. The cost estimates included in Exhibit B are approximate amounts and may vary. The total amount of reimbursement shall not exceed Five Hundred Thousand Dollars (\$500,000). For the purposes of the redevelopment of the Industrial Park Area, Predevelopment Activities shall be considered a separate project from the implementation of the first or second phase and Predevelopment Costs shall not include any costs or expenses related to construction or the actual implementation of any development or improvement of the Property.
- **2.** Term of Agreement. The rights and duties of the Agency and CSI established by this Agreement shall commence on the first date on which all of the following have occurred ("Effective Date"): (a) execution of this Agreement by the authorized representative(s) of CSI and delivery of such executed Agreement to the Agency and (b) approval of this Agreement by the Agency governing body. This Agreement shall continue in effect for the period of one year immediately following the Effective Date, which is the expected completion date of the Predevelopment Activities. If CSI suffers a delay or delays in the completion of the Predevelopment Activities, it shall be granted one automatic extension of one hundred eighty (180) days provided that CSI is making sufficient progress with the Predevelopment Activities in good faith. If the Predevelopment Activities remain incomplete at the end of such extension and CSI is unable to demonstrate to the satisfaction of the Agency that it will be able to complete the Predevelopment Activities within a reasonable period of time, the Agency has the right to terminate this Agreement. The Agreement may be extended upon the mutual written agreement of the Agency's Executive Director, or designee, and CSI. In addition, the Redevelopment Director is authorized to make non-material changes in this Agreement without further Board approval.
- 3. Compliance With All Laws Including Prevailing Wage Requirements. All work with respect to Predevelopment Activities being reimbursed by Agency shall be completed in accordance with all applicable federal, state and local regulations, including but not limited to, all zoning regulations, prevailing wage laws and the California Environmental Quality Act. CSI shall obtain all necessary permits and licenses and approval to perform the work funded in part or in whole with Agency funds.
- **4. Payments to CSI.** The total not-to-exceed amount of Five Hundred Thousand Dollars (\$500,000) shall be paid as follows:
- (a) The Agency shall make payments directly to County Planning for County Planning permit fees for its portion of the Predevelopment Costs not to exceed Sixty Thousand Dollars (\$60,000). County Planning shall request an interdepartmental transfer of such fees.
- (b) Monies not to exceed Four Hundred Forty Thousand Dollars (\$440,000) for the other Predevelopment Costs will be released to CSI within forty-five (45) days of CSI's submittal to the Agency of detailed invoices and supporting documentation demonstrating that it has properly expended these funds on the services and activities approved by the Agency. As part of the documentation required, CSI shall provide documentation of its actual costs incurred for the Predevelopment Costs. The Agency may at any time, request additional documentation to satisfy it that all requirements of this Agreement have been satisfied. If at any time the Agency reasonably determines the funds reimbursed

under this Agreement were spent on an impermissible or improper expenditure pursuant to the requirements of applicable law, CSI shall transmit immediately to the Agency reimbursement for such funds, or the Agency shall deduct the amount of ineligible costs from the final payment to CSI.

- 5. <u>Work Product.</u> CSI shall provide the Agency with copies of all documentation pertaining to the Predevelopment Activities, including copies of all reports, studies, and permits. Notwithstanding the foregoing, CSI shall not be obligated to provide copies of any work product prepared by CSI legal counsel in connection with the Predevelopment Activities.
- **6.** Right to Audit. The Agency shall have absolute right to review and audit all records, books, papers, documents, corporate minutes and other pertinent items as requested relating to this Agreement. CSI shall give full cooperation in any auditing or monitoring conducted. All CSI records relating to this Agreement shall be available for examination and audit by Agency representatives for a period of three years after final payment under this Agreement.

7. Restrictions Against Assignment of Agreement.

(a) The qualifications and identity of CSI and its principals are of particular concern to the Agency. It is because of these qualifications and identity that the Agency has entered into this Agreement with CSI. During the term of the Agreement, no voluntary or involuntary successor-ininterest of CSI shall acquire any rights or powers under this Agreement. CSI shall not assign all or any part of this Agreement or any rights in or under this Agreement, without the prior written approval of the Agency, which approval may be given or withheld in the Agency's sole discretion.

8. <u>Acknowledgements and Reservations.</u>

- (a) The Agency and CSI agree that, if this Agreement expires or is terminated for any reason neither the Agency nor CSI shall be under any further obligation to each other regarding the improvements and /or redevelopment of the Project on the Property.
- **(b)** CSI acknowledges and agrees that no provision of this Agreement shall be deemed to be an offer by the Agency or an acceptance by the Agency of any offer or proposal from CSI for the Agency to provide any further financial or other assistance to CSI for redevelopment of the Property.

9. Obligations of CSI.

- (a) During the term of this Agreement, CSI shall proceed diligently and in good faith to keep Agency staff advised on the progress of CSI in completing its Predevelopment Activities and obligations under this Agreement on a regular basis or as requested by Agency staff.
- **(b)** If during the term of this Agreement, CSI determines that the Industrial Park is not feasible, and is unwilling to proceed with the Predevelopment Activities, CSI shall immediately cease its activities under this agreement. CSI shall submit all invoices for services up to that time and shall be reimbursed for such Predevelopment Costs.
- (c) Notwithstanding the payment of funds for Predevelopment activities from the Agency to CSI under Section 4 above, CSI shall be under no obligation to proceed with the redevelopment of the Redevelopment Area if it is determined by CSI that such redevelopment is not in

economically desirable, is no longer consistent with CSI's long term plan for the Property or is not in the best interests of CSI and/or its business partners.

- 10. <u>CSI to Pay Other Costs and Expenses</u>. Except as identified in Section 1, any fees and expenses to perform CSI's obligations set forth herein shall be the sole responsibility of CSI.
- 11. <u>Nondiscrimination</u>. CSI shall not discriminate against nor segregate any person, or group of persons on account of race, color, creed, religion, sex, marital status, handicap, national origin or ancestry in undertaking its obligations under this Agreement.
- 12. <u>Insurance and Indemnification Requirements</u>. CSI shall comply with the following requirements. Additionally, CSI shall cause all contractors for the Predevelopment Activities to undertake the following contractual commitments and comply with the following requirements:

<u>Indemnification</u> – CSI and all contractors agree to indemnify, defend (with counsel reasonably approved by Agency) and hold harmless the County/Agency and its authorized officers, employees, agents and volunteers from any and all claims, actions, losses, damages, and/or liability arising out of the work undertaken in connection with the Predevelopment Activities, including the acts, errors or omissions of any person and for any costs or expenses incurred by the County/Agency on account of any claim except where such indemnification is prohibited by law. This indemnification provision shall apply regardless of the existence or degree of fault of indemnitees. CSI's and the Contractor's indemnification obligation applies to the County's/Agency's "active" as well as "passive" negligence but does not apply to the County's/Agency's "sole negligence" or "willful misconduct" within the meaning of Civil Code Section 2782.

Additional Insured – All policies, except for the Workers' Compensation, Errors and Omissions and Professional Liability policies, shall contain endorsements naming the County/Agency and its officers, employees, agents and volunteers as additional insureds with respect to liabilities arising out of the performance of services hereunder. The additional insured endorsements shall not limit the scope of coverage for the County/Agency to vicarious liability but shall allow coverage for the County/Agency to the full extent provided by the policy. Such additional insured coverage shall be at least as broad as Additional Insured (Form B) endorsement form ISO, CG 2010.11 85.

<u>Waiver of Subrogation Rights</u> – CSI and contractors shall require the carriers of required coverages to waive all rights of subrogation against the County, its officers, employees, agents, volunteers, contractors and subcontractors. All general or auto liability insurance coverage provided shall not prohibit CSI and contractors and CSI's and contractors' employees or agents from waiving the right of subrogation prior to a loss or claim. CSI and contractors hereby waive all rights of subrogation against the County/Agency.

<u>Policies Primary and Non-Contributory</u> – All policies required herein are to be primary and non-contributory with any insurance or self-insurance programs carried or administered by the County/Agency.

<u>Severability of Interests</u> – CSI and contractors agree to ensure that coverage provided to meet these requirements is applicable separately to each insured and there will be no cross liability exclusions that preclude coverage for suits between CSI/contractors and the

County/Agency or between the County/Agency and any other insured or additional insured under the policy.

<u>Proof of Coverage</u> – CSI and contractors shall furnish Certificates of Insurance to the County Agency/Department administering the contract evidencing the insurance coverage, including endorsements, as required, prior to the commencement of performance of services hereunder, which certificates shall provide that such insurance shall not be terminated or expire without thirty (30) days written notice to the Agency/Department, and CSI and contractors shall maintain such insurance from the time CSI and contractors commences performance of services hereunder until the completion of such services. Within fifteen (15) days of the commencement of this contract, CSI and contractors shall furnish a copy of the Declaration page for all applicable policies and will provide complete certified copies of the policies and endorsements immediately upon request.

<u>Acceptability of Insurance Carrier</u> – Unless otherwise approved by Risk Management, insurance shall be written by insurers authorized to do business in the State of California and with a minimum "Best" Insurance Guide rating of "A-VII."

<u>Deductibles and Self-Insured Retention</u> - Any and all deductibles or self-insured retentions in excess of \$10,000 shall be declared to and approved by Risk Management.

<u>Failure to Procure Coverage</u> – In the event that any policy of insurance required under this contract does not comply with the requirements, is not procured, or is canceled and not replaced, the County has the right but not the obligation or duty to cancel the contract or obtain insurance if it deems necessary and any premiums paid by the County/Agency will be promptly reimbursed by CSI/contractors or County/Agency payments to CSI/contractors will be reduced to pay for County/Agency purchased insurance.

Insurance Review – Insurance requirements are subject to periodic review by the County. The Director of Risk Management or designee is authorized, but not required, to reduce, waive or suspend any insurance requirements whenever Risk Management determines that any of the required insurance is not available, is unreasonably priced, or is not needed to protect the interests of the County/Agency. In addition, if the Department of Risk Management determines that heretofore unreasonably priced or unavailable types of insurance coverage or coverage limits become reasonably priced or available, the Director of Risk Management or designee is authorized, but not required, to change the above insurance requirements to require additional types of insurance coverage or higher coverage limits, provided that any such change is reasonable in light of past claims against the County/Agency, inflation, or any other item reasonably related to the County's/Agency's risk

Any change requiring additional types of insurance coverage or higher coverage limits must be made by amendment to this contract. CSI and contractors agree to execute any such amendment within thirty (30) days of receipt.

Any failure, actual or alleged, on the part of the County/Agency to monitor or enforce compliance with any of the insurance and indemnification requirements will not be deemed as a waiver of any rights on the part of the County/Agency.

CSI and contractors agree to provide insurance set forth in accordance with the requirements herein. If CSI and/or contractors uses existing coverage to comply with these requirements and that coverage does not meet the specified requirements, CSI and/or contractors agree to amend, supplement or endorse the existing coverage to do so. The type(s) of insurance required is determined by the scope of the contract services.

Without in anyway affecting the indemnity herein provided and in addition thereto, CSI and contractors shall secure and maintain throughout the contract term the following types of Insurance with limits as shown:

<u>Workers' Compensation/Employers Liability</u> – A program of Workers' Compensation insurance or a state-approved, self-insurance program in an amount and form to meet all applicable requirements of the Labor Code of the State of California, including Employer's Liability with \$250,000 limits covering all persons including volunteers providing services on behalf of the contractors and all risks to such persons under this contract.

If CSI and/or contractors have no employees, it may certify or warrant to the County/Agency that it does not currently have any employees or individuals who are defined as "employees" under the Labor Code and the requirement for Workers' Compensation coverage will be waived by the County's Director of Risk Management.

With respect to contractors that are non-profit corporations organized under California or Federal law, volunteers for such entities are required to be covered by Workers' Compensation insurance.

<u>Commercial/General Liability Insurance</u> – CSI and contractors shall carry General Liability Insurance covering all operations performed by or on behalf of CSI and the contractors providing coverage for bodily injury and property damage with a combined single limit of not less than one million dollars (\$1,000,000), per occurrence. The policy coverage shall include:

- (a) Premises operations and mobile equipment.
- (b) Products and completed operations.
- (c) Broad form property damage (including completed operations).
- (d) Explosion, collapse and underground hazards.
- (e) Personal injury
- (f) Contractual liability.
- (g) \$2,000,000 general aggregate limit.

<u>Automobile Liability Insurance</u> – Primary insurance coverage shall be written on ISO Business Auto coverage form for all owned, hired and non-owned automobiles or symbol 1 (any auto). The policy shall have a combined single limit of not less than one million dollars (\$1,000,000) for bodily injury and property damage, per occurrence.

If CSI and/or the contractors are transporting one or more non-employee passengers in performance of contract services, the automobile liability policy shall have a combined single limit of two million dollars (\$2,000,000) for bodily injury and property damage per occurrence.

If CSI or the contractors own no autos, a non-owned auto endorsement to the General Liability policy described above is acceptable.

<u>Umbrella Liability Insurance</u> – An umbrella (over primary) or excess policy may be used to comply with limits or other primary coverage requirements. When used, the umbrella policy shall apply to bodily injury/property damage, personal injury/advertising injury and shall include a "dropdown" provision providing primary coverage for any liability not covered by the primary policy. The coverage shall also apply to automobile liability.

13. <u>Default</u>.

- (a) Failure or delay by either party to perform any material term or provision of this Agreement shall constitute a default under this Agreement. If the party who is claimed to be in default by the other party commences to cure, correct or remedy the alleged default within fifteen (15) calendar days after receipt of written notice specifying such default and shall diligently complete such cure, correction or remedy, such party shall not be in default under this Agreement.
- **(b)** The party claiming that a default has occurred shall give written notice of default to the party claimed to be in default, specifying the alleged default. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default. However, the injured party shall have no right to exercise any remedy for a default under this Agreement, without first delivering written notice of the default.
- (c) Any failure or delay by a party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default or of any rights or remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the parties are cumulative and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by such party, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.
- (d) If a default of either party remains uncured for more than fifteen (15) calendar days following written notice of such default, a "breach" of this Agreement by the defaulting party shall be deemed to have occurred. In the event of a breach of this Agreement, the non-breaching party shall have all available legal or equitable remedies.
- **14.** Press Releases. CSI agrees to obtain the approval of Agency [Executive Director or designee] of any press releases CSI may propose relating to the redevelopment of the Property prior to publication.
- 15. <u>Notice</u>. All notices required under this Agreement shall be presented in person or by nationally recognized overnight delivery service. Notice by personal service or nationally recognized overnight delivery service shall be effective upon delivery. Either party may change its address for receipt of notices by notifying the other party in writing.

TO AGENCY:

County of San Bernardino Redevelopment Agency Attn: Kathy Thomas, Director 215 North D Street, Suite 202 San Bernardino, CA 92415-0121 TO CSI:

California Steel Industries, Inc. Attn: Brett Guge, Vice President 14000 San Bernardino Avenue P. O. Box 5080 Fontana, CA 92335

- **16.** Warranty Against Payment of Consideration for Agreement. CSI warrants that it has not paid or given, and will not pay or give, any third party any money or other consideration for obtaining this Agreement. Third parties, for the purposes of this Section 16, shall not include persons to whom fees are paid for professional services, if rendered by attorneys, financial consultants, accountants, engineers, architects, and the like when such fees are considered necessary by CSI.
- 17. <u>Acceptance of Agreement by CSI</u>. CSI shall acknowledge its acceptance of this Agreement by delivering to the Agency five (5) original executed copies of this Agreement signed by the authorized representative(s) of CSI.
- **18.** <u>Counterpart Originals.</u> This Agreement may be executed by the Agency and CSI in multiple counterparts, all of which together shall constitute a single agreement.
- 19. <u>No Third-Party Beneficiaries.</u> None of the terms or provisions of this Agreement are intended to benefit any person or entity other than the Agency or CSI. No Affiliate of CSI has any rights pursuant to this Agreement.
- **20.** Governing Law. The Agency and CSI agree that this Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of California, without application of conflicts of laws principles.
- **21.** Partial Invalidity. If any term or provision or portion thereof of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision or portion thereof to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.
- **22.** <u>Waivers.</u> No waiver of any breach of any covenant or provision contained in this Agreement shall be deemed a waiver of any preceding or succeeding breach such provision, or of any other covenant or provision contained in this Agreement. No extension of time for performance of any obligation or act or any waiver of any provision of this Agreement shall be enforceable against the Agency or CSI, unless made in writing and executed by both the Agency and CSI.
- **23.** Construction. Headings at the beginning of each section and sub-section of this Agreement are solely for the convenience of reference of the Agency and CSI and are not a part of this Agreement. Whenever required by the context of this Agreement, the singular shall include the plural and the masculine shall include the feminine and vice versa. This Agreement shall not be construed as if it had been prepared by one or the other of the Agency or CSI, but rather as if both the Agency and CSI prepared this Agreement. Unless otherwise indicated, all references to sections are to this Agreement. All exhibits referred to in this Agreement are attached to this Agreement and incorporated into this Agreement by reference. If the date on which the Agency or CSI is required to take any action pursuant to the terms of this Agreement is not a business day, the action shall be taken on the next succeeding business day.
- **24.** Electronic Funds. CSI shall accept all payments from the Agency via electronic funds transfer (EFT) directly deposited into CSI's designated checking or other bank account. CSI shall promptly comply with the directions and accurately complete forms provided by the Agency required to process EFT payments.

- **25.** <u>Legal Fees.</u> In the event of a dispute hereunder, each party shall bear its own attorney's fees and costs regardless of which party prevails in the outcome.
- **26.** Amendments. This Agreement, together with any exhibits or attachments, embodies the whole of the agreement of the parties. There are no oral agreements contained herein. Except as provided herein, any additions, deletions or modifications of this Agreement shall not be valid unless made in the form of a written amendment to this Agreement approved and executed by both parties.
- **27.** <u>Binding Effect</u>. This Agreement shall be binding on the parties, successors in interest, heirs and assigns.

IN WITNESS WHEREOF, the Agency and CSI have executed this Agreement on the dates indicated next to each of the signatures of their authorized representatives as appear below.

COUNTY OF SAN BERNARDINO	California Steel Industries, Inc. (CSI)		
	(Print or type name of corporation, company, contractor, etc.,		
>	By: <u></u>		
Gary C. Ovitt, Chairman, Board of Supervisors	(Authorized signature – sign in blue ink)		
Dated:	Name: Vicente Wright		
	(Print or type name of person signing contract)		
SIGNED AND CERTIFIED THAT A COPY OF THIS			
DOCUMENT HAS BEEN DELIVERED TO THE	Title:President and Chief Executive Officer		
CHAIRMAN OF THE BOARD			
Dena M. Smith			
Clerk of the Board of Supervisors	By:		
of the County of San Bernardino	(Authorized signature – sign in blue ink)		
	Name: Brett Guge		
	(Print or type name of person signing contract)		
By:			
APPROVED AS TO LEGAL FORM	Title: Vice President Administration and Corp. Secretary		
Ruth E. Stringer, County Counsel	(Print or Type)		
	Dated:		
By:	Address: 1 California Steel Way		
Michelle D. Blakemore, Principal Assistant County Counsel	1 Chillian Steel 11 hg		
	P.O. Box 5080, Fontana, CA 92335		
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EXHIBIT A
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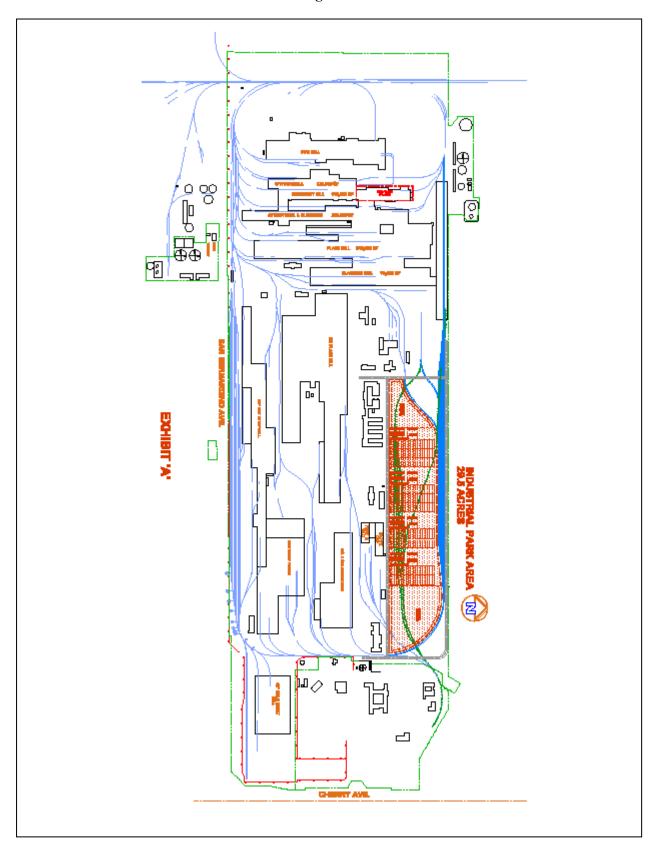


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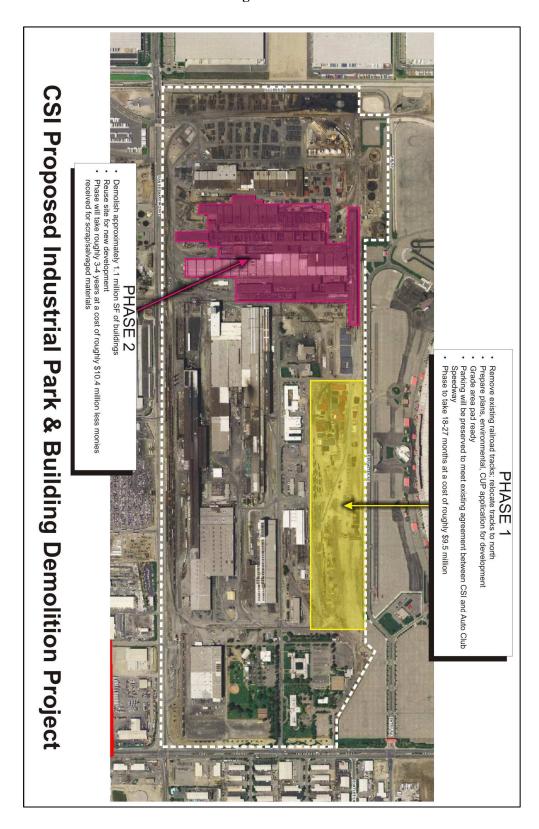


EXHIBIT B

PREDEVELOPMENT COST ESTIMATES

Architectural Design Fees Survey, Site Plans Preliminary Architecture Design	\$	60,000
San Bernardino County Planning Fees	\$	60,000
Environmental Impact Report Consultant Fees	\$	60,000
Traffic Study Fees	\$	30,000
Legal Services Fees Review of Environmental Documents Review of Planning Issues	\$	30,000
Grading/Utility/Landscape Plan Preparation Fees Design and Engineering for Final Plans	\$2	240,000
Contingency	\$	20,000
Estimated Total Reimbursable Fees	\$5	500,000