

To : Laurel Barcelona, Teresa Gallavan, Joseph W. Pannone and Mayor John Linn

Date: January 30, 2013

RE: Status of the ENA for CSEC, particularly the 2nd phase.

Thank you for our meeting on Jan 24th, and for sending us the document "Second Amendment to Exclusive Negotiation Agreement".

Our EEG Board of Directors met on Friday Jan 25th to review and evaluate your proposal. We have evaluated and all agree that we have complied in good faith, enthusiastically, with all requirements of the ENA thus far, and according to our feedback from your end, we have done so satisfactorily. We have, in consideration of developing the long awaited space center project for the City of Lompoc and Santa Barbara County region, blocked out present and future years of commitments for the success of this project, invested considerable time and resources, investigated many developmental experts, met with almost a hundred people that could viably contribute to the success of our proposed CSEC, contacted, negotiated, obtained LOI's and some commitments for funding and construction, etc, as well as produced a Master Vision Business Plan and Proforma, among many other efforts including obtaining community and political support, alliances (such as Allan Hancock College, The Santa Ynez Band of Chumash Indians, etc) and continue to attract more support daily. We have collectively stuck out our neck and reputation for this promising project. We even have had to endure two attacks by a small group of anonymous people in regards to the CSEC project directly. We provided ample vetting information early on, as well as an in-depth, long and massively involved non profit organization history report. We did this all while in an uncomfortable situation of a potential pending site land transfer to our 40 year International Non Profit and had to qualify all relationships and possible commitments on this nebulous basis, which has been difficult and restricted.

We have consulted with some major international developers, land attorneys, and funders who have done large scale projects around the world, who have advised our foundation that the land transfer, with whatever mutually accepted restrictions and stipulations should have come first, so we could have real property collateral and be able to lock in commitments, as opposed to just speculations and possibilities.

We have asked for specific land transfer negotiations with stipulations that would make both the city and our non profit comfortable to move forward and secure the deed of the land transfer. In dealing with professionals at the level required to make the CSEC project a reality, we are finding resistance and they are stressing and asking us to use fairness and good faith in dealing with their companies and organizations in regards to us asking for their committed time for a project we have not yet actually secured the land for. These negotiations are becoming more and more difficult and in some cases are impossible without the land transfer in place. It is important to note that some of the larger pending funding and developer commitments are time sensitive at this juncture.

We agreed to the terms of the ENA Item C Page 3 Necessary Financing. Within 180 days after the effective date of this ENA, EEG shall submit evidence, reasonably satisfactory to City, including the financing structure and preliminary commitments, demonstrating EEG can and will obtain the necessary financing in the amount sufficient to pay for development and operation of the Proposed Project. It is anticipated such evidence will include letters of intent from prospective tenants of the office complex.

Your latest request in the “Second Amendment to Exclusive Negotiation Agreement” specifically asking for an executed binding agreement with an Experienced Developer, and letters of commitment for \$68 million dollars of part grant and equity funding being proposed is substantially different to what we agreed to and changes the character of moving forward. Firstly, using these types of funding options that you are trying to bind us to exclusively with this new amendment, severely limits the funding and financing resources we have outlined and pursued in the CSEC Master Vision Plan. Secondly, this request is a surprise item and nowhere is that a required item specifically in the ENA, or in any communications we have had before this latest surprise amendment. It is impossible to have funding commitments in place without first securing the land transfer. We feel that this request should be negotiated and we also feel that those negotiations and what is determined fair, in phase one, should be a part of the actual land transfer stipulations. We have been anxious and ready to negotiate the terms, conditions, and any stipulations that would secure your confidence of this development, or the city’s recovery of the land if those stipulations are not met.

We have and wholeheartedly remain committed to that premise now and from day one of the land transfer concept and we feel strongly that once the land transfer is secured we would be unrestricted in fulfilling our mutual plan for this world class legacy CSEC project for Lompoc and beyond.

Sincerely,

Alan Tratner
Chairman, Project Director

Lielle Arad
Global Director of Public Affairs, Secretary of EEG

CSEC Project
cc: EEG Boards