

In the opinion of Fulbright & Jaworski LLP, Los Angeles California, a member of Norton Rose Fulbright, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the 2014A Bonds and the 2014B Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. The Successor Agency has taken no action to cause, and does not intend to cause, interest on the 2014C Bonds to be excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purpose. See “TAX MATTERS” herein.

\$46,140,000
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF
CATHEDRAL CITY
Tax Allocation Revenue Refunding Bonds,
Series 2014A
(Merged Redevelopment Project Area)

\$15,630,000
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF
CATHEDRAL CITY
Tax Allocation Housing Revenue Refunding Bonds,
Series 2014B
(Merged Redevelopment Project Area)

\$11,985,000
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF
CATHEDRAL CITY
Taxable Tax Allocation Housing Revenue Refunding Bonds,
Series 2014C
(Merged Redevelopment Project Area)

Dated: Delivery Date**Due: August 1, as shown on the inside cover**

The Successor Agency to the Redevelopment Agency of the City of Cathedral City Tax Allocation Revenue Refunding Bonds, Series 2014A (Merged Redevelopment Project Area) (the “2014A Bonds”), the Successor Agency to the Redevelopment Agency of the City of Cathedral City Tax Allocation Housing Revenue Refunding Bonds, Series 2014B (Merged Redevelopment Project Area) (the “2014B Bonds”) and the Successor Agency to the Redevelopment Agency of the City of Cathedral City Taxable Tax Allocation Housing Revenue Refunding Bonds, Series 2014C (Merged Redevelopment Project Area) (the “2014C Bonds” and, together with the 2014A Bonds and the 2014B Bonds, the “Bonds”) are being issued by the Successor Agency to the Redevelopment Agency of the City of Cathedral City (the “Successor Agency”).

The 2014A Bonds are being issued to (a) refund and defease the Refunded Non-Housing Obligations (described herein); (b) purchase a surety for the reserve account for the 2014A Bonds; (c) purchase a municipal bond insurance policy for a portion of the 2014A Bonds and (d) pay the costs of issuance of the 2014A Bonds. The 2014B Bonds are being issued to (a) prepay and discharge the 2002D Housing Loan Agreement; (b) purchase a surety for the reserve account for the 2014B Bonds; (c) purchase a municipal bond insurance policy for a portion of the 2014B Bonds and (d) pay the costs of issuance of the 2014B Bonds. The 2014C Bonds are being issued to (a) prepay and discharge 2002E Housing Loan Agreement; (b) purchase a surety for the reserve account for the 2014C Bonds; (c) purchase a municipal bond insurance policy for a portion of the 2014C Bonds and (d) pay the costs of issuance of the 2014C Bonds.

The 2014A Bonds will be issued under an Indenture, dated as of October 1, 2014 (the “2014A Indenture”), by and between the Successor Agency and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The 2014B Bonds and 2014C Bonds will be issued under an Indenture, dated as of October 1, 2014 (the “2014B and 2014C Indenture” and, together with the 2014A Indenture, the “Indentures”), by and between the Successor Agency and the Trustee.

The Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. Principal on the Bonds is due annually on August 1 of each year, commencing August 1, 2015, and interest on the Bonds is due semiannually on February 1 and August 1 of each year, commencing February 1, 2015, payable by the Trustee, to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds (see “THE BONDS—Book-Entry System” herein).

The Bonds are subject to optional, extraordinary and mandatory sinking fund redemption prior to maturity as described herein. See “THE BONDS” herein.

The scheduled payment of principal of and interest on the 2014A Bonds maturing on August 1 in the years 2024 through 2034, inclusive (the “Insured 2014A Bonds”), the 2014B Bonds maturing on August 1 in the years 2024 through 2033, inclusive (the “Insured 2014B Bonds”), and the 2014C Bonds maturing on August 1, 2024 through August 1, 2027, inclusive, and August 1, 2033 (the “Insured 2014C Bonds” and, together with the Insured 2014A Bonds and the Insured 2014B Bonds, the “Insured Bonds”), when due will be guaranteed under insurance policies to be issued concurrently with the delivery of the Insured Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** See “BOND INSURANCE” herein.



This cover page contains certain information for general reference only. It is not a summary of the security or terms of this issue. Investors must read this entire Official Statement to obtain information essential to making an informed investment decision with respect to the Bonds.

The 2014A Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, from 2014A Pledged Tax Revenues and 2014A Surplus Housing Tax Revenues. The 2014B Bonds and the 2014C Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, from 2014B & 2014C Pledged Housing Tax Revenues and 2014B & 2014C Surplus Non-Housing Tax Revenues. See “SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS” herein. The Bonds, interest thereon and premium, if any, are not a debt of the City of Cathedral City, California (the “City”), the County of Riverside, California (the “County”), the State of California (the “State”) or any of its political subdivisions (except the Successor Agency), and none of the City, the County, the State nor any of its political subdivisions (except the Successor Agency) is liable thereon. The Bonds, interest thereon and premium, if any, are not payable out of any funds or properties other than those pledged pursuant to the Indentures. Neither the members of the Successor Agency Board, the Oversight Board, nor any persons executing the Bonds is liable personally on the Bonds by reason of their issuance.

The Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to the approval of validity by Fulbright & Jaworski LLP, Los Angeles, California, a member of Norton Rose Fulbright, Bond Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by Fulbright & Jaworski LLP, Los Angeles, California, Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by Hawkins Delafield & Wood LLP, San Francisco, California, Underwriter’s Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about October 15, 2014.

STIFEL

MATURITY SCHEDULES

\$46,140,000
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF CATHEDRAL CITY
Tax Allocation Revenue Refunding Bonds, Series 2014A
(Merged Redevelopment Project Area)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP [†] (Base 14916Y)
2015	\$2,470,000	2.000%	0.400%	\$101.267	AA7
2016	2,080,000	3.000	0.720	104.057	AB5
2017	2,135,000	4.000	1.050	108.101	AC3
2018	2,220,000	5.000	1.280	113.733	AD1
2019	2,335,000	5.000	1.620	115.529	AE9
2020	2,445,000	5.000	1.970	116.512	AF6
2021	2,575,000	5.000	2.280	117.027	AG4
2022	2,700,000	5.000	2.530	117.369	AH2
2023	1,885,000	5.000	2.760	117.381	AJ8
2024*	1,985,000	5.000	2.900	117.789	AK5
2025*	2,060,000	5.000	3.040	116.490 ^(c)	AL3
2026*	2,165,000	5.000	3.170	115.300 ^(c)	AM1
2027*	2,280,000	5.000	3.300	114.124 ^(c)	AN9
2028*	2,390,000	5.000	3.380	113.407 ^(c)	AP4
2029*	2,510,000	5.000	3.450	112.784 ^(c)	AQ2
2030*	2,635,000	5.000	3.520	112.166 ^(c)	AR0
2031*	2,760,000	5.000	3.560	111.814 ^(c)	AS8
2032*	2,900,000	5.000	3.600	111.464 ^(c)	AT6
2033*	1,765,000	5.000	3.640	111.115 ^(c)	AU3
2034*	1,845,000	5.000	3.680	110.767 ^(c)	AV1

* Insured.

^(c) Priced to par call on August 1, 2024.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the Successor Agency and are included solely for the convenience of investors. None of the Successor Agency, the Underwriter, or the Financial Advisor, are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2014A Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2014A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2014A Bonds.

\$15,630,000
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF CATHEDRAL CITY
Tax Allocation Housing Revenue Refunding Bonds, Series 2014B
(Merged Redevelopment Project Area)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP [†] (Base 14916Y)
2015	\$ 685,000	2.000%	0.280%	\$101.363	AW9
2016	545,000	3.000	0.620	104.240	AX7
2017	560,000	4.000	0.900	108.534	AY5
2018	585,000	5.000	1.130	114.332	AZ2
2019	615,000	5.000	1.470	116.281	BA6
2020	645,000	5.000	1.820	117.410	BB4
2021	675,000	5.000	2.130	118.062	BC2
2022	710,000	5.000	2.380	118.535	BD0
2023	745,000	5.000	2.610	118.668	BE8
2024*	785,000	5.000	2.750	119.200	BF5
2025*	825,000	5.000	2.890	117.882 ^(c)	BG3
2026*	865,000	5.000	3.020	116.675 ^(c)	BH1
2027*	910,000	5.000	3.150	115.482 ^(c)	BJ7
2028*	955,000	5.000	3.230	114.755 ^(c)	BK4
2029*	1,000,000	5.000	3.300	114.124 ^(c)	BL2
2030*	1,050,000	5.000	3.370	113.496 ^(c)	BM0
2031*	1,100,000	5.000	3.430	112.962 ^(c)	BN8
2032*	1,160,000	5.000	3.490	112.430 ^(c)	BP3
2033*	1,215,000	5.000	3.540	111.990 ^(c)	BQ1

* Insured.

^(c) Priced to par call on August 1, 2024.

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\$11,985,000
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF CATHEDRAL CITY
Taxable Tax Allocation Housing Revenue Refunding Bonds, Series 2014C
(Merged Redevelopment Project Area)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP [†] (Base 14916Y)
2015	\$570,000	0.700%	0.700%	\$100.000	BR9
2016	480,000	1.200	1.200	100.000	BS7
2017	485,000	1.800	1.800	100.000	BT5
2018	495,000	2.000	2.350	98.735	BU2
2019	505,000	2.800	2.800	100.000	BV0
2020	515,000	3.150	3.150	100.000	BW8
2021	530,000	3.500	3.500	100.000	BX6
2022	550,000	3.800	3.800	100.000	BY4
2023	570,000	4.050	4.050	100.000	BZ1
2024*	595,000	4.250	4.250	100.000	CA5
2025*	620,000	4.125	4.400	97.651	CB3
2026*	650,000	4.250	4.500	97.725	CC1
2027*	670,000	4.375	4.600	97.836	CD9

\$4,750,000 4.750% Series 2014C Term Bond due August 1, 2033* Yield—4.980% Price—\$97.206 CUSIP[†]—14916YCE7

* Insured.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the Successor Agency and are included solely for the convenience of investors. None of the Successor Agency, the Underwriter, or the Financial Advisor, are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2014C Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2014C Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2014C Bonds.

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF CATHEDRAL CITY**

BOARD OF DIRECTORS

Kathleen DeRosa, *Chair*
Charles Vasquez, *Vice-Chair*
Stan Henry, *Member*
Gregory Pettis, *Member*
Sam Toles, *Member*

SUCCESSOR AGENCY STAFF

Charlie McClendon, *Executive Director*
Tami Scott, *Administrative Services Director*
Gary F. Howell, *Secretary*

SPECIAL SERVICES

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Bond and Disclosure Counsel

Fulbright & Jaworski LLP
Los Angeles, California
(a member of Norton Rose Fulbright)

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

Redevelopment Fiscal Consultant

HdL Coren & Cone
Diamond Bar, California

Verification Agent

Causey Demgen & Moore, P.C.
Denver, Colorado

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information set forth herein has been obtained from the Successor Agency and other sources believed to be reliable. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the Successor Agency or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the Successor Agency or the Underwriter.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation of such offer or any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale of the Bonds made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the Successor Agency or in any other information contained herein, since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ABOVE, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (“EMMA”) website.

The City maintains a website with information pertaining to the Successor Agency. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “Bond Insurance” and “APPENDIX I - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “project,” “expect,” “anticipate,” “intend,” “believe,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Successor Agency does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT

\$46,140,000

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF
CATHEDRAL CITY**

**Tax Allocation Revenue Refunding Bonds,
Series 2014A
(Merged Redevelopment Project Area)**

\$15,630,000

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF
CATHEDRAL CITY**

**Tax Allocation Housing Revenue Refunding Bonds,
Series 2014B
(Merged Redevelopment Project Area)**

\$11,985,000

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF CATHEDRAL CITY**

**Taxable Tax Allocation Housing Revenue Refunding Bonds,
Series 2014C
(Merged Redevelopment Project Area)**

INTRODUCTION

General

This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the sale by the Successor Agency to the Redevelopment Agency of the City of Cathedral City (the "Successor Agency") of its \$46,140,000 Tax Allocation Revenue Refunding Bonds, Series 2014A (Merged Redevelopment Project Area) (the "2014A Bonds"), \$15,630,000 Tax Allocation Housing Revenue Refunding Bonds, Series 2014B (Merged Redevelopment Project Area) (the "2014B Bonds") and \$11,985,000 Taxable Tax Allocation Housing Revenue Refunding Bonds, Series 2014C (Merged Redevelopment Project Area) (the "2014C Bonds" and, together with the 2014A Bonds and the 2014B Bonds, the "Bonds").

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and laws of the State of California (the "State"), including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Bond Law") and the Community Redevelopment Law, Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the "Redevelopment Law"). The 2014A Bonds are being issued pursuant to an Indenture, dated as of October 1, 2014 (the "2014A Indenture"), by and between the Successor Agency and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The 2014B Bonds and the 2014C Bonds are being issued pursuant to an Indenture, dated as of September, 1, 2014 (the "2014B and 2014C Indenture"), by and between the Successor Agency and the Trustee. The 2014A Indenture and the 2014B and 2014C Indenture are hereinafter collectively referred to as the "Indentures" or, individually, as applicable, an "Indenture." All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in APPENDIX A-1 – "SUMMARY OF CERTAIN PROVISIONS OF THE 2014A INDENTURE" and APPENDIX A-2 – "SUMMARY OF CERTAIN PROVISIONS OF THE 2014B and 2014C INDENTURE" or, if not defined therein, shall have the meanings assigned to such terms in the respective Indenture.

Purpose and Application of Proceeds

The 2014A Bonds are being issued to (a) refund and defease the Refunded Non-Housing Obligations (defined herein); (b) purchase a surety for the reserve account for the 2014A Bonds; (c) purchase a municipal bond insurance policy for a portion of the 2014A Bonds and (d) pay the costs of issuance of the 2014A Bonds.

The 2014B Bonds are being issued to (a) prepay and discharge the 2002D Housing Loan Agreement (defined herein); (b) purchase a surety for the reserve account for the 2014B Bonds; (c) purchase a municipal bond insurance policy for a portion of the 2014B Bonds and (d) pay the costs of issuance of the 2014B Bonds.

The 2014C Bonds are being issued to (a) prepay and discharge all of the 2002E Housing Loan Agreement (defined herein); (b) purchase a surety for the reserve account for the 2014C Bonds; (c) purchase a municipal bond insurance policy for a portion of the 2014C Bonds and (d) pay the costs of issuance of the 2014C Bonds.

See “ESTIMATED SOURCES AND USES OF FUNDS” AND “PLAN OF REFUNDING.”

The City and the Successor Agency

The City of Cathedral City (the “City”) is located in Riverside County (the “County”) located in the Coachella Valley, which is 115 miles southeast of downtown Los Angeles. The City was incorporated in 1981 and covers approximately 22 square miles and had an estimated population of 52,595 as of January 2014. The City is bordered by the City of Palm Springs to the west, the City of Rancho Mirage to the south and east, and an unincorporated area of the County to the north and northeast. The City operates as a general law city under the council-manager form of government. There are four city council members and a separately-elected mayor (the “Mayor”). The Mayor is elected for a two-year term. The four council members are elected at large for alternating four-year terms; two each two-year election cycle. See APPENDIX G – “SUPPLEMENTAL INFORMATION – The City of Cathedral City.” The Redevelopment Agency of the City of Cathedral City (the “Predecessor Agency”) was established December 2, 1981 by the City Council of the City (the “City Council”) pursuant to Redevelopment Law.

On June 29, 2011, Assembly Bill No. 26 (“AB X1 26”) was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 (“AB X1 27”). The provisions of AB X1 26 provided for the dissolution of all redevelopment agencies. The provisions of AB X1 27 permitted redevelopment agencies to avoid dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. The California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Predecessor Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“AB 1484”), enacted as Chapter 26, Statutes of 2012 (as amended from time to time, collectively, the “Dissolution Act”).

In anticipation of the dissolution of the Predecessor Agency, the City Council, pursuant to Resolution No. 2011-133, adopted on May 25, 2011, elected to serve as successor agency (the “Successor Agency”) to

the Predecessor Agency. On January 12, 2013, pursuant to Resolution No. 2012-153 and Section 34173 of the Dissolution Act, the City Council reaffirmed its election to serve as the Successor Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Predecessor Agency will not be transferred to the City nor will the assets of the Predecessor Agency become assets of the City. The Successor Agency received its finding of completion from the State Department of Finance on April 17, 2013.

The Redevelopment Plan and the Merged Redevelopment Project Area

The City Council adopted a redevelopment plan (the “Project Area No. 1 Redevelopment Plan”) for Redevelopment Project Area No. 1 (“Project Area No. 1”) pursuant to Ordinance No. 39, adopted on November 29, 1982. The City Council adopted a redevelopment plan (the “Project Area No. 2 Redevelopment Plan”) for Redevelopment Project Area No. 2 (“Project Area No. 2”) pursuant to Ordinance No. 61 on November 29, 1983. The redevelopment plan (the “Project Area No. 3 Redevelopment Plan”) for Redevelopment Project Area No. 3 (“Project Area No. 3”) was approved by Ordinance No. 91 enacted by the City Council of the City on November 30, 1984.

Project Area No. 1, pursuant to Ordinance No. 472 with respect to Project Area No. 1, adopted by the City Council of the City on January 28, 1998, was merged with Project Area No. 2, pursuant to Ordinance No. 473 with respect to Project No 2, adopted by the City Council of the City on January 28, 1998, to form a merged project area (the “Merged Project Area (No. 1 and No. 2)”). The City Council approved the merger of Merged Project Area (No. 1 and No. 2) with Project Area No. 3 (the “Merged Project Area”) and adopted a redevelopment plan for the Merged Redevelopment Project Area (the “Redevelopment Plan”) pursuant to Ordinance No. 624 adopted on September 27, 2006. Assessed valuations in the Merged Redevelopment Project Area are subject to numerous risks which could result in decreases from those reported for Fiscal Year 2013-14. See “RISK FACTORS.”

Security for the Bonds

The Dissolution Act requires the Riverside County Auditor-Controller (the “County Auditor-Controller”) to determine the amount of property taxes that would have been allocated to the Predecessor Agency had the Predecessor Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller (the “Redevelopment Property Tax Trust Fund”).

The Dissolution Act authorizes the issuance of refunding bonds, including the Bonds, to be secured by a pledge of, and lien on, 2014A Pledged Tax Revenues and 2014A Surplus Housing Tax Revenues, or 2014B & 2014C Pledged Housing Tax Revenues and 2014B & 2014C Surplus Non-Housing Tax Revenues, as applicable, all as defined herein and as created by the Indentures. The Bonds are secured by a pledge and lien created by Section 34177.5(g) of the Dissolution Act on monies deposited from time to time in the Redevelopment Property Tax Trust Fund of the Successor Agency held by the County Auditor-Controller, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. Under the Indentures, the Successor Agency must remit, from time to time, directly to the Trustee the amount of 2014A Pledged Tax Revenues, or 2014B & 2014C Pledged Housing Tax Revenues, as applicable, to make the deposits required by the Indentures to pay debt service on the applicable Series of Bonds and to replenish the applicable Reserve Funds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The Dissolution Act provides that bonds authorized thereunder to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the Bonds, are taxes allocated to the Successor Agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax increment revenues under the Redevelopment Law. Section 34177.5(g) of the Dissolution Act provides that the Bonds shall also “be secured by a pledge of, and lien on, and shall be repaid from monies deposited from time to time in the Redevelopment Property Tax Trust Fund.”

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Predecessor Agency, with the same lien priority and legal effect as if the bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency’s Recognized Obligation Payment Schedule. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recognized Obligation Payment Schedule,” APPENDIX A-1 – “SUMMARY OF CERTAIN PROVISIONS OF THE 2014A INDENTURE - Definitions” and APPENDIX A-2 – “SUMMARY OF CERTAIN PROVISIONS OF THE 2014B and 2014C INDENTURE – Definitions.”

The City has agreed to subordinate its statutory pass-through payments that are required to be made by the Successor Agency to certain taxing agencies, including the City, pursuant to sections 33607.5 or 33607.7 of the Health and Safety Code (“Statutory Pass-Through Payments”) to the payment of debt service on the Bonds. With the exception of the Statutory Pass-Through Payments to be made to the City, the Successor Agency has not sought, and does not intend to seek, to subordinate amounts payable by the Successor Agency pursuant to sections 33607.5 or 33607.7 of the Health and Safety Code to the payment of debt service on the Bonds.

Taxes levied on the property within the Merged Redevelopment Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Merged Redevelopment Project Area, to the extent they constitute Pledged Tax Revenues, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Successor Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Successor Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recognized Obligation Payment Schedule”). Monies deposited by the County Auditor-Controller into the Successor Agency’s Redevelopment Obligation Retirement Fund will be transferred by the Successor Agency to the Trustee for deposit in the Debt Service Fund established under the applicable Indenture and administered by the Trustee in accordance with such Indenture.

Certain Definitions under the 2014A Indenture Relating to the Security for the 2014A Bonds

“2014A Pledged Tax Revenues” means all taxes annually allocated to the Successor Agency with respect to the Merged Redevelopment Project Area pursuant to Article 6 of Chapter 6 (commencing with section 33670) of the Health and Safety Code and section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Redevelopment Plan, including (a) all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations, and (b) all amounts of such taxes which prior to the adoption of the Dissolution Act were required to be deposited into the Predecessor Agency low and moderate income housing fund in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law, but only to the extent permitted under the Redevelopment Law to be applied to the payment of the principal of, premium

(if any) and interest on the 2014A Bonds and any Parity Non-Housing Debt; but (i) excluding all other amounts which prior to the adoption of the Dissolution Act were required to be deposited into the Predecessor Agency low and moderate income housing fund pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Redevelopment Law, to the extent required to pay debt service on obligations that were payable from the amounts required to be deposited in the Predecessor Agency low and moderate income housing fund, (ii) excluding amounts payable by the State to the Successor Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State, (iii) excluding amounts payable which are required to be paid to any other public agency under Article 6 of Chapter 6 (commencing with section 33607.5 and 33607.7) of the Health and Safety Code or under agreement between the Successor Agency and such public agency, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the 2014A Bonds, Existing Non-Housing Debt and any additional Parity Non-Housing Debt, as applicable, and (iv) excluding amounts payable by the Successor Agency pursuant to that certain Promissory Note, dated December 29, 1986, by and between the Predecessor Agency and Date Palm Partnership, relating to the development of certain real property within the Merged Redevelopment Project Area.

“Parity Non-Housing Debt” means, any bonds, notes, loans, advances or other indebtedness payable by the Successor Agency on a parity with the 2014A Bonds pursuant to the 2014A Indenture, and includes Existing Non-Housing Debt (as herein after defined) (with the exception of the Subordinate Bonds (as herein after defined)).

“2014A Surplus Housing Tax Revenues” means tax revenues allocable to the Successor Agency for payment of enforceable obligations pursuant to a Recognized Obligation Payment Schedule on deposit in or credited to the Redevelopment Property Tax Trust Fund that not required to be deposited under an indenture for debt service on Existing Housing Debt or replenishment of any debt service reserve for Existing Housing Debt.

Following the issuance of the 2014B Bonds and 2014C Bonds and the prepayment of the 2002D Housing Loan Agreement and the 2002E Housing Loan Agreement, “Existing Housing Debt” will mean (i) the 2014B Bonds, (ii) the 2014C Bonds and (iii) any obligation of the Successor Agency that, prior to the Dissolution Act, would have been payable from amounts deposited in the Predecessor Agency’s low and moderate income housing fund.

Certain Definitions under the 2014B and 2014C Indenture Relating to the Security for the 2014B Bonds and the 2014C Bonds

“2014B & 2014C Pledged Housing Tax Revenues” means annually not less than twenty percent (20%) of all taxes allocated within the applicable Plan Limits from the Merged Redevelopment Project Area and allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with section 33670) of the Health and Safety Code and Section 16 of Article XVI of the Constitution of the State of California. 2014B & 2014C Pledged Housing Tax Revenues shall not include any amounts payable to the Successor Agency pursuant to Section 16112.7 of the California Government Code.

“2014B & 2014C Surplus Non-Housing Tax Revenues” means tax revenues allocable to the Successor Agency for payment of enforceable obligations pursuant to a Recognized Obligation Payment Schedule on deposit in or credited to the Redevelopment Property Tax Trust Fund that are not required to be deposited under an indenture for debt service on Existing Non-Housing Debt or replenishment of any debt service reserve for Existing Non-Housing Debt.

Following the issuance of the 2014A Bonds and the refunding of the Refunded Non-Housing Obligations, “Existing Non-Housing Debt” will mean the outstanding (i) 2014A Bonds, (ii) Agency 2007A

Merged Redevelopment Project Area Bonds, (iii) Agency 2007B Merged Redevelopment Project Area Taxable Bonds, (iv) Subordinate Bonds, (v) Agency 2004B Project Area No. 3 Taxable Bonds, (vi) 2000 First Merged Project Area Loan Agreement (as each is hereinafter defined); and (vii) any obligations of the Successor Agency payable from amounts received by the Successor Agency that are not Pledged Housing Tax Revenues. See the table titled “Summary of Outstanding Non-Housing Indebtedness” under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS -- Outstanding Successor Agency Non-Housing Indebtedness.”

At times in this Official Statement, the 2014A Pledged Tax Revenues and the 2014B & 2014C Pledged Housing Tax Revenues may be collectively referred to herein as the “Pledged Tax Revenues.”

Special Obligations

The Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, from the respective Pledged Tax Revenues and other funds. The Bonds, interest thereon and premium, if any, are not a debt of the City, the County, the State or any of its political subdivisions (except the Successor Agency), and none of the City, the County, the State nor any of its political subdivisions (except the Successor Agency) is liable thereon. The Bonds, interest thereon and premium, if any, are not payable out of any funds or properties other than those set forth in the respective Indenture. Neither the members of the Successor Agency Board, the Oversight Board, the County Board of Supervisors nor any persons executing the Bonds is liable personally on the Bonds by reason of their issuance.

Reserve Accounts

To secure the payment of the principal of and interest on the Bonds, a Reserve Account for each Series of Bonds is established in the Indentures, in an amount equal to the respective initial Reserve Requirement.

“Reserve Requirement” means, with respect to each Series of Bonds, as of each calculation date, an amount equal to the least of (i) Maximum Annual Debt Service on all Outstanding Bonds of such Series, (ii) 10% of the initial offering price to the public of the Bonds of such Series as determined under the Code, or (iii) 125% of the average Annual Debt Service as of the date of issuance of the Bonds of such Series, but will never exceed the initial Reserve Requirement.

The Reserve Requirement with respect to each Series of Bonds will initially be satisfied by a separate municipal bond debt service reserve insurance policy (each, a “Reserve Policy”) issued by AGM in an amount sufficient to satisfy the respective Reserve Requirement for the related Series of Bonds and will be deposited with the Trustee in the Reserve Account for the respective Series of Bonds.

A Reserve Account in the Reserve Fund established for one Series of Bonds is not available to pay debt service on any other Series of Bonds.

Further Information

Descriptions of the Redevelopment Law, the Bond Law, the Dissolution Act, the Bonds, the Indentures, the Successor Agency, the Predecessor Agency, and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Redevelopment Law, the Bond Law, the Dissolution Act, the Bonds, the Indentures, the Constitution and the laws of the State as well as the proceedings of the Predecessor Agency, the Successor Agency, and the City are qualified in their entirety by reference to such documents and laws. References

herein to the Bonds are qualified in their entirety by the form thereof included in the Indentures and the information with respect thereto included herein, copies of which are all available for inspection at the offices of the Successor Agency. During the period of the offering of the Bonds, copies of the forms of all documents are available at the offices of Stifel, Nicolaus & Company, Incorporated (the "Underwriter") at One Montgomery Street, 37th Floor, San Francisco, California, 94104, and thereafter from the City Clerk's office, City of Cathedral City, 68700 Avenida Lalo Guerrero, Cathedral City, California 92234.

PLAN OF REFUNDING

Refunded Non-Housing Obligations

The Predecessor Agency previously caused the Authority to issue its \$12,311,000 2000 Tax Allocation Revenue Bonds, Series A (Cathedral City Merged Redevelopment Projects) (the "2000 Authority Bonds"). The 2000 Bonds were payable primarily from loan payments made by the Predecessor Agency to the Authority pursuant to a loan agreement, dated as of April 1, 2000 (the "2000 First Merged Project Area Loan Agreement"), by and between the Authority and the Predecessor Agency. The amount of \$9,011,000.40 currently remains outstanding under the 2000 First Merged Project Area Loan Agreement, and \$6,790,000 will be prepaid with proceeds of the 2014A Bonds (the "Prepaid 2000 Loan Agreement").

The Predecessor Agency previously caused the Authority to issue its \$24,220,000 2002 Tax Allocation Revenue Bonds, Series A (Cathedral City Redevelopment Projects) (the "2002 Authority Bonds"). The 2002 Authority Bonds were payable primarily from loan payments made by the Predecessor Agency to the Authority pursuant to two loan agreements, each dated as of December 1, 2002, and each by and between the Authority and the Predecessor Agency (the "2002 Loan Agreements"). One of the 2002 Loan Agreements (the "2002 First Merged Project Area Loan Agreement") is secured by a pledge of tax increment from the Merged Project Area (Nos. 1 & 2). The other 2002 Loan Agreement (the "2002 Project Area No. 3 Loan Agreement") is secured by a pledge of certain tax increment from Project Area No. 3. The aggregate amount of \$17,850,000 currently remains outstanding under the 2002 Loan Agreements and will be prepaid with proceeds of the 2014A Bonds.

The Predecessor Agency previously caused the Authority to issue its \$21,370,000 2004 Tax Allocation Revenue Bonds, Series A (Cathedral City Merged Redevelopment Project Area) (the "2004A Authority Bonds"). The 2004A Authority Bonds were payable primarily from amounts received from the Predecessor Agency's Redevelopment Project No. 3 2004 Tax Allocation Bonds, Series A (the "Agency 2004A Project No. 3 Bonds"). The aggregate amount of \$17,665,000 of Agency 2004A Tax Allocation Bonds currently remains outstanding and will be prepaid with the proceeds of the 2014A Bonds.

The Predecessor Agency previously caused the Authority to issue its \$13,000,000 2005 Tax Allocation Revenue Bonds, Series A (Cathedral City Redevelopment Projects) (the "2005 Authority Bonds"). The 2005 Authority Bonds were payable primarily from amounts received from the Predecessor Agency's Merged Redevelopment Project, 2005 Tax Allocation Bonds, Series A (the "Agency 2005A Merged Redevelopment Project Area Bonds") and Redevelopment Project No. 3, 2005 Tax Allocation Bonds, Series A ("Agency 2005A Project Area No. 3 Bonds" and, together with the Prepaid 2000 Loan Agreement, the 2002 Loan Agreements and the Agency 2005A Merged Redevelopment Project Area Bonds, the "Refunded Non-Housing Obligations"). The aggregate amount of \$4,800,000 of Agency 2005A Merged Redevelopment Project Area Bonds currently remains outstanding and the aggregate amount of \$3,130,000 of Agency 2005A Project Area No. 3 Bonds currently remains outstanding and will be prepaid with proceeds of the 2014A Bonds.

A portion of the proceeds of the 2014A Bonds will be deposited, pursuant to an escrow agreement, dated as of October 1, 2014 (the "2000 and 2002 Obligations Escrow Agreement"), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "2000 and

2002 Obligations Escrow Agent”), into separate escrow funds for the purposes of prepaying the Prepaid 2000 Loan Agreement and the 2002 Loan Agreements and redeeming the related Authority Bonds (collectively, the “2002 and 2000 Obligations Escrow Funds”). Amounts so deposited, which will be held uninvested in cash by the 2000 and 2002 Obligations Escrow Agent, will be in an amount which will be sufficient to pay the principal, interest and prepayment premium, if any, of the Prepaid 2000 Loan Agreement and the related portion of the 2000 Authority Bonds and the 2002 Loan Agreements and the 2002 Authority Bonds, respectively, upon their prepayment, on November 14, 2014, with respect to the Prepaid 2000 Loan Agreement and the related portion of the 2000 Authority Bonds, and on October 20, 2014 with respect to the 2002 Loan Agreements and the 2002 Authority Bonds. As a result of the deposit and application of funds as provided in the 2000 and 2002 Obligations Escrow Agreement, the Prepaid 2000 Loan Agreement and the 2000 Loan Agreements will each be defeased and all obligations thereunder discharged and the related Authority Bonds shall be defeased and all obligations thereunder discharged.

A portion of the proceeds of the 2014A Bonds, together with certain funds made available through the redemption of the Agency 2004A Project Area No. 3 Bonds and the Agency 2005A Merged Redevelopment Project Area Bonds, will be deposited, pursuant to escrow instructions, dated as of October 1, 2014 (the “2004A and 2005A Escrow Instructions”), provided by the Successor Agency to Wells Fargo Bank, National Association, as the trustee for each of the Agency 2004A Project Area No. 3 Bonds, the Agency 2005A Merged Redevelopment Project Area Bonds and the Agency 2005A Project Area No. 3 Bonds (the “Prior Trustee”), into separate redemption funds for the purposes of redeeming the Agency 2004A Project Area No. 3 Bonds, the Agency 2005A Merged Redevelopment Project Area Bonds and the Agency 2005A Project Area No. 3 Bonds (the “2004A and 2005A Redemption Funds”). Amounts so deposited, which will be held uninvested in cash by the Prior Trustee, will be in an amount which will be sufficient to pay the principal, interest and prepayment premium, if any, of the Agency 2004A Project Area No. 3 Bonds, the Agency 2005A Merged Redevelopment Project Area Bonds and the Agency 2005A Project Area No. 3 Bonds, respectively, upon their respective redemption on October 15, 2014. As a result of the deposit and application of funds as provided in the 2004A and 2005A Escrow Instructions, the Agency 2004A Project Area No. 3 Bonds, the Agency 2005A Merged Redevelopment Project Area Bonds and the Agency 2005A Project Area No. 3 Bonds each will be defeased and all obligations thereunder discharged.

Amounts deposited into the 2004A and 2005A Redemption Funds shall be transferred on October 15, 2014, to the escrow funds created pursuant to an escrow agreement for the purposes of redeeming the 2004A Authority Bonds and 2005 Authority Bonds on October 20, 2014. Amounts so deposited, which will be held uninvested in cash by Wells Fargo Bank, National Association, as escrow agent, will be in an amount which will be sufficient to pay the principal, interest and redemption premium, if any, of the 2004A Authority Bonds and 2005 Authority Bonds, respectively, upon their respective redemption on October 20, 2014. As a result of such deposit and application of funds, the 2004A Authority Bonds and 2005 Authority Bonds, each will be defeased and all obligations thereunder discharged.

2002D Housing Loan Agreement

The Predecessor Agency previously caused the Authority to issue its \$22,820,000 Cathedral City Public Financing Authority 2002 Tax Allocation Revenue Bonds, Series D (Cathedral City Housing Redevelopment Projects) (the “2002D Authority Housing Bonds”). The 2002D Authority Housing Bonds were payable primarily from loan payments made by the Predecessor Agency to the Authority pursuant to a loan agreement, dated as of October 1, 2002 (the “2002D Housing Loan Agreement”), by and between the Authority and the Predecessor Agency. The amount of \$17,370,000 currently remains outstanding under the 2002D Housing Loan Agreement.

Proceeds of the 2014B Bonds, together with certain funds made available through the prepayment of the 2002D Housing Loan Agreement, will be deposited into an escrow fund (the “2002D Escrow Fund”) with

The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “Housing Loans Escrow Agent”), and used for the purposes of prepaying the 2002D Housing Loan Agreement. Amounts so deposited, which will be held uninvested in cash by the Housing Loans Escrow Agent, will be in an amount which will be sufficient to pay the principal, interest and prepayment premium, if any, of the 2002D Housing Loan Agreement and the 2002D Authority Housing Bonds upon prepayment on October 20, 2014. As a result of the deposit and application of funds as provided in the Escrow Agreement, dated as of October 1, 2014 (the “2002D Escrow Agreement”), by and between the Successor Agency and the Housing Loans Escrow Agent, the 2002D Housing Loan Agreement will be satisfied and all obligations thereunder discharged and, in turn, the 2002D Authority Housing Bonds will be defeased and all obligations thereunder discharged.

2002E Housing Loan Agreement

The Predecessor Agency previously caused the Authority to issue its \$14,350,000 Cathedral City Public Financing Authority 2002 Taxable Tax Allocation Revenue Bonds, Series E (Cathedral City Housing Redevelopment Projects) (the “2002E Authority Housing Bonds”). The 2002E Authority Housing Bonds were payable primarily from loan payments made by the Predecessor Agency to the Authority pursuant to a loan agreement, dated as of October 1, 2002 (the “2002E Housing Loan Agreement”), by and between the Authority and the Predecessor Agency. The amount of \$11,425,000 currently remains outstanding under the 2002E Housing Loan Agreement.

Proceeds of the 2014C Bonds will be deposited into an escrow fund (the “2002E Escrow Fund”) with the Housing Loans Escrow Agent, and used for the purposes of prepaying the 2002E Housing Loan Agreement. Amounts so deposited, which will be held uninvested in cash by the Housing Loans Escrow Agent, will be in an amount which will be sufficient to pay the principal, interest and prepayment premium, if any, of the 2002E Housing Loan Agreement and the 2002E Authority Housing Bonds upon prepayment on October 20, 2014. As a result of the deposit and application of funds as provided in the Escrow Agreement, dated as of October 1, 2014 (the “2002E Escrow Agreement”), by and between the Successor Agency and the Housing Loans Escrow Agent, the 2002E Housing Loan Agreement will be satisfied and discharged and, in turn, the 2002E Housing Authority Bonds will be defeased and all obligations thereunder discharged.

Refunding of the Authority Bonds

The obligations of the Predecessor Agency being refunded or prepaid, as applicable, secured several issues of tax allocation revenue bonds issued by the Authority. Following the redemption or prepayment of the obligations of the Predecessor Agency, the Authority will use the proceeds of such redemption or prepayment to refund a corresponding amount of the related bonds of the Authority.

Verification

Causey Demgen & Moore, P.C., as verification agent (the “Verification Agent”), upon delivery of the 2014A Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them that were prepared by the Successor Agency, relating to the sufficiency of moneys deposited into escrow funds established under the 2000 and 2002 Obligations Escrow Agreement and the redemption funds established pursuant to the 2004A and 2005A Escrow Instructions, respectively, to pay, when due, the principal, interest and redemption premium, if any, of the Refunded Non-Housing Obligations and the corresponding bonds issued by the Authority.

The Verification Agent, upon delivery of the 2014B Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them that were prepared by the Successor Agency, relating to the sufficiency of moneys deposited into the 2002D Escrow Fund to pay, when

due, the principal, interest and prepayment premium, if any, of the 2002D Housing Loan Agreement and the corresponding bonds issued by the Authority.

The Verification Agent, upon delivery of the 2014C Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them that were prepared by the Successor Agency, relating to the sufficiency of moneys deposited into the 2002E Escrow Fund to pay, when due, the principal, interest and prepayment premium, if any, of the 2002E Housing Loan Agreement and the corresponding bonds issued by the Authority.

The reports of the Verification Agent will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or date or information coming to its attention, subsequent to the date of its report.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are summarized as follows.

	<u>2014A Bonds</u>	<u>2014B Bonds</u>	<u>2014C Bonds</u>	<u>Total</u>
Sources:				
Principal Amount of Bonds	\$46,140,000.00	\$15,630,000.00	\$11,985,000.00	\$73,755,000.00
Premium/Discount	5,956,181.05	2,208,771.60	(182,826.85)	7,982,125.80
Other Available Funds	<u>72.28</u>	<u>—</u>	<u>—</u>	<u>72.28</u>
Total Sources	\$52,096,253.33	\$17,838,771.60	\$11,802,173.15	\$81,737,198.08
Uses:				
Escrow Fund	\$50,791,316.93	\$17,556,227.42	\$11,579,076.34	\$79,926,620.69
Costs of Issuance Fund ⁽¹⁾	<u>1,304,936.40</u>	<u>282,544.18</u>	<u>223,096.81</u>	<u>1,810,577.39</u>
Total Uses	\$52,096,253.33	\$17,838,771.60	\$11,802,173.15	\$81,737,198.08

⁽¹⁾ Costs of Issuance include Underwriter’s discount, fees and expenses for Bond Counsel, Disclosure Counsel, Financial Advisor, Fiscal Consultant, Verification Agent, Trustee, premiums for the Insurance Policies and the Reserve Policies, printing expenses, rating fee and other costs related to the issuance of the Bonds.

2014A BONDS DEBT SERVICE SCHEDULE

The following table shows the annual debt service requirements on the 2014A Bonds.

Bond Year Ending August 1	2014A Bonds		
	Principal	Interest	Total
2015	\$2,470,000	\$1,723,905	\$4,193,905
2016	2,080,000	2,120,550	4,200,550
2017	2,135,000	2,058,150	4,193,150
2018	2,220,000	1,972,750	4,192,750
2019	2,335,000	1,861,750	4,196,750
2020	2,445,000	1,745,000	4,190,000
2021	2,575,000	1,622,750	4,197,750
2022	2,700,000	1,494,000	4,194,000
2023	1,885,000	1,359,000	3,244,000
2024	1,985,000	1,264,750	3,249,750
2025	2,060,000	1,165,500	3,225,500
2026	2,165,000	1,062,500	3,227,500
2027	2,280,000	954,250	3,234,250
2028	2,390,000	840,250	3,230,250
2029	2,510,000	720,750	3,230,750
2030	2,635,000	595,250	3,230,250
2031	2,760,000	463,500	3,223,500
2032	2,900,000	325,500	3,225,500
2033	1,765,000	180,500	1,945,500
2034	<u>1,845,000</u>	<u>92,250</u>	<u>1,937,250</u>
Total	\$46,140,000	\$23,622,855	\$69,762,855

2014B AND 2014C BONDS DEBT SERVICE SCHEDULE

The following table shows the annual debt service requirements on the 2014B and 2014C Bonds.

Bond Year Ending August 1	2014B Bonds			2014C Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$685,000	\$591,424	\$1,276,424	\$570,000	\$361,236	\$931,236
2016	545,000	730,750	1,275,750	480,000	450,713	930,713
2017	560,000	714,400	1,274,400	485,000	444,953	929,953
2018	585,000	692,000	1,277,000	495,000	436,223	931,223
2019	615,000	662,750	1,277,750	505,000	426,323	931,323
2020	645,000	632,000	1,277,000	515,000	412,183	927,183
2021	675,000	599,750	1,274,750	530,000	395,960	925,960
2022	710,000	566,000	1,276,000	550,000	377,410	927,410
2023	745,000	530,500	1,275,500	570,000	356,510	926,510
2024	785,000	493,250	1,278,250	595,000	333,425	928,425
2025	825,000	454,000	1,279,000	620,000	308,138	928,138
2026	865,000	412,750	1,277,750	650,000	282,563	932,563
2027	910,000	369,500	1,279,500	670,000	254,938	924,938
2028	955,000	324,000	1,279,000	705,000	225,625	930,625
2029	1,000,000	276,250	1,276,250	740,000	192,138	932,138
2030	1,050,000	226,250	1,276,250	770,000	156,988	926,988
2031	1,100,000	173,750	1,273,750	805,000	120,413	925,413
2032	1,160,000	118,750	1,278,750	845,000	82,175	927,175
2033	<u>1,215,000</u>	<u>60,750</u>	<u>1,275,750</u>	<u>885,000</u>	<u>42,038</u>	<u>927,038</u>
Total	\$15,630,000	\$8,628,824	\$24,258,824	\$11,985,000	\$5,659,946	\$17,644,946

The following table shows the annual debt service requirements on the 2014A Bonds and outstanding parity non-housing obligations of the Successor Agency.

Bond Year Ending August 1	2014A Bonds			Outstanding Parity Non-Housing Obligations⁽²⁾	
	Principal	Interest	Total⁽¹⁾		TOTAL
2015	\$2,470,000	\$1,723,905	\$4,193,905	\$5,995,943	\$10,189,847
2016	2,080,000	2,120,550	4,200,550	5,991,214	10,191,764
2017	2,135,000	2,058,150	4,193,150	5,996,576	10,189,726
2018	2,220,000	1,972,750	4,192,750	5,996,243	10,188,993
2019	2,335,000	1,861,750	4,196,750	5,990,191	10,186,941
2020	2,445,000	1,745,000	4,190,000	5,992,939	10,182,939
2021	2,575,000	1,622,750	4,197,750	5,992,887	10,190,637
2022	2,700,000	1,494,000	4,194,000	5,990,508	10,184,508
2023	1,885,000	1,359,000	3,244,000	7,070,534	10,314,534
2024	1,985,000	1,264,750	3,249,750	7,072,156	10,321,906
2025	2,060,000	1,165,500	3,225,500	7,075,088	10,300,588
2026	2,165,000	1,062,500	3,227,500	7,078,844	10,306,344
2027	2,280,000	954,250	3,234,250	7,072,802	10,307,052
2028	2,390,000	840,250	3,230,250	7,081,962	10,312,212
2029	2,510,000	720,750	3,230,750	7,079,953	10,310,703
2030	2,635,000	595,250	3,230,250	7,081,841	10,312,091
2031	2,760,000	463,500	3,223,500	7,081,617	10,305,117
2032	2,900,000	325,500	3,225,500	7,081,727	10,307,227
2033	1,765,000	180,500	1,945,500	8,474,277	10,419,777
2034	<u>1,845,000</u>	<u>92,250</u>	<u>1,937,250</u>	<u>8,478,966</u>	<u>10,416,216</u>
Total	\$46,140,000	\$23,622,855	\$69,762,855	\$135,676,264	\$205,439,118

⁽¹⁾ Amounts represent the total of the 2014A Bonds.

⁽²⁾ Includes parity obligations that will remain outstanding following the issuance of the Bonds. The amounts represented in this table reflect the redemption or prepayment of the Refunded Non-Housing Obligations. Amounts do not include debt service on the Subordinate Bonds, which is \$2.15 million per year.

The following table shows the annual debt service requirements on the 2014B and 2014C Bonds of the Successor Agency.

Bond Year Ending August 1	2014B and 2014C Bonds⁽¹⁾			
	Principal	Interest	Total	TOTAL
2015	\$1,255,000	\$952,66	\$2,207,660	\$2,207,660
2016	1,025,000	1,181,46	2,206,463	2,206,463
2017	1,045,000	1,159,35	2,204,353	2,204,353
2018	1,080,000	1,128,22	2,208,223	2,208,223
2019	1,120,000	1,089,07	2,209,073	2,209,073
2020	1,160,000	1,044,18	2,204,183	2,204,183
2021	1,205,000	995,710	2,200,710	2,200,710
2022	1,260,000	943,410	2,203,410	2,203,410
2023	1,315,000	887,010	2,202,010	2,202,010
2024	1,380,000	826,675	2,206,675	2,206,675
2025	1,445,000	762,138	2,207,138	2,207,138
2026	1,515,000	695,313	2,210,313	2,210,313
2027	1,580,000	624,438	2,204,438	2,204,438
2028	1,660,000	549,625	2,209,625	2,209,625
2029	1,740,000	468,388	2,208,388	2,208,388
2030	1,820,000	383,238	2,203,238	2,203,238
2031	1,905,000	294,163	2,199,163	2,199,163
2032	2,005,000	200,925	2,205,925	2,205,925
2033	<u>2,100,000</u>	<u>102,788</u>	<u>2,202,788</u>	<u>2,202,788</u>
Total	\$27,615,000	\$14,288,770	\$41,903,770	\$41,903,770

⁽¹⁾ Amounts represent the total of the 2014B and 2014C Bonds.

THE BONDS

Authority for Issuance

The Bonds were authorized for issuance pursuant to the Indentures, the Redevelopment Law, the Bond Law, and the Dissolution Act. The issuance of the Bonds and the Indentures were authorized by the Successor Agency pursuant to Resolution No. 2014-01 adopted on May, 14, 2014 (the “Resolution”) and by the Oversight Board for the Successor Agency pursuant to Resolution No. 013-2014-24 adopted on May 15, 2014 (the “Oversight Board Resolution”).

Written notice of the Oversight Board Resolution was provided to the State Department of Finance, pursuant to the Dissolution Act, on May 15, 2014. On July 11, 2014, the State Department of Finance provided a letter to the Successor Agency stating that based on the State Department of Finance’s review and application of the law, the Oversight Board Resolution approving the Bonds was approved by the State Department of Finance. See “APPENDIX F – STATE DEPARTMENT OF FINANCE APPROVAL LETTER.”

Description of the Bonds

The Bonds will be issued and delivered as one fully-registered Bond in the denomination of \$5,000 or any integral multiple thereof (an “Authorized Denomination”) for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, as registered owner of all Bonds. See “Book-Entry System” below. The Bonds will be dated the date of their delivery (the “Delivery Date”) and mature on August 1 in the years and in the amounts shown on the inside cover page of this Official Statement. Interest on the Bonds will be calculated at the rates shown on the inside cover page of this Official Statement, payable semiannually on February 1 and August 1 in each year, commencing on February 1, 2015, by check mailed to the registered owners thereof or upon the request of the Owners of \$1,000,000 or more in principal amount of Bonds, by wire transfer to an account in the United States which shall be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the Interest Payment Date. “Record Date” means, under the Indentures, the fifteenth day of the month preceding any Interest Payment Date whether or not such day is a Business Day.

Book-Entry System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See “APPENDIX C – BOOK-ENTRY SYSTEM.”

Redemption and Purchase of Bonds

Optional Redemption of 2014A Bonds. The 2014A Bonds maturing on or before August 1, 2024 are not subject to redemption prior to maturity. The 2014A Bonds maturing on or after August 1, 2025 are subject to redemption prior to maturity in whole, or in part in the manner determined by the Successor Agency on any date on or after August 1, 2024, from any available source of funds, at 100% of the principal amount of the 2014A Bonds to be redeemed, together with accrued interest thereon to the redemption date.

Optional Redemption of 2014B Bonds. The 2014B Bonds maturing on or before August 1, 2024 are not subject to redemption prior to maturity. The 2014B Bonds maturing on or after August 1, 2025 are subject to redemption prior to maturity in whole, or in part in the manner determined by the Successor Agency on any date on or after August 1, 2024, from any available source of funds, at 100% of the principal amount of the 2014B Bonds to be redeemed, together with accrued interest thereon to the redemption date.

Optional Redemption of 2014C Bonds. The 2014C Bonds maturing on or before August 1, 2024 are not subject to redemption prior to maturity. The 2014C Bonds maturing on or after August 1, 2025 are subject to redemption prior to maturity in whole, or in part, on a *pro rata* basis, on any date on or after August 1, 2024, from any available source of funds, at 100% of the principal amount of the 2014C Bonds to be redeemed, together with accrued interest thereon to the redemption date.

Sinking Account Redemption of 2014C Bonds. The 2014C Bonds maturing on August 1, 2033 are subject to redemption in part by lot on August 1, 2028 and on August 1 in each year shown below until maturity, from sinking account payments made by the Successor Agency, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; provided, however, that if some but not all of the 2014C Bonds have been redeemed the total amount of all future sinking account payments will be reduced by an amount corresponding to the aggregate principal amount of 2014C Bonds so redeemed, to be allocated among such sinking account payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the Successor Agency (notice of which determination will be given by the Successor Agency to the Trustee):

2014C Bonds Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2028	\$705,000
2029	740,000
2030	770,000
2031	805,000
2032	845,000
2033(maturity)	885,000

Extraordinary Mandatory Redemption. The Bonds shall be subject to extraordinary mandatory redemption, in whole or in part, prior to stated maturity, from moneys deposited in the applicable Special Redemption Fund established pursuant to the respective Indenture into which the applicable Excess Tax Revenues are to be deposited. In any year that a determination has been made to redeem Bonds under the extraordinary mandatory redemption provisions, the Trustee, on August 1 of such year, shall apply the moneys in such Special Redemption Fund to redeem such Bonds. Any redemption of Bonds, in part, pursuant to the extraordinary mandatory redemption provisions of the applicable Indenture shall be (i) in the principal amount of an Authorized Denomination and (ii) such that the principal amount of Bonds remaining Outstanding after such extraordinary redemption shall be in an Authorized Denomination. The redemption price payable on such Bonds called pursuant to the extraordinary mandatory redemption provisions of the applicable Indenture shall equal 100 percent of the principal amount of such Bonds, plus unpaid accrued interest to the date fixed for redemption, without premium.

With respect to the 2014A Bonds, “Excess Tax Revenues” means, in relation to any Fiscal Year, all 2014A Pledged Tax Revenues and 2014A Surplus Housing Tax Revenues in excess of the amount required to pay the principal of and interest or redemption premium (if any) on the Outstanding 2014A Bonds, and to replenish, as required, any Account in the Reserve Fund pursuant to 2014A Indenture in

such Fiscal Year. With respect to the 2014B Bonds and the 2014C Bonds, “Excess Tax Revenues” means, in relation to any Fiscal Year, all 2014B and 2014C Pledged Housing Tax Revenues and 2014B & 2014C Surplus Non-Housing Tax Revenues in excess of the amount required to pay the principal of and interest or redemption premium (if any) on the Outstanding 2014B and 2014C Bonds, and to replenish, as required, any Account in the Reserve Fund pursuant to 2014B and 2014C Indenture in such Fiscal Year.

Under the Indentures, the Successor Agency covenants to submit a written report of an Independent Redevelopment Consultant (the “Report”) to the Trustee showing the total amount of Pledged Tax Revenues remaining available to be credited to the applicable Redevelopment Obligation Retirement Fund by the Successor Agency under the Redevelopment Plan’s cumulative tax increment limitation, as well as future cumulative Annual Debt Service with respect to the applicable Series of Bonds. The Successor Agency will not accept Pledged Tax Revenues for credit to the Redevelopment Obligation Retirement Fund in any Fiscal Year greater than the sum of the Annual Debt Service for the Outstanding Bonds (as such term is defined in Appendices A-1 and A-2 hereto, as applicable), plus an amount necessary to replenish the account in the Reserve Fund, if such acceptance would cause the amount remaining under the tax increment limit to fall below the remaining cumulative Annual Debt Service with respect to the Outstanding Bonds, except for the purpose of using Excess Tax Revenues for the redemption of Outstanding Bonds. If the Report shows the cumulative amount of Annual Debt Service remaining to be paid on the Outstanding Bonds to their scheduled maturity equals or exceeds 90 percent of remaining Pledged Tax Revenues that the Successor Agency is permitted to receive under the Redevelopment Plan to be credited to the respective Redevelopment Obligation Retirement Fund, the Successor Agency shall cause the deposit of all Excess Tax Revenues in the applicable Special Redemption Fund each Fiscal Year until all of the Outstanding Bonds have been redeemed in accordance with the extraordinary mandatory redemption provisions of the applicable Indenture. See APPENDIX A-1 – “SUMMARY OF CERTAIN PROVISIONS OF THE 2014A INDENTURE – Successor Agency Covenants” and APPENDIX A-2 – “SUMMARY OF CERTAIN PROVISIONS OF THE 2014B and 2014C INDENTURE – Successor Agency Covenants.”

Partial Redemption of Bonds. If only a portion of any Bond is called for redemption, then upon surrender of such Bond the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new Bond or Bonds of the same interest rate and maturity, of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the Bonds so called for redemption shall have been duly deposited with the Trustee, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

Notice of Redemption. The Trustee on behalf of and at the expense of the Successor Agency will mail (by first class mail, postage prepaid or other means acceptable to the recipient thereof) notice of any redemption at least twenty (20) but not more than sixty (60) days prior to the redemption date, to (i) the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) to the Securities Depositories and to the Information Services designated in a Written Request of the Successor Agency filed with the Trustee at the time the Successor Agency notifies the Trustee of its intention to redeem Bonds; however, such mailing will not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the redemption date and the redemption price, will designate the CUSIP number of the Bonds to be redeemed, state the individual number of each Bond to be redeemed or state

that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding (or all Bonds of a maturity) are to be redeemed at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. Neither the Successor Agency nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Successor Agency nor the Trustee shall be liable for any inaccuracy in such numbers.

Any redemption notice given pursuant to the Indentures may be rescinded by written notice given to the Trustee by the Successor Agency and the Trustee shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given, but in no event later than the date set for redemption.

No Parity Bonds Other than Refunding Bonds

The Successor Agency covenants in the Indentures that it will not issue any bonds, notes, interim certificates, debentures or other obligations payable, either as to principal or interest, from the Pledged Tax Revenues which have any lien upon the respective Pledged Tax Revenues on a parity with or superior to the lien under the 2014A Indenture and the 2014B and 2014C Indenture, respectively.

With respect to the 2014A Bonds, the Successor Agency may issue and sell refunding bonds payable from 2014A Pledged Tax Revenues on a parity with Outstanding 2014A Bonds, if (a) annual debt service on such refunding bonds is lower than annual debt service on the 2014A Bonds or Parity Non-Housing Debt, as applicable, being refunded during every year the refunding bonds will be outstanding, (b) the debt service payment dates with respect to such refunding bonds are the same as for the 2014A Bonds or the Parity Non-Housing Debt, as applicable, being refunded and (c) the final maturity of any such refunding bonds does not exceed the final maturity of the 2014A Bonds or the Parity Non-Housing Debt, as applicable, being refunded.

With respect to the 2014B Bonds and the 2014C Bonds, the Successor Agency may issue and sell refunding bonds payable from 2014B & 2014C Pledged Tax Revenues on a parity with Outstanding 2014B Bonds and 2014C Bonds, if (a) annual debt service on such refunding bonds is lower than annual debt service on the 2014B Bonds, the 2014C Bonds or Parity Housing Debt (as defined in Appendix A-2), as applicable, being refunded during every year the refunding bonds will be outstanding, (b) the debt service payment dates with respect to such refunding bonds are the same as for the 2014B Bonds, the 2014C Bonds or the Parity Housing Debt, as applicable, being refunded and (c) the final maturity of any such refunding bonds does not exceed the final maturity of the 2014B Bonds, the 2014C Bonds or the Parity Housing Debt, as applicable, being refunded.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue a Municipal Bond Insurance Policy (“2014A Policy”) for the 2014A Bonds maturing on August 1 in the years 2024 through 2034, inclusive (the “Insured 2014A Bonds”) and a Municipal Bond Insurance Policy (the “2014B and 2014C Policy” and, together with the 2014A Policy, the “Policies”) for the 2014B Bonds maturing on August 1 in the years 2024 through 2033, inclusive (the “Insured 2014B Bonds”), and the 2014C Bonds maturing on August 1, 2024 through August 1, 2027, inclusive, and August 1, 2033 (the “Insured 2014C Bonds” and, together with the Insured 2014A Bonds and the Insured 2014B Bonds, the “Insured Bonds”). The Policies guarantee the scheduled payment of principal of and interest on the

related Insured Bonds when due as set forth in the form of a Policy included as “APPENDIX I – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

The Policies are not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody’s issued a rating action report stating that it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Capitalization of AGM

At June 30, 2014, AGM’s policyholders’ surplus and contingency reserve were approximately \$3,654 million and its net unearned premium reserve was approximately \$1,850 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM’s wholly-owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM’s indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (filed by AGL with the SEC on February 28, 2014);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (filed by AGL with the SEC on May 9, 2014); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014 (filed by AGL with the SEC on August 8, 2014).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Insured Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Insured Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Insured Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Insured Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE.”

THE DISSOLUTION ACT

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Predecessor Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Predecessor Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Predecessor Agency, with the same legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedules. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recognized Obligation Payment Schedules," "APPENDIX A-1 – "SUMMARY OF CERTAIN PROVISIONS OF THE 2014A INDENTURE -Definitions" and APPENDIX A-2 – "SUMMARY OF CERTAIN PROVISIONS OF THE 2014B and 2014C INDENTURE – Definitions."

The Dissolution Act further provides that bonds authorized thereunder to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Successor Agency under the Dissolution Act, including the Bonds, are taxes allocated to the Successor Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution and as provided in the Redevelopment Plan, taxes levied upon taxable property in the Merged Redevelopment Project Area each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "taxing agencies") after the effective date of the ordinance approving the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Merged Redevelopment Project Area, as applicable, are to be divided as follows:

- (a) To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Merged Redevelopment Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Merged Redevelopment Project Area, as applicable (each, a "base year valuation"), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and
- (b) To the Predecessor Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the Plan Limit following the Delivery Date, when collected will be paid into a special fund of the

Successor Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Predecessor Agency or the Successor Agency to finance or refinance the redevelopment projects of the Predecessor Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from paragraph (b) above.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Tax Allocation Financing

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies receiving property taxes thereafter received only that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion of property taxes produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of redevelopment agency obligations. Successor agencies have no power to levy property taxes and must rely on the allocation of taxes as described above. See “RISK FACTORS.” Pending litigation between the County and the Agua Caliente Band of Cahuilla Indians could have a material adverse effect on the receipt of Pledged Tax Revenues if determined in the tribe’s favor. See “RISK FACTORS – City Possessory Interest in Taxes; Bureau of Indian Affairs and Regulations” and Section III of “APPENDIX H – FISCAL CONSULTANT’S REPORT” for a further discussion.

Sources of Payment for the 2014A Bonds

The 2014A Bonds are payable from and secured by (i) first lien on and a security interest in, and pledge of the 2014A Pledged Tax Revenues whether held by the Successor Agency, the County or the Trustee, (ii) a first lien on and a security interest in, and pledge of the 2014A Surplus Housing Tax Revenues, if any, and (iii) a first pledge and lien on all of the monies in the Revenue Fund (including the Interest Account, the Principal Account, the Sinking Account, and the Redemption Account therein) and in the Reserve Fund established and held by the Trustee in trust for the Bondowners under the 2014A Indenture.

2014A Pledged Tax Revenues

“2014A Pledged Tax Revenues” means all taxes annually allocated to the Successor Agency with respect to the Merged Redevelopment Project Area pursuant to Article 6 of Chapter 6 (commencing with section 33670) of the Health and Safety Code and section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Redevelopment Plan, including (a) all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations, and (b) all amounts of such taxes which prior to the adoption of the Dissolution Act were required to be deposited into the Predecessor Agency low and moderate income housing fund in any Fiscal Year pursuant to Section

33334.3 of the Redevelopment Law, but only to the extent permitted under the Redevelopment Law to be applied to the payment of the principal of, premium (if any) and interest on the 2014A Bonds and any Parity Non-Housing Debt; but (i) excluding all other amounts which prior to the adoption of the Dissolution Act were required to be deposited into the Predecessor Agency low and moderate income housing fund pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Redevelopment Law, to the extent required to pay debt service on obligations that were payable from the amounts required to be deposited in the Predecessor Agency low and moderate income housing fund, (ii) excluding amounts payable by the State to the Successor Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State, (iii) excluding amounts payable which are required to be paid to any other public agency under Article 6 of Chapter 6 (commencing with section 33607.5 and 33607.7) of the Health and Safety Code or under agreement between the Successor Agency and such public agency, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the 2014A Bonds, Existing Debt and any additional Parity Non-Housing Debt, as applicable, and (iv) excluding amounts payable by the Successor Agency pursuant to that certain Promissory Note, dated December 29, 1986, by and between the Predecessor Agency and Date Palm Partnership, relating to the development of certain real property within the Merged Redevelopment Project Area.

Pursuant to the pledge of 2014A Pledged Tax Revenues made in the 2014A Indenture, as authorized by Section 34177.5(a)(1) of the Health and Safety Code of the State of California, the principal of and interest or redemption premium (if any) on the 2014A Bonds shall be payable from, and secured by a first charge and lien on 2014A Pledged Tax Revenues without any deduction or offset pursuant to Section 34179.6(h)(2) of the Dissolution Act or any other provision of law.

Taxes levied on property within the Merged Redevelopment Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the Merged Redevelopment Project Area, to the extent they constitute 2014A Pledged Tax Revenues as described herein, will be deposited in the Redevelopment Property Tax Trust Fund. Under the 2014A Indenture, 2014A Pledged Tax Revenues are deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act. Section 34177.5(g) of the Dissolution Act provides that the 2014A Bonds shall also “be secured by a pledge of, and lien on, and shall be repaid from monies deposited from time to time in the Redevelopment Property Tax Trust Fund.”

Under the 2014A Indenture, the Successor Agency must remit, from time to time, to the Trustee the amount of 2014A Pledged Tax Revenues in the Redevelopment Property Tax Trust Fund required to pay debt service on the Bonds. (See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recognized Obligation Payment Schedules”).

The 2014A Bonds are not a debt of the City, the County, the State or any of its political subdivisions (except the Successor Agency), and none of the City, the County, the State or any of its political subdivisions (except the Successor Agency) is liable therefor. The 2014A Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

2014A Surplus Housing Tax Revenues

“**2014A Surplus Housing Tax Revenues**” means tax revenues allocable to the Successor Agency for payment of enforceable obligations pursuant to a Recognized Obligation Payment Schedule on deposit in or credited to the Redevelopment Property Tax Trust Fund that are not required to be deposited under an indenture for debt service on Existing Housing Debt or replenishment of any debt service reserve for Existing Housing Debt.

Following the issuance of the 2014B and 2014C Bonds and the prepayment of the 2002D Housing Loan Agreement and the 2002E Housing Loan Agreement, “Existing Housing Debt” will mean (i) the 2014B Bonds, (ii) the 2014C Bonds and (iii) any obligation of the Successor Agency that, prior to the Dissolution Act, would have been payable from amounts deposited in the Predecessor Agency’s low and moderate income housing fund.

The 2014A Surplus Housing Tax Revenues will be available for payment of the principal of and interest or redemption premium (if any) on the 2014A Bonds, or for the replenishment of the respective Reserve Accounts. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordinate Pledged Tax Revenues.”

Outstanding Successor Agency Non-Housing Indebtedness

The Predecessor Agency issued various other outstanding indebtedness that remains outstanding and is payable from tax increment generated by the Merged Redevelopment Project Area and those portions of the Merged Redevelopment Project Area that, prior to being merged, were previously identified as Project Area No. 1, Project Area No. 2 and Project Area No. 3. The 2014A Indenture provides that the pledge of the 2014A Pledged Tax Revenues securing the 2014A Bonds is on parity with the pledge of tax revenues securing certain outstanding bonded indebtedness of the Predecessor Agency and related loan agreements. The Successor Agency has other debt secured by tax increment from the Merged Project Redevelopment Area and component areas of the Merged Redevelopment Project Area. See “MERGED REDEVELOPMENT PROJECT AREA – Other Obligations Payable from Tax Increment” herein. The below table summarizes the outstanding non-housing indebtedness of the Successor Agency following the issuance of the 2014A Bonds. The corresponding issue of Authority Bonds is provided in parenthesis next to the relevant non-housing indebtedness.

Summary of Outstanding Non-Housing Indebtedness

<u>Bonds and Loan Agreements</u> ⁽¹⁾	<u>Outstanding Principal Amount</u>	<u>Final Maturity Date</u>
Agency 2007A Merged Redevelopment Project Area Bonds (2007A Authority Bonds)	\$ 29,740,000	August 1, 2035
Agency 2007B Merged Redevelopment Project Area Taxable Bonds (2007B Authority Taxable Bonds)	43,445,000	August 1, 2031
Subordinate Bonds ⁽²⁾ (2007C Authority Subordinate Bonds)	28,190,000	August 1, 2035
Agency 2004B Project Area No. 3 2004 Taxable Bonds (2004B Authority Bonds)	6,930,000	August 1, 2034
2000 First Merged Project Area Loan Agreement (2000 Authority Bonds)	2,221,000.40	August 1, 2033

⁽¹⁾ The bonded indebtedness shown in the table was originally issued with liens on either the Merged Project Area (Nos. 1 and 2) or Project Area No. 3. On September 27, 2006, Merged Project Area (Nos. 1 & 2) and Project Area No. 3 were merged. The Redevelopment Law provides that after a merger of project areas tax increment for each project area may be allocated to the merged project area. The liens on tax increment under the various loan agreements or indentures of trust are subject to certain exclusions. See “SECURITY FOR THE BONDS” herein.

⁽²⁾ The Merged Redevelopment Project Area 2007 Subordinate Tax Allocation Bonds are payable on a subordinate basis to the Successor Agency’s other outstanding bonded indebtedness.

Indebtedness on Parity with the 2014A Bonds. The Predecessor Agency caused the Authority to issued several series of bonds that were secured by obligations of the Predecessor Agency payable from a pledge of tax increment derived from the Merged Project Area that is on a parity basis with the 2014A Pledged Tax Revenues. A description of these obligations follow below.

On April 12, 2000, the Authority issued \$12,311,000.40 of the 2000 Authority Bonds secured by the 2000 First Merged Project Area Loan Agreement. The 2000 First Merged Project Area Loan Agreement is secured by a pledge of tax increment from the Merged Project Area (Nos. 1 & 2). A portion of the proceeds of the 2014A Bonds will be used to prepay \$6,790,000 of the Refunded 2000 Loan Agreement, leaving the amount of \$2,221,000.40 of the 2000 First Merged Project Area Loan Agreement currently outstanding.

On December 16, 2004, the Authority issued \$8,630,000 of 2004 Taxable Tax Allocation Revenue Bonds, Series B (Cathedral City Merged Redevelopment Project Area) (the “2004B Authority Bonds”), secured by the Redevelopment Project No. 3 2004 Taxable Tax Allocation Bonds, Series B (the “Agency 2004B Project Area No. 3 Taxable Bonds”). The Agency 2004B Project Area No. 3 Taxable Bonds are secured by a pledge of certain tax increment from Project Area No. 3.

On March 9, 2007, the Authority issued \$29,740,000 of 2007 Tax Allocation Revenue Bonds, Series A (Cathedral City 2006 Merged Redevelopment Project Area) (the “2007A Authority Bonds”), secured by the Predecessor Agency’s \$29,740,000 Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A (the “Agency 2007A Merged Redevelopment Project Area Bonds”). The Authority also issued \$53,400,000 of 2007 Taxable Tax Allocation Revenue Bonds (Cathedral City 2006 Merged Redevelopment Project Area) (the “2007B Authority Taxable Bonds”) secured by the Predecessor Agency’s \$53,400,000 Merged Redevelopment Project Area 2007 Taxable Tax Allocation Bonds, Series B (the “Agency 2007B Merged Redevelopment Project Area Taxable Bonds”). The Agency 2007A Merged Redevelopment Project Area Bonds and the Agency 2007B Merged Redevelopment Project Area Taxable Bonds are secured by a pledge of certain tax increment derived from the Merged Redevelopment Project Area. Neither the Agency 2007A Merged Redevelopment Project Area Bonds or Agency 2007B Merged Redevelopment Project Area Taxable Bonds will be refunded with the proceeds of the 2014A Bonds.

Subordinate Bonds. On March 9, 2007, the Authority also issued \$31,860,000 of 2007 Subordinate Tax Allocation Bonds, Series C (Cathedral City 2006 Merged Redevelopment Project Area) (the “2007C Authority Subordinate Bonds”), which such bonds are secured by the Predecessor Agency’s \$31,860,000 2007 Merged Redevelopment Project Area 2007 Subordinate Tax Allocation Bonds, Series C (the “Subordinate Bonds”). The Subordinate Bonds are payable from tax increment derived from the Merged Redevelopment Project Area on a subordinate basis to the Bonds and other Existing Debt of the Successor Agency.

In 2013, the Successor Agency was allocated insufficient amounts from the Redevelopment Property Tax Trust Fund by the County to meet its enforceable obligations during the July-December Recognized Obligation Payment Schedule period, including the payment of a portion of the debt service on the Subordinate Bonds. In order to meet its enforceable obligations during such period, the City agreed to advance \$324,285 pursuant to a loan agreement to the Successor Agency. The Successor Agency agreed in such loan agreement to include amounts necessary for repayment of amounts owed thereunder on its future Recognized Obligation Payment Schedules. While the City has loaned funds to the Successor Agency in the past to meet its enforceable obligations, the City is under no obligation to loan the Successor Agency amounts in the future to meet its enforceable obligations if there are insufficient amounts available in the Redevelopment Property Tax Trust Fund. For additional information, see “MERGED REDEVELOPMENT PROJECT AREA – Other Obligations Payable from Tax Increment” herein.

Other Debt. The Successor Agency has other debt secured by tax increment from the Merged Redevelopment Project Area. See “MERGED REDEVELOPMENT PROJECT AREA – Other Obligations Payable from Tax Increment” herein.

Sources of Payment for the 2014B & 2014C Bonds

The 2014B Bonds and the 2014C Bonds are payable from and secured by the 2014B & 2014C Pledged Housing Tax Revenues to be derived from the Merged Redevelopment Project Area and any 2014B & 2014C Surplus Non-Housing Tax Revenues received by the 2014B and 2014C Trustee. The 2014B and 2014C Bonds are payable from and secured by (i) first lien on and a security interest in, and pledge of the 2014B & 2014C Pledged Housing Tax Revenues whether held by the Successor Agency, the County or the Trustee, (ii) a first lien on and a security interest in, and pledge of 2014B and 2014C Surplus Non-Housing Tax Revenues, if any, and (iii) a first pledge and lien on all of the monies in the Revenue Fund (including the Interest Account, the Principal Account, the Sinking Account, and the Redemption Account therein) and in the Reserve Fund established and held by the Trustee in trust for the Bondowners under the 2014B and 2014C Indenture.

“**2014B & 2014C Pledged Housing Tax Revenues**” means, annually, not less than twenty percent (20%) of all taxes allocated within the applicable Plan Limits from the Merged Redevelopment Project Area and allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with section 33670) of the Health and Safety Code and Section 16 of Article XVI of the Constitution of the State of California. 2014B & 2014C Pledged Housing Tax Revenues shall not include any amounts payable to the Successor Agency pursuant to Section 16112.7 of the California Government Code.

Pursuant to the pledge of 2014B & 2014C Pledged Housing Tax Revenues made in the 2014B and 2014C Indenture, as authorized by Section 34177.5(a)(1) of the Health and Safety Code of the State of California, the principal of and interest or redemption premium (if any) on the 2014B and 2014C Bonds shall be payable from, and secured by a first charge and lien on 2014B & 2014C Pledged Housing Tax Revenues without any deduction or offset pursuant to Section 34179.6(h)(2) of the Dissolution Act or any other provision of law.

Taxes levied on property within the Merged Redevelopment Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the Merged Redevelopment Project Area, to the extent they constitute 2014B & 2014C Pledged Housing Tax Revenues as described herein, will be deposited in the Redevelopment Property Tax Trust Fund. Under the 2014B and 2014C Indenture, 2014B & 2014C Pledged Housing Tax Revenues are deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act. Section 34177.5(g) of the Dissolution Act provides that the 2014B and 2014C Bonds shall also “be secured by a pledge of, and lien on, and shall be repaid from monies deposited from time to time in the Redevelopment Property Tax Trust Fund.”

Under the 2014B and 2014C Indenture, the Successor Agency must remit, from time to time, to the Trustee the amount of 2014B & 2014C Pledged Housing Tax Revenues in the Redevelopment Property Tax Trust Fund required to pay debt service on the 2014B and 2014C Bonds. (See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recognized Obligation Payment Schedules”).

The 2014B and 2014C Bonds are not a debt of the City, the County, the State or any of its political subdivisions (except the Successor Agency), and none of the City, the County, the State or any of its political subdivisions (except the Successor Agency) is liable therefor. The 2014B and 2014C Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

2014B & 2014C Surplus Non-Housing Tax Revenues

“**2014B & 2014C Surplus Non-Housing Tax Revenues**” means tax revenues allocable to the Successor Agency for payment of enforceable obligations pursuant to a Recognized Obligation Payment Schedule on deposit in or credited to the Redevelopment Property Tax Trust Fund that are not required to be deposited under an indenture for debt service on Existing Non-Housing Debt or replenishment of any debt service reserve for Existing Non-Housing Debt.

Following the issuance of the 2014A Bonds and the refunding of the Refunded Non-Housing Obligations, “Existing Non-Housing Debt” will mean the outstanding (i) 2014A Bonds, (ii) Agency 2007A Merged Redevelopment Project Area Bonds, (iii) Agency 2007B Merged Redevelopment Project Area Taxable Bonds, (iv) Subordinate Bonds, (v) 2000 First Merged Project Area Loan Agreement; and (vi) any obligations of the Successor Agency payable from amounts received by the Successor Agency that are not Pledged Housing Tax Revenues. See the table titled “Summary of Outstanding Non-Housing Indebtedness” under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS -- Outstanding Successor Agency Non-Housing Indebtedness.”

The 2014B & 2014C Surplus Non-Housing Tax Revenues will be available for payment of the principal of and interest or redemption premium (if any) on the 2014B and 2014C Bonds or for the replenishment of the respective Reserve Accounts. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordinate Pledged Tax Revenues.”

Outstanding Successor Agency Housing Indebtedness

Following the issuance of the 2014B Bonds and 2014C Bonds and the prepayment of the 2002D Loan Agreement and the 2002E Loan Agreement, it is anticipated that the only outstanding indebtedness of the Successor Agency payable from tax revenues derived from the Merged Redevelopment Project Area which prior to the adoption of the Dissolution Act were required to be deposited into the Predecessor Agency low and moderate income housing fund will be the 2014B Bonds and the 2014C Bonds.

Surplus Tax Revenues

Under the 2014A Indenture, the 2014A Bonds are also equally secured by a pledge of, security interest in and lien on 2014A Surplus Housing Tax Revenues, whether held in the Redevelopment Property Tax Trust Fund or by the Successor Agency or the Trustee, on a parity with the lien on 2014A Surplus Housing Tax Revenues given to Existing Non-Housing Debt (with the exception of the Subordinate Bonds). The lien of 2014A Surplus Housing Tax Revenues is made pursuant to Section 34177.5(g) of the Health and Safety Code and other applicable law. See “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES.”

Under the 2014B and 2014C Indenture, the 2014C Bonds are also equally secured by a pledge of, security interest in and lien on 2014B & 2014C Surplus Non-Housing Tax Revenues, whether held in the Redevelopment Property Tax Trust Fund or by the Successor Agency or the Trustee, on a parity with the lien on 2014B & 2014C Surplus Non-Housing Tax Revenues given to Existing Housing Debt. The lien of 2014B & 2014C Surplus Non-Housing Tax Revenues is made pursuant to Section 34177.5(g) of the Health and Safety Code and other applicable law. See “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES.”

Recognized Obligation Payment Schedules

No fewer than 90 days prior to each January 2 and June 1, the Dissolution Act requires successor agencies to prepare, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule (the "Recognized Obligation Payment Schedule") pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, "enforceable obligation" includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the Predecessor Agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Low and Moderate Income Housing Fund. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following six-month period.

Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the Low and Moderate Income Housing Fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance, (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the Predecessor Agency, as approved by the Oversight Board).

The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Accordingly, although all of the debt service payments on the Bonds have been approved by the State Department of Finance, such debt service payments must appear on the applicable Recognized Obligation Payment Schedule.

The Recognized Obligation Payment Schedule must be submitted by the Successor Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller by 90 days before the date of the next January 2 or June 1 property tax distribution. If the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by the applicable deadline, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Successor Agency's administrative cost allowance is reduced by 25% if the Successor Agency did not submit an Oversight Board-approved Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for the subsequent six-month period. The Successor Agency timely submitted to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller its Oversight Board-approved Recognized Obligation Payment Schedule by April 1, 2014, with respect to the Recognized Obligation Payment Schedule for the six-month period of July 1, 2014 through December 31, 2014. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Bonds, see "RISK FACTORS – Recognized Obligation Payment Schedules."

The Dissolution Act requires the State Department of Finance to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the Recognized Obligation Payment Schedule is submitted. Within five business days of the determination by the State Department of Finance, the Successor Agency may request additional review by the department and an opportunity to meet and confer on disputed items, if any. The State Department of Finance will notify the Successor Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable. Additionally, the County Auditor-Controller may review a submitted Recognized Obligation Payment Schedule and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items, provided that the County Auditor-Controller must provide notice of any such objections to the Successor Agency, the Oversight Board, and the State Department of Finance at least 60 days prior to the January 2 or June 1 date of property tax distribution, as applicable.

The Successor Agency covenants in the Indentures that it will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds on the date, at the place and in the manner provided in the Bonds, and that it will take all actions required under the Dissolution Act to include scheduled debt service on the Bonds, as well as any amount required under the Indentures to replenish the Reserve Fund, in Recognized Obligation Payment Schedules.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of 2014A Pledged Tax Revenues or 2014B & 2014C Pledged Housing Tax Revenues available in any six-month period to pay the principal of and interest on the Bonds (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “RISK FACTORS”).

Revenue Fund, Reserve Fund and Reserve Accounts

There is established under each of the Indentures special trust funds known as the “Revenue Fund” and the “Reserve Fund” to be held by the Trustee in trust for Bondowners.

Upon receiving 2014A Pledged Non-Housing Tax Revenues and 2014A Surplus Housing Tax Revenues, if any, with respect to the 2014A Indenture, or 2014B & 2014C Pledged Housing Tax Revenues and 2014B & 2014C Surplus Non-Housing Tax Revenues, if any, with respect to the 2014B and 2014C Indenture, the Trustee shall deposit all amounts received into the respective Revenue Fund until such time during each Bond Year as the amounts so deposited equal the aggregate amounts required to be transferred to the Trustee (i) for deposit into the Interest Account, the Principal Account, the Sinking Account and the Redemption Account of the Revenue Fund (and the applicable subaccounts created therein), (ii) for deposit into the applicable accounts created in the respective Reserve Fund, if necessary, and (iii) for amounts, if any, due and owing to the Insurer under a Policy or a Reserve Policy pursuant to the respective Indenture, in such Bond Year, in the following order of priority with respect to each respective series of Bonds:

- (a) Interest Account. Within each Interest Account, the Trustee shall create an Interest Subaccount for each Series of Bonds. On or before each Interest Payment Date, the Trustee shall set aside from the applicable Revenue Fund and deposit in the respective Interest Subaccount an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds of the related Series on such Interest Payment Date. No deposit need be made into the respective Interest Subaccount if the amount contained therein is at least equal to the interest to become due and payable on all Outstanding Bonds of the related Series on the Interest Payment Dates in such Bond Year. Subject to the applicable Indenture, all moneys in the respective Interest Subaccount will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it

becomes due and payable (including accrued interest on any Bonds of the related Series redeemed prior to maturity pursuant to the applicable Indenture).

(b) Principal Account. Within each Principal Account, the Trustee shall create a Principal Subaccount for each Series of Bonds. On or before each Principal Payment Date, the Trustee shall set aside from the applicable Revenue Fund and deposit in the respective Principal Subaccount an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on the Outstanding Bonds of the related Series on such Principal Payment Date. No deposit need be made into the respective Principal Subaccount if the amount contained therein is at least equal to the principal to become due and payable on all Outstanding Bonds of the related Series on the upcoming Principal Payment Date. Subject to the applicable Indenture, all moneys in the respective Principal Subaccount will be used and withdrawn by the Trustee solely for the purpose of paying the principal and sinking account payments on the Outstanding Bonds of the related Series as they become due and payable.

On or before each Principal Payment Date, the Trustee shall set aside from the applicable Revenue Fund and deposit in the applicable Sinking Account an amount of money equal to the Sinking Account Installment, if any, payable on the Sinking Account Payment Date in such Bond Year. The Trustee shall use moneys in the applicable Sinking Account to redeem Bonds of the applicable Series pursuant to the Indenture.

If there shall be insufficient money in the Revenue Fund to make in full all such principal payments and Sinking Account payments required to be made in such Bond Year, then the money available in the Revenue Fund shall be applied pro rata with respect to such principal payments and Sinking Account payments in the proportion that all such principal payments and Sinking Account payments bear to each other.

(c) Reserve Fund. Within each Reserve Fund, the Trustee shall create a Reserve Account for each Series of Bonds. Subject to the Indentures, all money in respective Reserve Account will be used and withdrawn by the Trustee solely for the purpose of (i) making transfers to the related Interest Account, the Principal Account and the Sinking Account (and subaccounts therein, as the case may be) for the corresponding Series of Bonds, in such order of priority, in the event of any deficiency at any time in any of such Accounts or (ii) for the retirement of all the Bonds then Outstanding. Any amount in the Reserve Fund in excess of the Reserve Requirement for the related Series of Bonds shall be withdrawn from the Reserve Fund on or before the Interest Payment Date by the Trustee and deposited in the Interest Account (for further deposit into the applicable subaccounts therein). All amounts in any Account in the respective Reserve Account five (5) Business Days before the final Interest Payment Date shall be withdrawn therefrom by the Trustee and transferred either (i) to the Interest Account and then Principal Account and the Sinking Account, to the extent required to make the deposits then required to be made under the Indentures, or (ii) if sufficient deposits have been made under the Indentures, then, as directed by the Successor Agency in any manner permitted by law pursuant to a Written Request of the Successor Agency.

The applicable Reserve Requirement may be satisfied by crediting to the respective Reserve Account moneys or a Qualified Reserve Fund Credit Instrument or any combination thereof, which in the aggregate make funds available in the respective Reserve Account in an amount equal to the applicable Reserve Requirement. Upon deposit of such Qualified Reserve Fund Credit Instrument, the Trustee shall transfer any excess amounts then on deposit in the respective Reserve Account in excess of the applicable Reserve Requirement into a segregated account of the Revenue Fund, which monies shall be applied upon written direction of the Successor Agency

either (i) to the payment within one year of the date of transfer of capital expenditures of the Successor Agency permitted by law, or (ii) to the redemption of Bonds on the earliest succeeding date on which such redemption is permitted hereby, and pending such application shall be held either not invested in investment property (as defined in section 148(b) of the Code), or invested in such property to produce a yield that is not in excess of the yield on the Bonds; *provided, however*, that the Successor Agency may by written direction to the Trustee cause an alternative use of such amounts if the Successor Agency shall first have obtained a written opinion of nationally recognized bond counsel substantially to the effect that such alternative use will not adversely affect the exclusion pursuant to section 103 of the Code of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In any case where a Reserve Account is funded with a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee shall deplete all cash balances before drawing on the Qualified Reserve Fund Credit Instrument. With regard to replenishment, any available moneys provided by the Successor Agency shall be used first to reinstate the Qualified Reserve Fund Credit Instrument and second, to replenish the cash in such Reserve Account. If the Qualified Reserve Fund Credit Instrument is drawn upon, the Successor Agency shall make payment of interest on amounts advanced under the Qualified Reserve Fund Credit Instrument after making any payments pursuant to this subsection.

Replenishment of Reserve Fund. The Trustee shall value the balances in the Accounts in the Reserve Fund on each October 1. If the balance in an Account in the Reserve Fund is less than the Reserve Requirement, the Trustee shall indicate the amount of such deficiency in a Written Request to the Successor Agency. Upon receipt of such Written Request, the Successor Agency shall immediately take all necessary action to cure such deficiency in such Account, including using best efforts to place the amount of such deficiency on a Recognized Obligation Payment Schedule. No transfers or deposits need be made to any Account in the Reserve Fund so long as there is on deposit therein a sum at least equal to the Reserve Requirement.

The Reserve Account established for one Series of Bonds is not available to pay debt service on any other Series of Bonds.

(d) Redemption Account. On or before the 5th Business Day preceding any date on which Bonds are to be redeemed, the Successor Agency will deliver or cause to be delivered funds to the Trustee for deposit in the Redemption Account an amount required to pay the principal of, interest and premium, if any, on the Bonds (other than Bonds redeemed from sinking account payments) to be redeemed on such date. Subject to the Indentures, all moneys in the applicable Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest or redemption premium (if any) on the applicable Series of Bonds to be redeemed on the date set for such redemption.

Each Indenture also creates a Rebate Fund to be held in trust by the Trustee for the purpose of collecting the amounts required, if any, to be rebated to the United States in accordance with the requirements of Section 148(f) of the Code. Section 148 of the Code requires, among other things and with certain exceptions, that any amounts earned on nonpurpose investments in excess of the amount which would have been earned if such investments were made at a rate equal to the yield on the Bonds (with the exception of the 2014C Bonds) be rebated to the United States. Each Indenture requires the Successor Agency to calculate such amount and deposit it into the Rebate Fund for eventual rebate to the United States Treasury.

Tax Sharing Agreements and Statutory Pass-Through Payments

As required by the Dissolution Act, the County Auditor-Controller is responsible for administering all pass-through payment calculations and payments. The Dissolution Act further requires that the calculation of pass-through amounts be done as it was done prior to January 1, 2011. This means that where the payments are based on revenue reduced for the former 20% housing set-aside requirement, this reduction is to continue despite the fact that the housing set-aside is no longer required. The pass-through payment obligations that are required within the Merged Redevelopment Project Area are described in Section VII of “APPENDIX H – FISCAL CONSULTANT’S REPORT” hereto.

The Redevelopment Law authorized the Predecessor Agency to enter into Tax-Sharing Agreements with taxing agencies whose territory was located within the Merged Redevelopment Project Area, whereby the Predecessor Agency would pay tax increment revenues to such taxing agencies to alleviate the financial burden or detriment caused by the Redevelopment Project. The Predecessor Agency has entered into several Tax-Sharing Agreements within the Merged Redevelopment Project Area. The Tax-Sharing Agreements for each component project area of the Merged Redevelopment Project Area are outlined in Section VII. B of “APPENDIX H – FISCAL CONSULTANT’S REPORT” hereto.

Sections 33607.5 and 33607.7 of the Redevelopment Law require the Successor Agency to make Statutory Pass-Through Payments to taxing agencies whose territory is located within the Merged Redevelopment Project Area, to alleviate the financial burden or detriment caused by the Redevelopment Project. The Dissolution Act establishes procedures whereby the Successor Agency may make such Statutory Pass-Through Payments subordinate to the payment of debt service on the Bonds. The City has agreed to subordinate its Statutory Pass-Through Payments to debt service on the Bonds. With the exception of the City’s Statutory Pass-Through Payments, the Successor Agency has not sought, and does not intend to seek, to subordinate any other Statutory Pass-Through Payments to the payment of debt service on the Bonds. A description of the Statutory Pass-Through Payments affecting the component project areas of the Merged Redevelopment Project Area can be found in Section VII. B of “APPENDIX H – FISCAL CONSULTANT’S REPORT” hereto.

Supremacy of Statutory Lien

The Dissolution Act provides several remedies to the State Department of Finance, the Auditor-Controller and to taxing entities with respect to the recovery of assets of the Predecessor Agency and amounts due to the taxing entities. One such remedy is contained in Section 34179.6(h)(2) of the Dissolution Act, which reads as follows:

“Alternatively or in addition to the remedies provided in paragraph (1), the department may direct the county auditor-controller to deduct the unpaid amount from future allocations of property tax to the successor agency under Section 34183 until the amount of payment required pursuant to subdivision (d) is accomplished.”

The reference above in Section 34179(h)(2) to Section 34183 refers to moneys in the Redevelopment Property Tax Trust Fund that constitute 2014A Pledged Tax Revenues and 2014B & 2014C Pledged Housing Tax Revenues, as applicable. Notwithstanding the above, Section 34177.5(g) of the Dissolution Act creates a statutory pledge of, and lien on, certain moneys in the Redevelopment Property Tax Trust Fund, namely, the moneys referred to in Section 34183(a)(2), to secure payment of debt service on the Bonds.

Elimination of Housing Set-Aside

Pursuant to Sections 33334.2 and 33334.3 of the Redevelopment Law, redevelopment agencies were required to set aside not less than twenty percent of all tax increment revenues allocated to redevelopment agencies from redevelopment project areas adopted after December 31, 1976, in a low- and moderate-income housing fund to be expended for authorized housing purposes. Amounts on deposit in the low- and moderate-income housing fund could be applied to pay debt service on bonds, loans, or advances of redevelopment agencies to finance low- and moderate-income housing projects.

The Dissolution Act eliminated the requirement that twenty percent of tax increment revenue be set aside and used exclusively for purposes of providing low and moderate income housing. The 2014B Bonds and the 2014C Bonds are payable from amounts of tax increment revenue that prior to the Dissolution Act were required to be set aside for low and moderate income housing. Despite the elimination of the requirement to set aside such twenty percent of tax increment revenue, the pledge of the 2014B & 2014C Pledged Housing Tax Revenues each preserve the lien on the twenty percent set-aside with respect to the 2014B Bonds, the 2014C Bonds and any debt on a parity with the 2014B Bonds and the 2014C Bonds hereafter issued. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

Riverside County Auditor-Controller

The Riverside County Auditor-Controller is responsible for establishing County fiscal and internal control policies and procedures; administering the County payroll; conducting audits and fraud investigations; monitoring social services contracts; performing mandated property tax functions; disbursing warrants to vendors, child support recipients, judgment and damages to claimants; and managing the County’s enterprise financial and payroll systems.

The Dissolution Act assigns county auditors numerous responsibilities, including the responsibility to deposit tax increment revenues attributable to each successor agency into a Redevelopment Property Tax Trust Fund held in the county treasury in the name of each successor agency. Pursuant to the Dissolution Act, county auditors disburse funds from each Redevelopment Property Tax Trust Fund twice annually, on January 2 and June 1. Such amounts include payments to affected taxing entities, payments that are required to be paid from tax increment as approved on a Recognized Obligation Payment Schedule, and various administrative fees and allowances. Remaining Redevelopment Property Tax Trust Fund balances are distributed to affected taxing entities under a prescribed method that accounts for pass-through payments. County auditors are also responsible for distributing other moneys received from successor agencies (from sale of assets etc.) to the affected taxing entities.

Certain Covenants of the Successor Agency

As long as the Bonds are outstanding, the Successor Agency will (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indentures or in any Bond issued under the Indentures, including the following covenants and agreements for the benefit of the Owners which are necessary, convenient, and desirable to secure the Bonds; provided, however, that the covenants do not require the Successor Agency to expend funds other than the 2014A Pledged Tax Revenues, 2014B & 2014C Pledged Housing Tax Revenues, 2014A Surplus Housing Tax Revenues, or the 2014B & 2014C Surplus Non-Housing Tax Revenues, as applicable:

Compliance with Health and Safety Code. The Successor Agency covenants that it will comply with all applicable requirements of the Health and Safety Code.

Recognized Obligation Payment Schedule. Pursuant to Section 34177 of the Health and Safety Code, not less than 90 days prior to each January 2 and June 1 (or such other dates as are specified in the Health and Safety Code or other applicable law), the Successor Agency shall prepare and submit to the Successor Agency Oversight Board and the State Department of Finance, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations of the Successor Agency are listed, including, debt service with respect to the Bonds, together with the source of funds expected to be used to pay for each such enforceable obligation. Such Recognized Obligation Payment Schedule shall include all scheduled interest and principal payments on the Bonds that are due and payable on February and August 1 of the Bond Year ending on August 1 of the next ensuing calendar year, together with any amount required to replenish any Account in the Reserve Fund and amounts, if any, due and owing to the Insurer under a Policy or a Reserve Policy as provided in the respective Indenture.

If, on January 2 of any year, the amount of Pledged Tax Revenues remitted by the County Auditor-Controller to the Successor Agency is less than the amount required pursuant to the preceding paragraph, then not less than 90-days prior to June 1 of such year, the Successor Agency shall prepare, and submit to the Successor Agency Oversight Board and the State Department of Finance, a Recognized Obligation Payment Schedule that includes the balance due.

Punctual Payment. The Successor Agency covenants that it will duly and punctually pay or cause to be paid the principal of and interest on the Bonds on the date, at the place and in the manner provided in the Bonds, and that it will take all actions required under the Health and Safety Code to include debt service on the Bonds.

No Priority; No Additional Parity Bonds; Refunding Bonds; Other Obligations. The Successor covenants that it will not issue any parity obligations. See “THE BONDS – No Parity Bonds Other than Refunding Bonds,” APPENDIX A-1 – “SUMMARY OF CERTAIN PROVISIONS OF THE 2014A INDENTURE – Covenants of the Successor Agency” and APPENDIX A-2 – “SUMMARY OF CERTAIN PROVISIONS OF THE 2014B and 2014C INDENTURE – Covenants of the Successor Agency.”

Use of Proceeds: Management and Operation of Properties. The Successor Agency covenants that the proceeds of the sale of the Bonds will be deposited and used as provided in the respective Indenture and that it will manage and operate all properties owned by it comprising any part of the Merged Redevelopment Project Area in a sound and proper manner and in accordance with applicable law.

Payment of Taxes and Other Charges. The Successor Agency covenants that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Successor Agency or any of the properties then owned by it in the Merged Redevelopment Project Area, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of the properties, revenues or income or which might impair the security of the Bonds or the use of Pledged Tax Revenues, or Subordinate Pledged Tax Revenues, as applicable, or other legally available funds to pay the principal of and interest and redemption premium (if any) on the Bonds, all to the end that the priority and security of the Bonds shall be preserved; provided, however, that nothing in this covenant shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of the payment.

Books and Accounts; Financial Statements. The Successor Agency covenants that it will at all times keep, or cause to be kept, proper and current books and accounts in which complete and accurate entries are made of the financial transactions and records of the Successor Agency. Within one hundred

eighty (180) days after the close of each Fiscal Year an Independent Certified Public Accountant shall prepare a post audit of the financial transactions and records of the Successor Agency for such Fiscal Year. To the extent permitted by law, such audit may be included within the annual audited financial statements of the City. Upon written request, the Successor Agency shall, as soon practicable, furnish a copy of each audit to any Owner. The Trustee shall have no duty to review such audits.

Protection of Security and Rights of Bondowners. The Successor Agency covenants to preserve and protect the security of the Bonds and the rights of the Owners and to contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the Successor Agency that the Pledged Tax Revenues or Subordinate Pledged Tax Revenues, as applicable, pledged under the Indentures cannot be used to pay debt service on the Bonds or (b) any other action affecting the validity of the Bonds or diluting the security therefor, including, with respect to the Pledged Tax Revenues.

Continuing Disclosure. The Successor Agency covenants that it will comply with and carry out all of the provisions of its Continuing Disclosure Agreement. Notwithstanding any other provision of the Indentures, failure by the Successor Agency to comply with its Continuing Disclosure Agreement shall not be considered an Event of Default; however, any participating underwriter, Owner or beneficial owner of any Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Tax Covenants. The Successor Agency covenants and agrees not to use, permit the use of, or omit to use Gross Proceeds of the 2014A Bonds, the 2014B Bonds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with such Gross Proceeds) in a manner that if made or omitted, respectively, could cause interest on the Bonds to fail to be excluded pursuant to section 103 of the Code from the gross income of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Successor Agency receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exclusion from gross income of interest on any Bond, the Successor Agency shall comply with each of the specific covenants in this Section.

See “APPENDIX A-1 – “SUMMARY OF CERTAIN PROVISIONS OF THE 2014A INDENTURE – Tax Covenants ” and “APPENDIX A-2 – “SUMMARY OF CERTAIN PROVISIONS OF THE 2014B AND 2014C INDENTURE – Tax Covenants.”

THE SUCCESSOR AGENCY TO THE CATHEDRAL CITY REDEVELOPMENT AGENCY

The Predecessor Agency was established December 2, 1981 by the City Council pursuant to the California Community Redevelopment Law, Part I of Division 24 of the California Health and Safety Code (the “Redevelopment Law”) and pursuant to the adoption of Ordinance No. 4 by the City Council on December 2, 1981.

On June 29, 2011, AB X1 26 was enacted as Chapter 5, Statutes of 2011, together with a companion bill, AB X1 27. AB X1 26 provided for the dissolution of all redevelopment agencies, but also permitted redevelopment agencies to avoid such dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the

State were dissolved, including the Predecessor Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

In anticipation of the dissolution of the Predecessor Agency, the City Council, pursuant to Resolution No. 2011-133, adopted on May 25, 2011, elected to serve as Successor Agency. On January 12, 2013, pursuant to Resolution No. 2012-153 and Section 34173 of the Dissolution Act, the City Council of the City reaffirmed its election to serve as Successor Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Predecessor Agency will not be transferred to the City nor will the assets of the Predecessor Agency become assets of the City.

Members and Officers

The Successor Agency is governed by a five-member Board of Directors (the “Board”) which consists of the Mayor of the City and the members of the City Council. The Mayor acts as the Chair of the Board, the City Manager as its Executive Director, the City Clerk as its Secretary and the City Finance Director as the Treasurer of the Successor Agency. The members and officers of the Successor Agency and the expiration dates of their terms are as follows:

<u>Name and Office</u>	<u>Expiration of Term</u>
Kathleen DeRosa, Mayor	2014
Charles Vasquez, Mayor Pro Tem	2014
Stan Henry, Council Member	2016
Gregory Pettis, Council Member	2016
Sam Toles, Council Member	2014

Successor Agency Powers

All powers of the Successor Agency are vested in the Board. Pursuant to the Dissolution Act, the Successor Agency is a separate public body from the City and succeeds to the organizational status of the Predecessor Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Successor Agency is tasked with expeditiously winding down the affairs of the Predecessor Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Successor Agency actions are subject to approval by the Oversight Board, as well as review by the State Department of Finance. California has strict laws regarding public meetings (known as the Ralph M. Brown Act) which generally make all Successor Agency and Oversight Board meetings open to the public in similar manner as City Council meetings.

Under a State initiative enacted in 1974, public officials are required to make extensive disclosures regarding their financial interests by filing such disclosures as public records. As of the date of this Official Statement, the members of the City Council and the Successor Agency, and other City and Successor Agency officials have made the required filings.

Previously, Section 33675 of the Redevelopment Law required the Predecessor Agency to file not later than the first day of October of each year with the County Auditor-Controller of a statement of indebtedness certified by the chief fiscal officer of the Predecessor Agency for each redevelopment plan which provides for the allocation of taxes (i.e., the Redevelopment Plans). The statement of indebtedness was required to contain the date on which the bonds were delivered, the principal amount, term, purposes and interest rate of the bonds and the outstanding balance and amount due on the bonds. Similar information was required to be given for each loan, advance or indebtedness that the Predecessor Agency

had incurred or entered into which is payable from tax increment. Section 33675 also provided that payments of tax increment revenues from the County Auditor-Controller to the Predecessor Agency could not exceed the amounts shown on the Predecessor Agency's statement of indebtedness. The Dissolution Act eliminates this requirement and provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, the Recognized Obligation Payment Schedule supersedes the statement of indebtedness previously required under the Redevelopment Law, and commencing from such date, the statement of indebtedness will no longer be prepared nor have any effect under the Redevelopment Law (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recognized Obligation Payment Schedule").

Plan Limitations

In 1993, Assembly Bill 1290 ("AB 1290") was passed by the California Legislature and signed into law by the Governor amending various provisions of the Redevelopment Law. Among other amendments to the Redevelopment Law, AB 1290 imposed time limits on existing redevelopment plans for the incurrence of indebtedness, the duration of the plan and the collection of the tax increment revenues.

The City Council adopted the Project Area No. 1 Redevelopment Plan by Ordinance No. 39 on November 29, 1982. On February 6, 1991, the City Council adopted an amendment to the Project Area No. 1 Redevelopment Plan with Ordinance No. 311 (the "First Amendment"), which amended and restated the tax increment limit and the limit on outstanding bond debt. The First Amendment provided that the Project Area No. 1 Redevelopment Plan be revised such that the limit on the total outstanding principal on bonded indebtedness was not to exceed \$60,000,000, and the last date to incur new debt was February 5, 2016. The First Amendment provided that the taxes cannot be divided and cannot be allocated to the Predecessor Agency in excess of \$190,000,000. On December 14, 1994, Ordinance No. 408 was adopted to conform the time limits of Project Area No. 1 Redevelopment Plan to the provisions of AB 1290. Under Ordinance No. 408, the expiration date of the Project Area No. 1 Redevelopment Plan was extended to November 28, 2022, the time limit for the incurrence of debt was extended to November 28, 2002, and the final date to repay debt with tax increment was extended to November 28, 2032. On July 9, 2003 with the adoption of Ordinance No. 578 (the "Fourth Amendment"), Project Area No. 1 Redevelopment Plan was amended to add territory to Project Area No. 1 Redevelopment Plan and to further extend the Project Area No. 1 Redevelopment Plan expiration date to July 9, 2033, the time limit for the incurrence of debt to July 9, 2023, and the last date to repay debt with tax increment to July 9, 2048.

The City Council adopted Project Area No. 2 Redevelopment Plan by Ordinance No. 61 on November 28, 1983. The Project Area No. 2 Redevelopment Plan provided that taxes will not be divided and cannot be allocated to the Predecessor Agency from Project Area No. 2 in excess of \$2,500,000 during any one fiscal year, and that the cumulative amount of taxes which may be divided and allocated to the Predecessor Agency from Project Area No. 2 cannot exceed \$51,000,000. The Project Area No. 2 Redevelopment Plan provided that the total outstanding principal of any bonds, so issued and repayable from tax increment derived from Project Area No. 2, shall not exceed \$17,000,000 at any one time. The last date to incur new debt as established by the Project Area No. 2 Redevelopment Plan was November 28, 1998. In accordance with Ordinance No. 61, Project Area No. 2 Redevelopment Plan expires 40 years from the date of adoption, November 28, 2033. No time limitation was established with regard to the last date to repay debt with tax increment. The City Council adopted Ordinance No. 409 on December 14, 1994, to conform the time limits of Project Area No. 2 to the provisions of AB 1290. In accordance with Ordinance No. 409, the Project Area No. 2 Redevelopment Plan expires on November 28, 2023, the time limit for the incurrence of debt is November 28, 1998 (which may under certain circumstances be extended to November 28, 2008) and the last date to repay debt with tax increment is November 28, 2033.

On January 28, 1998, the City Council adopted amendments to the Project Area No. 1 Redevelopment Plan and the Project Area No. 2 Redevelopment Plan by Ordinance Nos. 472 and 473, respectively, and established the Merged Project Area (No. 1 and No. 2). The amendments establish that taxes received from the Merged Project Area (No. 1 and No. 2) cannot exceed a cumulative total of \$328,000,000. The limitation is exclusive of: (1) any payments to taxing agencies made by the Predecessor Agency pursuant to Section 33607.5 and (2) any payments to taxing agencies made by the Predecessor Agency pursuant to agreements with the taxing agency adopted prior to January 1, 1994. The amendments to the Project Area No. 1 Redevelopment Plan and the Project Area No. 2 Redevelopment Plan, respectively, stipulate that the limit on outstanding bond debt within the Merged Project Area (No. 1 and No. 2) cannot exceed \$126,000,000 in principal amount at any one time. This limitation is exclusive of: (1) any principal payments to taxing agencies made by the Predecessor Agency pursuant to Section 33607.5 and (2) any principal payments to taxing agencies made by the Predecessor Agency pursuant to agreements with the taxing agency adopted prior to January 1, 1994. The Merged Project Area (No. 1 and No. 2) redevelopment plan (the “Merged Project Area (No. 1 and No. 2) Redevelopment Plan”) contains a January 1, 2014 time limit on the incurrence of new debt of, and limits the effectiveness of the plan to November 28, 2022 for Project Area No. 1 and November 28, 2023 for Project Area No. 2. The Merged Project Area (No. 1 and No. 2) Redevelopment Plan prohibited the Predecessor Agency to receive property taxes and repay indebtedness beyond November 28, 2032 for Project Area No. 1 and November 28, 2033 for Project Area No. 2.

The City Council adopted the Project Area No. 3 Redevelopment Plan by Ordinance No. 91 on November 30, 1984. The Project Area No. 3 Original Plan declares that taxes collected for certain taxing entities will be divided and allocated to the Predecessor Agency. The Project Area No. 3 Redevelopment Plan established that taxes derived from Project Area No. 3 shall not be divided and shall not be allocated to the Predecessor Agency in excess of \$45,000,000 during any one fiscal year. In accordance with the Project Area No. 3 Redevelopment Plan, the total outstanding principal of any bonds so issued and payable from Project Area No. 3 tax increments shall not exceed \$400,000,000 at any one time. The Project Area No. 3 Redevelopment Plan provided that the last date to incur new debt is November 29, 2014. The City Council adopted Ordinance No. 410 on December 14, 1994, to conform the time limits of Project Area No. 3 Redevelopment Plan to the provisions of AB 1290. In accordance with Ordinance No. 410, the limit on incurrence of debt was changed to November 29, 2004 (which may under certain circumstances be extended to November 29, 2014) and the limit on repayment of debt with tax increment was adjusted to November 29, 2024. On April 28, 1999, Ordinance No. 503 was adopted to extend the Project Area No. 3 Redevelopment Plan effectiveness to 10 years beyond the expiration date of the redevelopment plan thereby extending the last date to repay debt with tax increment to November 29, 2034.

The California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 (“SB 211”). SB 211 provides, among other things, that the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body. The Predecessor Agency adopted Ordinance No. 582 on November 25, 2003 to eliminate the deadline to incur debt under SB 211 for Project Area No. 3. On April 26, 2006, the City Council adopted Ordinance 621 to eliminate the time limits to incur debt on Project Area No. 1 and Project Area No. 2

On July 28, 2004 and pursuant to Senate Bill 1045, the City Council adopted Ordinance No. 591 for Project Area No. 1, Ordinance No. 592 for Project Area No. 2 and Ordinance No. 593 for Project Area No. 3 on July 28, 2004. By its approval of these ordinances, the effective lives and the periods within which indebtedness may be repaid in the respective redevelopment plans were extended by one year. The redevelopment plan limits shown below reflect these extensions.

Pursuant to Senate Bill 1096, on August 10, 2005, the City Council adopted Ordinance No. 605 for Project Area No. 1 and Ordinance No. 606 for Project Area No. 2 extending the term of the respective

redevelopment plans and the periods within which the Predecessor Agency may repay indebtedness by one year. On February 8, 2006, the City Council adopted Ordinance Nos. 613, 614 and 615 extending the term of the redevelopment plans and the periods that the Predecessor Agency may repay indebtedness by one additional year for Project Area No. 1, Project Area No. 2 and Project Area No. 3.

The following tables summarize the redevelopment plan limits for the Merged Redevelopment Project Area.

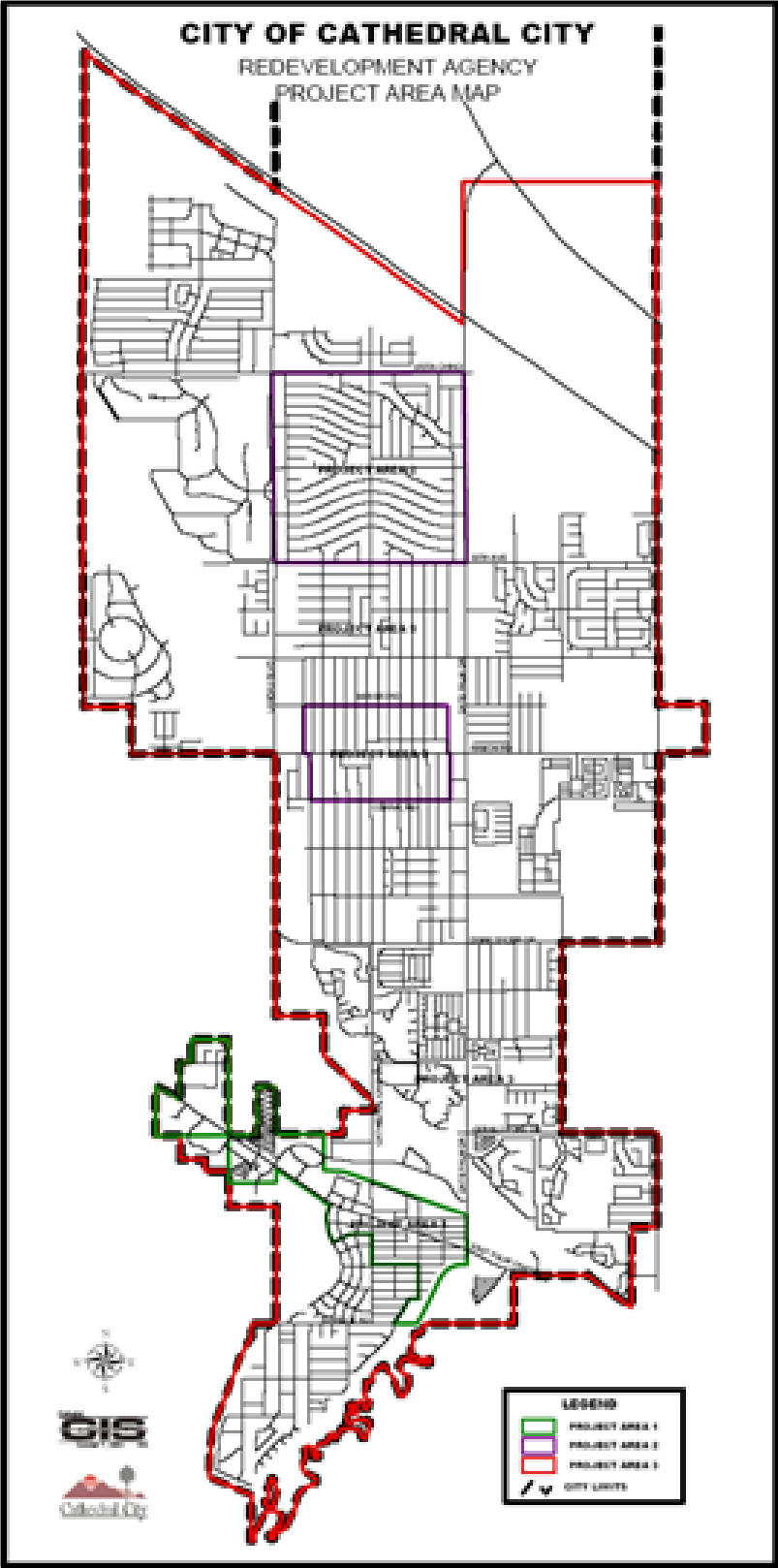
**Project Area
Redevelopment Plan Limits**

<u>Project Area</u>	<u>Plan Expiration</u>	<u>Last Date to Incur New Debt</u>	<u>Last Date to Repay Debt</u>	<u>Tax Increment Limit</u>	<u>Limit on Bonded Debt Outstanding</u>
Project Area No. 1	11/28/2025	Eliminated	11/28/2035		
Project Area No. 1 – Amendment	07/09/2033	07/09/2033	07/09/2048		
Project Area No. 2	11/28/2026	Eliminated	11/28/2036		
Merged Project Area (No. 1 and No. 2)				\$328,000,000*	\$126,000,000*
Project Area No. 3	11/29/2026	Eliminated	11/29/2036	\$45 million/FY	\$400,000,000

* The tax increment limitations exclude any tax sharing payments to taxing agencies.
Source: Successor Agency.

According to the records of the County Auditor-Controller, through fiscal year 2013-14, the Successor Agency has received a cumulative total of \$134,279,255 in tax increment revenue from the Merged Project Area (No. 1 and No. 2). Based on the projected tax increment revenues to be received by the Successor Agency, the tax increment limit of \$328 million will not be exceeded within the life of the Merged Project Area (No. 1 and No. 2) unless growth from new development and/or resale of property can be maintained at something in excess of 3.5% per year. Based on the projections of the Fiscal Consultant of tax revenue to be received by the Successor Agency within Project Area No. 3 (assuming a 2% growth rate), the annual limit of \$45 million will not be achieved in any fiscal year.

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MERGED REDEVELOPMENT PROJECT AREA

General Description

The Predecessor Agency originally established three redevelopment project areas. On September 27, 2006, the Predecessor Agency formed the Merged Redevelopment Project Area. The Redevelopment Law provides that after a merger of project areas tax increment for each project area may be allocated to the merged project area.

Project Area No. 1

On November 29, 1982, following requisite studies and hearings by the City Planning Commission and the Predecessor Agency, the City Council of the City passed Ordinance No. 39 which created Project Area No. 1. On January 28, 1998, Project Area No. 1 was merged with Project Area No. 2.

Project Area No. 1 encompasses approximately 357 acres (378 acres including the Merged Redevelopment Project Area No. 1 Fourth Amendment area, described below) and includes the majority of the downtown business district from the westerly City limits to Date Palm Drive on the east. A variety of land uses are located in the Merged Redevelopment Project Area, including single and multiple family residential, commercial, mobile home and light industrial.

The majority of the land located within Project Area No. 1 is zoned for commercial uses. The downtown area consists of approximately 100 commercial acres, although there is a small amount of multiple family housing located downtown. The Highway 111 corridor (East Palm Canyon Drive) is zoned for mixed uses including hotel, commercial and multifamily apartments and condominiums. Major commercial centers located near the central downtown business district, but not in Project Area No. 1 include: Canyon Plaza South, a retail strip mall located on a 40 acre site, which is fully developed.

The Cathedral City Auto Center (the "Auto Center") is a 35 acre regional automobile sales and service center located in Project Area No. 1. In 1986, the Predecessor Agency sold \$2,645,000 (Taxable) Certificates of Participation, Series 1986A in order to finance the acquisition of five parcels of land to be utilized in development of the Auto Center (these Certificates were fully retired in 1989). Since 1986, those parcels have been developed pursuant to Disposition and Development Agreements negotiated between the Predecessor Agency and various new car sales dealers. At present, the Auto Center contains 18 franchises including: Toyota, Kia, Lexus, Acura, Cadillac, Chrysler/Dodge, Pontiac/Buick, Jeep, Volvo, Subaru, Honda, GMC, Tesla, Nissan, Fiat and Volkswagen. One parcel was utilized in the development of public parking.

On July 9, 2003 with the adoption of Ordinance No. 578, the Redevelopment Plan for Project Area No. 1 was further amended by the Fourth Amendment (Amendment 4 AB 1290 Area) which added several properties (21 acres) to the southerly portion of Project Area No. 1. These properties were originally located in Project Area No. 3 and were deleted from the Redevelopment Plan for Project Area No. 3 concurrently with the adoption of this amendment. The Fourth Amendment also extended the Predecessor Agency's eminent domain authority within the original Project Area No. 1.

Project Area No. 1 Assessed Value Information

Assessed Valuations. The assessed valuation of properties located in Project Area No. 1 is \$224,356,934 for Fiscal Year 2014-15. This represents a \$170,551,406 incremental value over the base year assessed valuation of \$53,805,528. The first table below shows the historical assessed values for Fiscal Years 2010-11 to 2014-15 based upon the County Auditor-Controller's equalized rolls. The

second table below shows land use by assessed valuation within Project Area No. 1 for Fiscal Year 2014-15.

Table 1
Project Area No. 1
Historical Assessed Valuation Growth⁽¹⁾
Fiscal Years 2010-11 through 2014-15

<u>Fiscal Year</u>	<u>Total Assessed Value⁽²⁾</u>	<u>Less Base Year Value⁽³⁾</u>	<u>Incremental Assessed Value</u>	<u>Percentage Growth</u>
2010-11	\$220,156,041	\$50,399,629	\$169,756,412	(11.6%)
2011-12	211,213,511	50,399,629	160,813,882	(5.3)
2012-13	214,282,596	50,399,629	163,882,967	1.9
2013-14	220,346,178	50,399,629	169,946,549	3.7
2014-15	224,356,934	53,805,528	170,551,406	0.4

⁽¹⁾ Total Assessed Value includes State Unitary Utility Values.

⁽²⁾ Assessed Values do not include Project Area No. 1 Amendment until Fiscal Year 2014-15.

⁽³⁾ Base Year Value for Project 1-Amendment not used in the calculation until Fiscal Year 2014-15 when there was positive incremental value.

Source: County of Riverside County Lien Date Rolls.

Table 2
Project Area No. 1
Land Use by Assessed Value
Fiscal Year 2014-15

<u>Category</u>	<u>No. Parcels</u>	<u>Net Taxable Value</u>	<u>% of Total</u>
Residential	81	\$ 16,323,051	7.3%
Commercial	112	139,610,304	62.2%
Industrial	23	13,031,326	5.8%
Government	2	0	0.0%
Institutional	4	0	0.0%
Recreational	2	14,718,871	6.6%
Vacant land	53	16,019,295	7.1%
Exempt	174	0	0.0%
Subtotal	451	\$199,702,847	89.0%
Possessory Int. ⁽¹⁾		\$ 2,539,929	1.1%
Unsecured		22,114,158	9.9%
Subtotal		\$ 24,654,087	11.0%
Total Value	451	\$224,356,934	100.0%

⁽¹⁾ Includes time shares and mobile homes.

Source: HdL Coren & Cone.

Project Area No. 2

On November 28, 1983, following requisite studies and hearings by the City Planning Commission and the Predecessor Agency, the City Council of the City passed Ordinance No. 61 created

Project Area No. 2. On January 28, 1998 Project Area No. 2 was merged with Project Area No. 1. See “Project Area No. 1” above.

Project Area No. 2 encompasses approximately 960 acres with 3,334 individual parcels. Of the total area, approximately 700 acres are zoned for single-family residential uses; 160 acres are zoned for multi-family residential uses; and the remaining 100 acres are zoned for commercial uses. Within Project Area No. 2, approximately 2,800 lots are developed; there are approximately 500 lots which are undeveloped.

Project Area No. 2 contains two noncontiguous sub-areas. Sub area A, “Panorama,” contains approximately one square mile of area. Panorama was an early attempt to develop a large planned community of single-family homes, parks and commercial development. The large majority of the area is zoned for single-family residential and is almost completely subdivided, and is 75% developed. Sub-area B, “Ramon Road,” contains the secondary commercial strip within the City. Some commercial structures in the area are in need of reconstruction, off-street parking and other public improvements.

Project Area No. 2 Assessed Value Information

Assessed Valuations. The assessed valuation of properties located in Project Area No. 2 is \$596,100,368 for Fiscal Year 2014-15. This represents a \$568,678,643 incremental value over the base year assessed valuation of \$27,421,725. The first table below shows the historical assessed values for Fiscal Years 2010-11 to 2014-15 based upon the County Auditor-Controller’s equalized rolls. The second table below shows land use by assessed valuation within Project Area No. 2 for Fiscal Year 2014-15.

**Table 3
Project Area No. 2
Historical Assessed Valuation Growth
Fiscal Years 2010-11 through 2014-15**

<u>Fiscal Year</u>	<u>Total Assessed Value</u>	<u>Less Base Year Value</u>	<u>Incremental Assessed Value</u>	<u>Percentage Growth</u>
2010-11	\$558,134,959	\$27,421,725	\$530,713,234	(7.3%)
2011-12	534,217,535	27,421,725	506,795,810	(4.5)
2012-13	519,392,445	27,421,725	491,970,720	(2.9)
2013-14	553,955,019	27,421,725	526,533,294	7.0
2014-15	596,100,368	27,421,725	568,678,643	8.0

⁽¹⁾ Total Assessed Value does not include State Utility Values.
Source: County of Riverside County Lien Date Rolls.

Table 4
Project Area No. 2
Land Use by Assessed Value
Fiscal Year 2014-15

<u>Category</u>	<u>No. Parcels</u>	<u>Net Taxable Value</u>	<u>% of Total</u>
Residential	2,962	\$531,368,087	89.1%
Commercial	76	43,773,279	7.3%
Industrial	6	2,800,225	0.5%
Government	0	0	0.0%
Institutional	2	170,000	0.0%
Recreational	1	147,786	0.0%
Vacant land	239	7,465,156	1.3%
Exempt	<u>21</u>	<u>0</u>	<u>0.0%</u>
Subtotal	3,307	\$585,724,533	98.2%
Possessory Int. ⁽¹⁾		\$ 3,996,000	0.7%
Unsecured		<u>6,379,835</u>	<u>1.1%</u>
Subtotal		\$ 10,375,835	1.8%
Total Value	3,307	\$596,100,368	100.0%

⁽¹⁾ Includes time shares and mobile homes.
Source: HdL Coren & Cone.

Project Area No. 3

On November 30, 1984, following requisite studies and hearings by the Planning Commission and the Predecessor Agency, the City Council of the City passed Ordinance No. 91 which approved and adopted the Redevelopment Plan for Project Area No. 3. The Redevelopment Plan for Project Area No. 3 provides for the elimination of blight and deterioration which was found to exist in Project Area No. 3 in order to allow development to proceed in conformance with the City's General Plan.

Project Area No. 3 originally encompassed approximately 8,260 acres (12.9 square miles) or about 64.5% of the total incorporated area of the City (20 square miles). With the adoption of the Third Amendment (defined below), Project Area No. 3 encompasses 8,239 acres. Project Area No. 3's boundaries include the majority of the property within the City limits with the exceptions of the Merged Project Area.

The majority of undeveloped land within Project Area No. 3 has been designated for residential uses in order to promote expansion of the City's housing resources.

In 1989, 938.7 acres in Project Area No. 3 were annexed by the City of Rancho Mirage (the "Annexed Portion") pursuant to an agreement with the City. The City of Rancho Mirage waived its right to receive tax increment on the Annexed Portion.

On July 9, 2003 with the adoption of Ordinance No. 579, Project Area No. 3 was amended for the third time (the "Third Amendment"). The Third Amendment removed certain properties from Project Area No. 3 consisting of 47 parcels (21 acres) with an assessed value of approximately \$3,230,448.

Project Area No. 3 Assessed Value Information

Assessed Valuations. The assessed valuation of properties located in Project Area No. 3 is \$2,993,396,696 for Fiscal Year 2014-15. This represents a \$2,601,637,952, incremental value over the base year assessed valuation as adjusted by the Third Amendment of \$386,978,908. The first table below shows the historical assessed values for Fiscal Years 2010-11 to 2014-15 based upon the County Auditor-Controller’s equalized rolls. The second table below shows land use by assessed valuation within Project Area No. 3 in Fiscal Year 2014-15.

**Table 5
Project Area No. 3
Historical Assessed Valuation Growth
Fiscal Years 2010-11 through 2014-15**

<u>Fiscal Year</u>	<u>Total Assessed Value</u>	<u>Less Base Year Value</u>	<u>Incremental Assessed Value</u>	<u>Percentage Growth</u>
2010-11	\$2,904,655,163	\$386,978,908	\$2,517,676,255	(7.7%)
2011-12	2,786,848,350	386,978,908	2,399,869,442	(4.7)
2012-13	2,723,326,957	386,978,908	2,336,348,049	(2.6)
2013-14	2,848,273,330	391,758,744	2,456,514,586	5.1
2014-15	2,993,396,696	391,758,744	2,601,637,952	5.9

⁽¹⁾ Total Assessed Value does not include State Unitary Utility Taxes.
Source: County of Riverside County Lien Date Rolls.

**Table 6
Project Area No. 3
Land Use by Assessed Value
Fiscal Year 2014-15**

<u>Category</u>	<u>No. Parcels</u>	<u>Net Taxable Value</u>	<u>% of Total</u>
Residential	11,520	\$1,996,674,489	66.7%
Commercial	255	250,708,720	8.4%
Industrial	68	71,236,547	2.4%
Government	1	537,498	0.0%
Institutional	11	8,033	0.0%
Recreational	12	6,857,495	0.2%
Vacant land	1,202	81,526,731	2.7%
Exempt	<u>2,976</u>	<u>0</u>	<u>0.0%</u>
Subtotal	16,045	\$2,407,549,513	80.4%
Possessory Interest ⁽¹⁾		\$ 535,538,916	17.9%
Unsecured		<u>50,308,267</u>	<u>1.7%</u>
Subtotal		\$ 585,847,183	19.6%
Total Value	16,045	\$2,993,396,696	100.0%

⁽¹⁾ Includes time shares and mobile homes.
Source: HdL Coren & Cone.

Merged Redevelopment Project Area

On September 27, 2006, the Merged Project Area (Nos. 1 & 2) and Project Area No. 3 were merged. The Redevelopment Law provides that after a merger of project areas tax increment for each project area may be allocated to the merged project area. The data below is an aggregate total of the data listed above for Project Area No. 1, Project Area No. 2 and Project Area No. 3.

Shown in the table below are land uses in the Merged Redevelopment Project Area, according to Fiscal Year 2014-15 assessed value. This information is based on County land use designation as provided by Riverside County through tax roll data. It should be noted that the County land use designations do not necessarily parallel City land use and zoning designations. Unsecured and Possessory Interest values are connected with parcels that are already accounted for in other categories.

Table 7
Merged Redevelopment Project Area
Land Use by Assessed Value
Fiscal Year 2014-15

<u>Category</u>	<u>No. Parcels</u>	<u>Net Taxable Value</u>	<u>% of Total</u>
Residential	14,563	\$2,544,365,627	66.7%
Commercial	443	434,092,303	11.4%
Industrial	97	87,068,098	2.3%
Government	3	537,498	0.0%
Institutional	17	178,033	0.0%
Recreational	15	21,724,152	0.6%
Vacant land	1,494	105,011,182	2.8%
Exempt	3,171	0	0.0%
Subtotal	19,803	\$3,192,976,893	83.7%
Possessory Int. ⁽¹⁾		\$ 542,074,845	14.2%
Unsecured		78,802,260	2.1%
Subtotal		\$ 620,877,105	16.3%
Total Value	19,803	\$3,813,853,998	100.0%

⁽¹⁾ Includes time shares and mobile homes.
Source: HdL Coren & Cone.

Redevelopment Projects

In the more than 20 years since the adoption of the first Redevelopment Plan, the Predecessor Agency undertook a wide range of projects to improve and develop the Redevelopment Plan for the Merged Redevelopment Project Area. The following are examples of projects that were completed by the Predecessor Agency or that involved significant Predecessor Agency contribution:

Infrastructure:

Examples of infrastructure projects within the Merged Redevelopment Project Area that were completed with a contribution of proceeds attributable to the Predecessor Agency include the construction and reconstruction of East Palm Canyon Drive, major thoroughfare in the downtown portion of the City; the reconstruction of various streets throughout the Merged Redevelopment Project Area; hydrology projects, which included improvements to storm drains, sewers and the construction of Eagle Canyon

Dam; and the construction and widening of three bridges located in the Merged Redevelopment Project Area, which included Cathedral Canyon Bridge, Date Palm Bridge and participation in the reconstruction and widening of the overpass at Date Palm Drive and Interstate 10.

Community Facilities:

Examples of community facilities located within the Merged Redevelopment Project Area that were completed with a contribution of proceeds attributable to the Predecessor Agency include the construction and improvements to facilities of City Hall, Police Station, Fire Station, a 17 acre soccer park, a library and a large contribution to include land acquisition and infrastructure towards the Mercy Housing Senior Center located within the Merged Redevelopment Project Area.

Assessed Valuation

Assessed Valuations. From Fiscal Year 2010-11 through Fiscal Year 2014-15, values increased by a total of \$130,919,810, or approximately 3.55%. Assessed values for Fiscal Year 2014-15 have increased by \$191,291,446 with growth being found among secured parcels and unsecured billings. Secured values for Fiscal Year 2014-15 increased by \$194,122,293, or approximately 5.48%, and unsecured values for Fiscal Year 2014-15 are down relative to Fiscal Year 2013-14 by \$2,830,847, or approximately (3.47)%.

The table below shows the historical assessed values for Fiscal Years 2010-11 to 2014-15 based upon the County Auditor-Controller’s equalized rolls. See “APPENDIX H – Fiscal Consultant’s Report” for a breakout of the components of secured and unsecured assessed valuation.

**Table 8
Merged Redevelopment Project Area
Historical Assessed Valuation Growth
Fiscal Years 2010-11 through 2014-15**

Fiscal Year	Secured Assessed Value	Unsecured Assessed Value	Total Assessed Value	Less Base Year Value	Incremental Assessed Value	% Growth in Assessed Value
2010-11	3,602,068,300	80,877,863	3,682,946,163	464,800,262	3,218,145,901	(7.84)%
2011-12	3,452,486,768	79,792,628	3,532,279,396	464,800,262	3,067,479,134	(4.68)
2012-13	3,382,860,928	74,141,070	3,457,001,998	464,800,262	2,992,201,736	(2.45)
2013-14	3,540,941,420	81,633,107	3,622,574,527	469,580,098 ⁽¹⁾	3,152,994,429	5.37
2014-15	3,735,063,713	78,802,260	3,813,865,973	472,985,997 ⁽¹⁾	3,340,868,001	5.96

⁽¹⁾ Base year revised.

Source: Riverside County; HdL Coren & Cone.

Largest Tax Payers

Largest Taxpayers. The following table lists the ten largest payers of property taxes in the Merged Redevelopment Project Area for Fiscal Year 2014-15. The aggregate secured and unsecured assessed value of the top ten property taxpayers accounted for approximately 4.49% of the assessed value of the Merged Redevelopment Project Area for Fiscal Year 2014-15. For a summary of the largest taxpayers in the Merged Redevelopment Project Area, see “APPENDIX H – Fiscal Consultant’s Report – Table G.”

Table 9
Merged Redevelopment Project Area
Largest Property Taxpayers
Fiscal Year 2014-15

<u>Property Owner</u>	<u>Combined Assessed Value</u>	<u>% of Project Area Value</u>	<u>% of Project Area Incremental Value</u>	<u>Property Use</u>
Welk Park North ⁽²⁾	\$26,741,001	0.70%	0.80%	Possessory Interest
MHC Date Palm LLC ⁽²⁾	\$26,686,725	0.70%	0.80%	Possessory Interest
Robertas Limited Partnership	\$23,182,785	0.61%	0.69%	Commercial
BRE Throne Plaza Rio Vista ⁽¹⁾	\$15,210,367	0.40%	0.46%	Commercial
Meristar Sub 1C ⁽¹⁾	\$14,290,000	0.37%	0.43%	Possessory Interest
Rolling Hills Silver Spur Pickford Theatre	\$14,251,015	0.37%	0.43%	Recreational
Goble Investment	\$13,669,312	0.36%	0.41%	Industrial
Palm Springs Motors Inc. ⁽²⁾	\$13,211,180	0.35%	0.40%	Commercial
Forest Lawn Mortuary	\$11,968,491	0.31%	0.36%	Commercial, Industrial
34251 Date Palm Drive Holdings ⁽¹⁾	\$11,890,736	0.31%	0.36%	Commercial
Top Property Owner Total Value	\$171,101,612			
Project Area Assessed Value	\$3,813,853,998	4.49%		
Project Area Incremental Value	\$3,340,868,001		5.12%	

⁽¹⁾ This taxpayer has a pending assessment appeal on parcels owned.

⁽²⁾ Includes Unsecured Values.

Source: HdL Coren & Cone

Tax Rates

Tax Rates. The Merged Redevelopment Project Area consists of 200 Tax Rate Areas. A Tax Rate Area (“TRA”) consists of a geographic area where the taxes on all property are levied by the same taxing entities at the same rate. The tax rate consists of the general levy rate of \$1.00 per \$100 of taxable values and the override tax rate. The override rate is that portion of the tax rate that exceeds the general levy tax rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition 13.

A Constitutional amendment approved in June 1983 allows the levy of over-ride tax rates to repay indebtedness for the acquisition and improvement of real property, upon approval by a two-thirds vote. A subsequent amendment of the Constitution prohibits the allocation to redevelopment agencies of tax revenues derived from override tax rates levied for repayment of indebtedness approved by the voters after December 31, 1988. Tax rates that were levied to support any debt approved by voters after December 31, 1988 were not allocated to redevelopment agencies. The override tax rates typically decline each year as a result of (1) increasing property values (which would reduce the over-ride rate that must be levied to meet debt service) and (2) the eventual retirement of debt over time. There are five debt service override tax rates levied within the Merged Redevelopment Project Area and two received voter approval prior to December 31, 1988. These tax rates are levied by the Palm Springs Unified School District, Desert Sands Unified School District, the Desert Community College District, the Coachella Valley Water District and Desert Water Agency. The tax rate levied by the Coachella Valley Water District received voter approval prior to December 31, 1988 but the District was able to secure special

legislation that causes the revenue from this tax rate to be treated as if it received voter approval after January 1, 1989.

Section 34183(a)(1) of AB X1 26 requires the County Auditor-Controller to allocate all revenues attributable to tax rates levied to make annual repayments of the principal and interest on any bonded indebtedness for the acquisition or improvement of real property to the taxing entity levying the tax rate. This was initially interpreted by the County to include all revenues resulting from the override tax rates that are being levied by any taxing entity within the County. These debt service tax rates are being allocated to the levying taxing entity but are shown on the Redevelopment Property Tax Trust Fund documents as 100% pass through amounts to the levying taxing entity.

There are two debt service override tax rates levied within the Merged Redevelopment Project Area. Revenue from these tax rates are paid directly to the districts by the Auditor-Controller and have no effect on the revenues of the Successor Agency.

Appeals

Taxpayers may appeal their property tax assessments. The value of locally assessed property is appealed to the local county assessor, while the value of state assessed property is appealed to the SBE. Both real and personal property assessments can be appealed. Personal property appeals are filed based on disputes over the full cash value of the property.

Under California law, there are two types of appeals for the value of real property. A base year appeal involves the Proposition 13 value of property. If an assessee is successful with a base year appeal, the value of the property is permanently reduced. In the future, the value can only be increased by an inflation factor of up to 2 percent annually. Appeals can also be filed pursuant to Section 51(b) of the Revenue and Taxation Code. Under this section of the code, also referred to as Proposition 8 appeals, the value of property can be reduced due to damage, destruction, removal of property, general decline in the real estate market, or other factors that cause a decline in value. When the circumstance that caused the decline is reversed the value of the property can be increased up to the factored base year value of the property. Values can be reduced under Proposition 8 either based on a formal appeal or they can be set by the county assessor.

Assessment appeals data from Riverside County were reviewed by the Fiscal Consultant, and it was determined that there are 310 pending appeals on 279 parcels within the Merged Redevelopment Project Area.

The table below shows a list of outstanding appeals in the Merged Redevelopment Project Area. To estimate the potential reduction in assessed value that may occur as a result of pending appeals, a review of the historical averages for the number of appeals allowed and the amount of assessed value removed was conducted. Those averages were applied to the currently pending appeals and estimated the number of pending appeals that may be allowed and the amount of assessed value that may be removed as a result of these pending appeals. By applying these historical averages to the pending appeals, it is estimated that the Successor Agency will experience a loss in assessed value in Merged Redevelopment Project Area of \$17,456,173 on 120 of the pending appeals during Fiscal Year 2015-16. One assessment appeal was recently allowed with a redemption in value of \$11,975. This reduction has been reflected in values for Fiscal Year 2014-15. See "APPENDIX H – Fiscal Consultant's Report" for more information on assessment appeals.

Table 10
Merged Redevelopment Project Area
Pending Appeals-Analysis of Impacts

Project Sub Areas	Total No. of Appeals	No. of Resolved Appeals	No. of Successful Appeals	Average Reduction	No. of Appeals Pending⁽¹⁾	Projected No. of Appeals Allowed	Estimated Reduction on Pending Appeals Allowed (2015-16 AV Adjustment)
Project Area No. 1	52	39	25	26.22%	13	9	\$ 4,919,636
Project Area No. 2	86	71	18	15.63%	15	4	319,237
Project Area No. 3	870	588	251	19.59%	<u>251</u>	<u>107</u>	<u>12,217,301</u>
Total					279	120	\$17,456,173

⁽¹⁾ Does not reflect multiple year appeals on the same parcel.
Source: HdL Coren & Cone.

Historical Assessed Valuation and Tax Increment Revenues

The following two sections present a summary of the historical and projected assessed valuation and tax increment revenues with respect to the Merged Redevelopment Project Area, based on information provided by the Fiscal Consultant. The Successor Agency believes the assumptions upon which the Fiscal Consultant’s projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur. See “RISK FACTORS.” The Tax Revenues received during the forecast period may vary from the projections and the variations may be substantial.

A number of counties in California, including the County, have processed temporary assessed value reductions for certain properties (Proposition 8 reductions) where the assessed values exceeded the current market value of properties as of January 1, 2012 without prompting from individual taxpayers. Typically, the properties to be reviewed by the various counties for these “automatic” reductions are single family homes and condominiums which transferred ownership between 2003 and December 31, 2011. These Proposition 8 reductions were triggered because residential property values have decreased in many areas of the state, including Riverside County.

For Fiscal Year 2014-15 there are 4,489 residential parcels in the Merged Redevelopment Project Area that have been reduced in value under Proposition 8. This represents 30.8% of all residential parcels in the Merged Redevelopment Project Area. The enrolled values for these parcels are \$432.2 million below the inflation adjusted base values for these parcels. This amount represents the assessed value that may be recaptured by the reassessment of the parcels reduced in value under Prop 8 if none of these parcels is resold.

Taxes on secured property values paid by property owners are due in two equal installments on November 1 and on February 1 and become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. Prior to February 1, 2012, the County utilized a method for the distribution of tax revenue to redevelopment agencies that provided them with tax increment revenue that resembled a “Teeter Plan.” Under this method redevelopment agencies in the County received 100% of the taxes levied on the extended tax roll subject to correction, cancellation and refunds. The tax revenues of the Predecessor Agency were not subject to revenue loss due to delinquencies or gains due to redemption of unpaid taxes. The County does not publish delinquency data for redevelopment project areas or agencies and they do not publish such information on

a city level either. The property tax collection rate within the County as a whole, however, was 98% for fiscal year 2012-13 and was 97.5% for fiscal year 2011-12.

The County Auditor Controller allocates tax revenue to the Successor Agency at 100 percent of the calculated revenue and does not allocate based on collections. The Successor Agency receives 100 percent of the amount levied for any particular year.

Projected Taxable Valuation and Pledged Tax Revenues

The tax increment revenue projections for the Merged Redevelopment Project Area as prepared by HdL Coren & Cone, are summarized below. All of the projections commence with the reported values for Fiscal Year 2014-15 and present projections based on two different growth rate scenarios. For purposes of the projections shown in the first table, the Merged Redevelopment Project Area tax increment revenues have been projected based upon assumed real property (land and improvements) and personal property taxable value increases resulting from identified new developments and no annual growth in the Merged Redevelopment Project Area. For purposes of the projections shown in the second table, the Merged Redevelopment Project Area tax increment revenues have been projected based upon assumed real property (land and improvements) and personal property taxable value increases resulting from identified new developments and the annual growth factor of 2 percent, the maximum inflationary growth rate permitted by law (i.e., 2 percent) in each of the years after 2014-15. See “APPENDIX H – Fiscal Consultant’s Report – Introduction.”

Table 11
Merged Redevelopment Project Area
Projected Tax Revenues
No Growth Scenario
(\$'s in thousands)

<u>Fiscal Year</u>	<u>Gross Tax Revenues</u>	<u>Tax Increment Adjustments per Redevelopment Plan</u>	<u>SB 2557 Charge</u>	<u>Pass-Through Agreements</u>	<u>SB 211 Statutory Tax Sharing</u>	<u>Tax Revenues⁽¹⁾</u>
2014-15	\$ 33,902	\$ (10,068)	\$ (417)	\$ (5,699)	\$ (222)	\$ 17,495
2015-16	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2016-17	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2017-18	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2018-19	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2019-20	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2020-21	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2021-22	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2022-23	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2023-24	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2024-25	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2025-26	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2026-27	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2027-28	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2028-29	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2029-30	33,727	(10,021)	(415)	(5,671)	(218)	17,402
2030-31	33,727	(10,021)	(415)	(5,911)	(218)	17,162
2031-32	33,727	(10,021)	(415)	(5,911)	(218)	17,162
2032-33	33,727	(10,021)	(415)	(5,911)	(218)	17,162
2033-34	33,727	(10,021)	(415)	(5,911)	(218)	17,162
2034-35	33,778	(10,021)	(416)	(5,926)	(218)	17,197
2035-36	<u>32,022</u>	<u>(10,021)</u>	<u>(394)</u>	<u>(5,400)</u>	<u>(180)</u>	<u>16,027</u>
TOTAL	<u>\$740,522</u>	<u>\$(220,518)</u>	<u>\$(9,112)</u>	<u>\$(125,730)</u>	<u>\$(4,753)</u>	<u>\$380,400</u>

Source: HdL Coren & Cone.

⁽¹⁾ Tax Revenues shown include revenues related to tribal lease land. For a discussion of the impact of the litigation relating to the tribal leased land located within the Merged Redevelopment Project Area see “RISK FACTORS – City Possessory Interest in Taxes; Bureau of Indian Affairs and Regulations” and Section III of “APPENDIX H – FISCAL CONSULTANT’S REPORT.”

Table 12
Merged Redevelopment Project Area
Projected Tax Revenues
2% Growth Scenario
(\$'s in thousands)

<u>Fiscal Year</u>	<u>Gross Tax Revenues</u>	<u>Tax Increment Adjustments per Redevelopment Plan</u>	<u>SB 2557 Charge</u>	<u>Pass-Through Agreements</u>	<u>SB 211 Statutory Tax Sharing</u>	<u>Tax Revenues⁽¹⁾</u>
2014-15	\$ 33,902	\$ (10,068)	\$ (417)	\$ (5,699)	\$ (222)	\$ 17,495
2015-16	34,688	(10,305)	(427)	(5,832)	(233)	17,891
2016-17	35,451	(10,533)	(436)	(5,969)	(247)	18,265
2017-18	36,229	(10,767)	(446)	(6,100)	(261)	18,655
2018-19	37,023	(11,005)	(456)	(6,234)	(276)	19,053
2019-20	37,833	(11,248)	(465)	(6,370)	(291)	19,459
2020-21	38,659	(11,495)	(476)	(6,509)	(306)	19,873
2021-22	39,501	(11,748)	(486)	(6,650)	(322)	20,295
2022-23	40,360	(12,006)	(497)	(6,795)	(337)	20,726
2023-24	41,237	(12,269)	(507)	(6,942)	(354)	21,165
2024-25	42,131	(12,537)	(518)	(7,093)	(370)	21,613
2025-26	43,043	(12,810)	(530)	(7,246)	(387)	22,070
2026-27	43,973	(13,089)	(541)	(7,402)	(405)	22,536
2027-28	44,922	(13,374)	(553)	(7,562)	(422)	23,011
2028-29	45,890	(13,664)	(565)	(8,056)	(440)	23,165
2029-30	46,877	(13,960)	(577)	(8,229)	(459)	23,652
2030-31	47,884	(14,262)	(589)	(8,406)	(478)	24,149
2031-32	48,911	(14,570)	(602)	(8,587)	(497)	24,656
2032-33	49,958	(14,884)	(615)	(8,771)	(516)	25,173
2033-34	51,027	(15,204)	(628)	(8,958)	(536)	25,700
2034-35	52,168	(15,531)	(642)	(9,166)	(556)	26,273
2035-36	<u>50,484</u>	<u>(15,865)</u>	<u>(621)</u>	<u>(8,509)</u>	<u>(406)</u>	<u>25,083</u>
TOTAL	<u>\$942,148</u>	<u>\$(281,193)</u>	<u>\$(11,595)</u>	<u>\$(161,086)</u>	<u>\$(8,320)</u>	<u>\$479,959</u>

Source: HdL Coren & Cone.

⁽¹⁾ Tax Revenues shown include revenues related to tribal lease land. For a discussion of the impact of the litigation relating to the tribal leased land located within the Merged Redevelopment Project Area see “RISK FACTORS – City Possessory Interest in Taxes; Bureau of Indian Affairs and Regulations” and Section III of “APPENDIX H – FISCAL CONSULTANT’S REPORT.”

Estimated Debt Service Coverage

Non-Housing Obligations. The following tables show the debt service coverage on the Non-Housing Obligations of the Successor Agency based on estimated tax revenues from the Merged Redevelopment Project Area based on two scenarios regarding growth in tax revenues: a no growth scenario and a 2 percent growth scenario. Based on projected 2014-15 tax revenues, coverage for Maximum Annual Debt Service is approximately 117.5% under the no growth scenario and approximately 178.9% under the 2 percent growth scenario.

Table 13A
Non-Housing Obligations
Merged Redevelopment Project Area
Projected Debt Service Coverage
No Growth Scenario
Fiscal Years 2015 through 2035
(In thousands)

Fiscal Year	2014A Bonds Debt Service	Unrefunded 2000 First Merged Project Area Loan Agreement Debt Service	Redevelopment Project Area No. 3 2004 Taxable Tax Allocation Bonds Debt Service	Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A Debt Service	Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series B Debt Service	Total Parity Non-Housing Obligations Debt Service⁽¹⁾
2015	\$4,193,905	\$ -	\$594,632	\$ 1,338,300	\$4,063,011	\$5,995,943
2016	4,200,550	-	594,083	1,338,300	4,058,832	5,991,215
2017	4,193,150	-	597,992	1,338,300	4,060,284	5,996,576
2018	4,192,750	-	596,090	1,338,300	4,061,853	5,996,243
2019	4,196,750	-	593,647	1,338,300	4,058,244	5,990,191
2020	4,190,000	-	595,663	1,338,300	4,058,976	5,992,939
2021	4,197,750	-	596,077	1,338,300	4,058,510	5,992,887
2022	4,194,000	-	595,633	1,338,300	4,056,575	5,990,508
2023	3,244,000	1,075,000	594,331	1,338,300	4,062,903	7,070,534
2024	3,249,750	1,075,000	597,171	1,338,300	4,061,685	7,072,156
2025	3,225,500	1,085,000	593,867	1,338,300	4,057,921	7,075,088
2026	3,227,500	1,085,000	594,203	1,338,300	4,061,342	7,078,845
2027	3,234,250	1,085,000	593,364	1,338,300	4,056,138	7,072,802
2028	3,230,250	1,085,000	596,352	1,338,300	4,062,311	7,081,963
2029	3,230,750	1,085,000	597,872	1,338,300	4,058,781	7,079,953
2030	3,230,250	1,085,000	597,924	1,338,300	4,060,550	7,081,774
2031	3,223,500	1,085,000	596,509	3,898,300	1,501,808	7,081,617
2032	3,225,500	1,085,000	593,627	5,403,100	-	7,081,727
2033	1,945,500	1,085,000	594,277	6,795,000	-	8,474,277
2034	1,937,250	-	598,166	7,880,800	-	8,478,966
2035	-	-	-	10,591,075	-	10,591,075

⁽¹⁾ Represents the total of the debt service payable with respect to the (i) Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A, (ii) Merged Redevelopment Project Area 2007 Taxable Tax Allocation Bonds, Series B, (iii) Redevelopment Project Area No. 3 2004 Taxable Tax Allocation Bonds, Series B and (iv) 2000 First Merged Project Area Loan Agreement that will remain outstanding following the issuance of the 2014A Bonds. The amounts in this column do not include debt service on the Subordinate Bonds, which is \$2.15 million per year. Source: HdL Coren & Cone.; Stifel, Nicolaus & Company, Incorporated (2014A Bonds Debt Service Only).

Table 13B
Non-Housing Obligations
Merged Redevelopment Project Area
Projected Debt Service Coverage
No Growth Scenario
Fiscal Years 2015 through 2035
(In thousands)

Fiscal Year	Total Non-Housing Debt Service⁽²⁾	Projected Merged Redevelopment Project Area Tax Revenues⁽²⁾⁽³⁾⁽⁴⁾	Debt Service Coverage⁽²⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Projected Residual Merged Redevelopment Project Area Tax Revenues⁽³⁾⁽⁴⁾⁽⁵⁾
2015	\$10,189,848	\$12,728,690	124.9%	\$2,538,842
2016	10,191,765	12,661,203	124.2	2,469,438
2017	10,189,726	12,661,203	124.3	2,471,477
2018	10,188,993	12,661,203	124.3	2,472,210
2019	10,186,941	12,661,203	124.3	2,474,262
2020	10,182,939	12,661,203	124.3	2,478,264
2021	10,190,637	12,661,203	124.2	2,470,566
2022	10,184,508	12,661,203	124.3	2,476,695
2023	10,314,534	12,661,203	122.8	2,346,669
2024	10,321,906	12,661,203	122.7	2,339,297
2025	10,300,588	12,661,203	122.9	2,360,615
2026	10,306,345	12,661,203	122.8	2,354,858
2027	10,307,052	12,661,203	122.8	2,354,151
2028	10,312,213	12,661,203	122.8	2,348,990
2029	10,310,703	12,661,203	122.8	2,350,500
2030	10,312,024	12,661,203	122.8	2,349,179
2031	10,305,117	12,420,944	120.5	2,115,827
2032	10,307,227	12,420,944	120.5	2,113,717
2033	10,419,777	12,420,944	119.2	2,001,167
2034	10,416,216	12,420,944	119.2	2,004,728
2035	10,591,075	12,445,958	117.5	1,854,883

⁽²⁾ Total Non-Housing Debt Service is equal to the sum of the debt service on the 2014A Bonds on Table 13A and the Total Parity Non-Housing Obligations Debt Service on Table 13A.
⁽³⁾ Tax Revenues shown include revenues related to tribal lease land. For a discussion of the impact of the litigation relating to the tribal leased land located within the Merged Redevelopment Project Area see “RISK FACTORS – City Possessory Interest in Taxes; Bureau of Indian Affairs and Regulations” and Section III of “APPENDIX H – FISCAL CONSULTANT’S REPORT.”
⁽⁴⁾ Represents 2014A Pledged Tax Revenues; does not include the 2014A Surplus Housing Tax Revenues.
⁽⁵⁾ Annual subordinate obligations not accounted for above, including SB 211 subordinated pass-throughs and the debt service on the Subordinate Bonds, which is \$2.15 million per year.
⁽⁶⁾ Debt Service Coverage based on Total Non-Housing Debt Service.
Source: HdL Coren & Cone.; Stifel, Nicolaus & Company, Incorporated (2014A Bonds Debt Service Only).

Table 14A
Non-Housing Obligations
Merged Redevelopment Project Area
Projected Debt Service Coverage
2% Growth Scenario
Fiscal Years 2015 through 2035
(In thousands)

Fiscal Year	2014A Bonds Debt Service	Unrefunded 2000 First Merged Project Area Loan Agreement Debt Service	Redevelopment Project Area No. 3 2004 Taxable Tax Allocation Bonds Debt Service	Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A Debt Service	Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series B Debt Service	Total Parity Non-Housing Obligations Debt Service⁽¹⁾
2015	\$4,193,905	\$ -	\$594,632	\$1,338,300	\$4,063,011	\$5,995,943
2016	4,200,550	-	594,083	1,338,300	4,058,832	5,991,215
2017	4,193,150	-	597,992	1,338,300	4,060,284	5,996,576
2018	4,192,750	-	596,090	1,338,300	4,061,853	5,996,243
2019	4,196,750	-	593,647	1,338,300	4,058,244	5,990,191
2020	4,190,000	-	595,663	1,338,300	4,058,976	5,992,939
2021	4,197,750	-	596,077	1,338,300	4,058,510	5,992,887
2022	4,194,000	-	595,633	1,338,300	4,056,575	5,990,508
2023	3,244,000	1,075,000	594,331	1,338,300	4,062,903	7,070,534
2024	3,249,750	1,075,000	597,171	1,338,300	4,061,685	7,072,156
2025	3,225,500	1,085,000	593,867	1,338,300	4,057,921	7,075,088
2026	3,227,500	1,085,000	594,203	1,338,300	4,061,342	7,078,845
2027	3,234,250	1,085,000	593,364	1,338,300	4,056,138	7,072,802
2028	3,230,250	1,085,000	596,352	1,338,300	4,062,311	7,081,963
2029	3,230,750	1,085,000	597,872	1,338,300	4,058,781	7,079,953
2030	3,230,250	1,085,000	597,924	1,338,300	4,060,550	7,081,774
2031	3,223,500	1,085,000	596,509	3,898,300	1,501,808	7,081,617
2032	3,225,500	1,085,000	593,627	5,403,100	-	7,081,727
2033	1,945,500	1,085,000	594,277	6,795,000	-	8,474,277
2034	1,937,250	-	598,166	7,880,800	-	8,478,966
2035	-	-	-	10,591,075	-	10,591,075

⁽¹⁾ Represents the total of the debt service payable with respect to the (i) Merged Redevelopment Project Area 2007 Tax Allocation Bonds, Series A, (ii) Merged Redevelopment Project Area 2007 Taxable Tax Allocation Bonds, Series B, (iii) Redevelopment Project Area No. 3 2004 Taxable Tax Allocation Bonds, Series B and (iv) 2000 First Merged Project Area Loan Agreement that will remain outstanding following the issuance of the 2014A Bonds. The amounts in this column do not include debt service on the Subordinate Bonds, which is \$2.15 million per year. Source: HdL Coren & Cone.; Stifel, Nicolaus & Company, Incorporated (2014A Bonds Debt Service Only).

Table 14B
Non-Housing Obligations
Merged Redevelopment Project Area
Projected Debt Service Coverage
2% Growth Scenario
Fiscal Years 2015 through 2035
(In thousands)

Fiscal Year	Total Non-Housing Debt Service⁽²⁾	Projected Merged Redevelopment Project Area Tax Revenues⁽²⁾⁽³⁾⁽⁴⁾	Debt Service Coverage⁽²⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Projected Residual Merged Redevelopment Project Area Tax Revenues⁽³⁾⁽⁴⁾⁽⁵⁾
2015	\$10,189,848	\$12,728,690	124.9%	\$2,538,842
2016	10,191,765	13,014,392	127.7	2,822,627
2017	10,189,726	13,281,519	130.3	3,091,793
2018	10,188,993	13,562,641	133.1	3,373,648
2019	10,186,941	13,849,384	136.0	3,662,443
2020	10,182,939	14,141,863	138.9	3,958,924
2021	10,190,637	14,440,191	141.7	4,249,554
2022	10,184,508	14,744,485	144.8	4,559,977
2023	10,314,534	15,054,865	146.0	4,740,331
2024	10,321,906	15,371,453	148.9	5,049,547
2025	10,300,588	15,694,202	152.4	5,393,614
2026	10,306,345	16,023,406	155.5	5,717,061
2027	10,307,052	16,359,194	158.7	6,052,142
2028	10,312,213	16,701,698	162.0	6,389,485
2029	10,310,703	16,719,928	162.2	6,409,225
2030	10,312,024	17,068,815	165.5	6,756,791
2031	10,305,117	17,424,679	169.1	7,119,562
2032	10,307,227	17,787,661	172.6	7,480,434
2033	10,419,777	18,157,903	174.3	7,738,126
2034	10,416,216	18,535,549	177.9	8,119,333
2035	10,591,075	18,945,508	178.9	8,354,433

⁽²⁾ Total Non-Housing Debt Service is equal to the sum of the debt service on the 2014A Bonds on Table 13A and the Total Parity Non-Housing Obligations Debt Service on Table 13A.

⁽³⁾ Tax Revenues shown include revenues related to tribal lease land. For a discussion of the impact of the litigation relating to the tribal leased land located within the Merged Redevelopment Project Area see “RISK FACTORS – City Possessory Interest in Taxes; Bureau of Indian Affairs and Regulations” and Section III of “APPENDIX H – FISCAL CONSULTANT’S REPORT.”

⁽⁴⁾ Represents 2014A Pledged Tax Revenues; does not include the 2014A Surplus Housing Tax Revenues.

⁽⁵⁾ Annual subordinate obligations not accounted for above, including SB 211 subordinated pass-throughs and the debt service on the Subordinate Bonds, which is \$2.15 million per year.

⁽⁶⁾ Debt Service Coverage based on Total Non-Housing Debt Service.

Source: HdL Coren & Cone.; Stifel, Nicolaus & Company, Incorporated (2014A Bonds Debt Service Only).

Housing Obligations. The following table shows the debt service coverage with respect to the Housing Obligations of the Successor Agency based on two scenarios regarding growth in tax revenues: a no growth scenario and a 2 percent growth scenario. Based on projected 2014-15 tax revenues, coverage for Maximum Annual Debt Service is approximately 215% under the no growth scenario and approximately 274% under the 2 percent growth scenario.

Table 15
Merged Redevelopment Project Area
Projected Debt Service Coverage
No Growth Scenario
Fiscal Years 2015 and 2033
(In thousands)

Year Ending August 1	2014B and 2014C Bonds Debt Service	Projected Housing Tax Revenues⁽¹⁾⁽²⁾	Debt Service Coverage⁽¹⁾⁽²⁾	Projected Residual Housing Tax Revenues⁽¹⁾⁽²⁾
2015	\$2,207,660	\$4,766,740	215.9%	\$2,559,080
2016	2,206,463	4,741,156	214.9	2,534,694
2017	2,204,353	4,741,156	215.1	2,536,804
2018	2,208,223	4,741,156	214.7	2,532,934
2019	2,209,073	4,741,156	214.6	2,532,084
2020	2,204,183	4,741,156	215.1	2,536,974
2021	2,200,710	4,741,156	215.4	2,540,446
2022	2,203,410	4,741,156	215.2	2,537,746
2023	2,202,010	4,741,156	215.3	2,539,146
2024	2,206,675	4,741,156	214.9	2,534,481
2025	2,207,138	4,741,156	214.8	2,534,019
2026	2,210,313	4,741,156	214.5	2,530,844
2027	2,204,438	4,741,156	215.1	2,536,719
2028	2,209,625	4,741,156	214.6	2,531,531
2029	2,208,388	4,741,156	214.7	2,532,769
2030	2,203,238	4,741,156	215.2	2,537,919
2031	2,199,163	4,741,156	215.6	2,541,994
2032	2,205,925	4,741,156	214.9	2,535,231
2033	2,202,788	4,741,156	215.2	2,538,369

⁽¹⁾ Represents 2014B & 2014C Pledged Housing Tax Revenues; does not include the 2014B & 2014C Surplus Non-Housing Tax Revenues.

⁽²⁾ Tax Revenues shown include revenues related to tribal lease land. For a discussion of the impact of the litigation relating to the tribal leased land located within the Merged Redevelopment Project Area see “RISK FACTORS – City Possessory Interest in Taxes; Bureau of Indian Affairs and Regulations” and Section III of “APPENDIX H – FISCAL CONSULTANT’S REPORT.”

Source: HdL Coren & Cone.; Stifel, Nicolaus & Company, Incorporated (2014B and 2014C Bonds Debt Service Only).

Table 16
Merged Redevelopment Project Area
Projected Debt Service Coverage
2% Growth Scenario
Fiscal Years 2015 through 2033
(In thousands)

Year Ending August 1	2014B and 2014C Bonds Debt Service	Projected Housing Tax Revenues⁽¹⁾⁽²⁾	Debt Service Coverage⁽¹⁾⁽²⁾	Projected Residual Housing Tax Revenues⁽¹⁾⁽²⁾
2015	\$2,207,660	\$4,766,740	215.9%	\$2,559,080
2016	2,206,463	4,876,586	221.0	2,670,124
2017	2,204,353	4,983,435	226.1	2,779,083
2018	2,208,223	5,092,421	230.6	2,884,199
2019	2,209,073	5,203,587	235.6	2,994,515
2020	2,204,183	5,316,976	241.2	3,112,794
2021	2,200,710	5,432,633	246.9	3,231,923
2022	2,203,410	5,550,603	251.9	3,347,193
2023	2,202,010	5,670,933	257.5	3,468,923
2024	2,206,675	5,793,669	262.6	3,586,994
2025	2,207,138	5,918,860	268.2	3,711,723
2026	2,210,313	6,046,554	273.6	3,836,242
2027	2,204,438	6,176,803	280.2	3,972,366
2028	2,209,625	6,309,656	285.6	4,100,031
2029	2,208,388	6,445,167	291.8	4,236,780
2030	2,203,238	6,583,388	298.8	4,380,151
2031	2,199,163	6,724,373	305.8	4,525,211
2032	2,205,925	6,868,178	311.4	4,662,253
2033	2,202,788	7,014,859	318.5	4,812,072

⁽¹⁾ Represents 2014B & 2014C Pledged Housing Tax Revenues; does not include the 2014B & 2014C Surplus Non-Housing Tax Revenues.

⁽²⁾ Tax Revenues shown include revenues related to tribal lease land. For a discussion of the impact of the litigation relating to the tribal leased land located within the Merged Redevelopment Project Area see “RISK FACTORS – City Possessory Interest in Taxes; Bureau of Indian Affairs and Regulations” and Section III of “APPENDIX H – FISCAL CONSULTANT’S REPORT.”
Source: HdL Coren & Cone.; Stifel, Nicolaus & Company, Incorporated (2014B and 2014C Bonds Debt Service Only).

Other Obligations Payable from Tax Increment

The Predecessor Agency entered into certain obligations that are payable from the tax increment it receives from all or part of Merged Redevelopment Project Area. These obligations are summarized below.

1. **1986 Note.** Under a developer agreement, the Predecessor Agency agreed to certain financial obligations to help facilitate the development of a retail center. On December 29, 1986, the Predecessor Agency issued a promissory note (the “1986 Note”) in the amount of \$2,788,423 for the disposition and development of approximately eleven acres of real property located within Project Area No. 3 (the “Site”). The 1986 Note is payable from tax increment from the Site and other available sources of revenue of the Predecessor Agency in amounts equal to seventy percent (70%) of the sales and

use tax revenues generated from business activities conducted upon the Site. Interest on the 1986 Note accrues upon the opening of the facility and is a floating rate equal to two percent (2%) per annum over the Wells Fargo Bank prime rate. Principal and related interest is payable six months after the opening of the facility (October, 1987) and every six months thereafter, until the 1986 Note is paid in full. The 1986 Note has been accruing interest in a greater amount than the Agency's obligation to pay such interest, which is limited to seventy percent of sales tax generated at the Site. On November 22, 2027 any unpaid principal and interest owed by the Predecessor Agency under the 1986 Note is forgiven.

The 1986 Note provides that all legally available tax increment funds attributable to increases in the assessed value of the Site following the date of the 1986 Note shall be used to make debt service payments on the 1986 Note. In addition, prior to payment of the 1986 Note, the Predecessor Agency has covenanted not to pledge or encumber any such tax increment so as to impair the 1986 Note holders' rights, and any subsequent pledge of such tax increment is subject and subordinate to the 1986 Note holders' rights under the 1986 Note. Payments made pursuant to the 1986 Note have a lien on tax revenue that is superior to debt service on the Bonds. Such portion of the tax increment is excluded from the definition of 2014A Pledged Tax Revenues. See "SECURITY FOR THE BONDS – Security for the Bonds" herein.

The Site, which was being utilized by Sam's Club, is currently vacant. The City expects the Site to remain vacant or, alternatively, for the structure currently on the Site to be raised to allow for new development. Under the terms of the developer agreement, the 1986 Note will continue to be paid if any subsequent use of the Site generates sales tax. See the Report of the Fiscal Consultant attached hereto as Appendix H for more information. The Fiscal Consultant has not calculated an obligation pursuant to the 1986 Note since there is currently no sales tax generation occurring on the Site.

2. City Loan. In 2013, the Successor Agency received an insufficient distribution from the Redevelopment Property Tax Trust Fund to meet all of its enforceable obligations appearing on its Recognized Obligation Payment Schedule for the period of July 1, 2013 through December 31, 2013. Under the provisions of AB 1484, the City is permitted to loan funds to the Successor Agency for the purposes of paying Successor Agency administrative costs, enforceable obligations and project-related expenses. In August 2013, pursuant to AB 1484 and a Loan Agreement for Enforceable Obligations, Administrative Costs and Project and Project-Related Expenses (for the Period July 1, 2013 – December 31, 2013, ROPS 13/14A) (the "City Loan"), by and between the City and the Successor Agency, the City agreed to loan the Successor Agency the amount of \$324,286 to meet its enforceable obligations, including the payment of debt service on the Subordinate Bonds. The City only needed to draw down on \$275,000 of the proceeds available under the City Loan. The City Loan is repayable in two installments, with the first installment having come due on February 14, 2014 and the second installment coming due no later than July 1, 2014. The first payment, reflected on the January 1, 2013-June 30, 2014 Recognized Obligation Payment Schedule, was not made due to insufficient amounts available in the Redevelopment Property Tax Trust Fund. The first payment is expected to be paid in the July 1, 2014-December 31, 2014 Recognized Obligation Payment Schedule in the amount of \$137,745. The balance of the amount due under the City Loan is expected to be paid during the January 1, 2015-June 30, 2015 Recognized Obligation Payment Schedule. Under the City Loan, the Successor Agency has agreed to include payments to be made under the City Loan as an enforceable obligation on its Recognized Obligation Payment Schedule until the amount owed by the Successor Agency under the City Loan is fully repaid. While the City has loaned funds to the Successor Agency in the past to meet its enforceable obligations, the City is under no obligation to loan the Successor Agency amounts in the future to meet such enforceable obligations if there are insufficient amounts available in the Redevelopment Property Tax Trust Fund.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

Reduction in Taxable Value

Pledged Tax Revenues available to pay principal and interest on the Bonds are determined by the amount of incremental taxable value in the Merged Redevelopment Project Area and the current rate or rates at which property in the Merged Redevelopment Project Area is taxed. The reduction of taxable values of property in the Merged Redevelopment Project Area caused by economic factors beyond the Successor Agency's control, such as relocation out of the Merged Redevelopment Project Areas by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Pledged Tax Revenues that provide for the repayment of and security for the Bonds. Such reduction of Pledged Tax Revenues could have an adverse effect on the Successor Agency's ability to make timely payments of principal of and interest on the Bonds.

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA – Article XIII A of the State Constitution," Article XIII A provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Bonds could reduce Pledged Tax Revenues available to pay principal and interest on the Bonds.

In addition to the other limitations on, and required application under the Dissolution Act of Pledged Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund, described herein under the heading "RISK FACTORS," the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Pledged Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Successor Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the Pledge Tax Revenues and adversely affect the source of repayment and security of the Bonds.

Risks to Real Estate Market

The Successor Agency's ability to make payments on the Bonds will be dependent upon the economic strength of the Merged Redevelopment Project Area. The general economy of the Merged Redevelopment Project Area will be subject to all of the risks generally associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development

costs and by other similar factors. Further, real estate development within the Merged Redevelopment Project Area could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of the Merged Redevelopment Project Area, the owners of property within such Merged Redevelopment Project Area may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Pledged Tax Revenues by the Successor Agency from the Merged Redevelopment Project Area.

Reduction in Inflationary Rate

As described in greater detail below, Article XIII A of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation several times but in Fiscal Year 2010-11 the inflationary value adjustment was negative for the first time at -0.237%. In Fiscal Year 2011-12, the inflationary value adjustment was 0.753%, which also is below the 2% limitation. For Fiscal Year 2012-13 and 2013-14, the inflationary value adjustment is 2.00%, which is the maximum permissible increase under Article XIII A. The Successor Agency is unable to predict if any adjustments to the full cash value of real property within the Merged Redevelopment Project Area, whether an increase or a reduction, will be realized in the future.

Development Risks

The general economy of the Merged Redevelopment Project Area will be subject to all the risks generally associated with real estate development. Projected development within the Merged Redevelopment Project Area may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Merged Redevelopment Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development within the Merged Redevelopment Project Area is delayed or halted, the economy of the Merged Redevelopment Project Area could be affected. If such events lead to a decline in assessed values they could cause a reduction in Pledged Tax Revenues for the Merged Redevelopment Project Area. In addition, if there is a decline in the general economy of the Merged Redevelopment Project Area, the owners of property within the Merged Redevelopment Project Area may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of the Pledged Tax Revenues received by the Successor Agency from the Merged Redevelopment Project Area. In addition, the insolvency or bankruptcy of one or more large owners of property within the Merged Redevelopment Project Area could delay or impair the receipt of Pledged Tax Revenues by the Successor Agency.

City Possessory Interest Taxes; Bureau of Indian Affairs Regulations

The City has enjoyed a long relationship with the Agua Caliente Band of Cahuilla Indians. Established in 1876, the Agua Caliente reservation now contains more than 32,000 acres in a checkerboard pattern spanning parts of the City, the City of Palm Springs, the City of Rancho Mirage and the San Jacinto and Santa Rosa mountains. As a result of this checkerboard pattern, the reservation is deeply connected to the local communities in and infrastructure of the City. The tribe owns and operates

two 18-hole championship golf courses, the Spa Resort Casino and Hotel in downtown Palm Springs, and the Agua Caliente Casino Resort Spa in Rancho Mirage.

Certain residents of the City lease property on reservation land. When a person or entity leases, rents, or uses real estate owned by a government agency for its exclusive use, a taxable possessory interest occurs. The County collects possessory interest taxes pursuant to, among other authority, Sections 61, 107-107.9 of the Revenue and Taxation Code of the State of California from non-tribal members who lease property on reservation land. For fiscal year 2012-13, the County collected approximately \$29 million in such possessory interest taxes. The County then redistributes portions of such taxes to cities, school districts and other local governments, including the City and the Successor Agency.

On December 5, 2012, the Department of the Interior, Bureau of Indian Affairs promulgated final federal regulations, that became effective on January 4, 2013, governing the applicability of state and local taxes on surface property interests in leased tribal land. The regulations (25 CFR 162.017) (the “Property Taxation Regulations”) provide that –

(a) Subject only to applicable Federal law, permanent improvements on the leased land, without regard to ownership of those improvements, are not subject to any fee, tax, assessment, levy, or other charge imposed by any State or political subdivision of a State. Improvements may be subject to taxation by the Indian tribe with jurisdiction. (emphasis added)

(b) Subject only to applicable Federal law, activities under a lease conducted on the leased premises are not subject to any fee, tax, assessment, levy, or other charge (e.g., business use, privilege, public utility, excise, gross revenue taxes) imposed by any State or political subdivision of a State. Activities may be subject to taxation by the Indian tribe with jurisdiction.

(c) Subject only to applicable Federal law, the leasehold or possessory interest is not subject to any fee, tax, assessment, levy, or other charge imposed by any State or political subdivision of a State. Leasehold or possessory interests may be subject to taxation by the Indian tribe with jurisdiction.

In light of the Property Taxation Regulations, the Agua Caliente Band of Cahuilla Indians has sued the County and various related County defendants (*Agua Caliente Band of Cahuilla Indians v. Riverside County, et al.*; Case No. 14-00007JGB) in U.S. District Court for the Central District of California, Eastern Division to prevent the assessment of possessory interest taxes on tribal land, including land located in the Merged Redevelopment Project Area. In the complaint, the tribe argues that the possessory interest tax increases the economic burden on the tribe and its members by devaluing Indian land leases. According to the complaint, the tax also limits the tribe’s income, since it has agreed to forgo its own tax to avoid the double taxation of leaseholders. The litigation was filed in January 2014 and is in the early stages. If the tribe ultimately prevails leaseholders may potentially be entitled to refunds of possessory interest taxes collected by the County during the four year period prior to commencement of the litigation. Neither the City nor the Successor Agency can predict the outcome of this or any other litigation relating to possessory interest taxes or any other taxes imposed on leased tribal property. However, if the tribe prevails with respect to their claims and leaseholders are successful seeking refunds, the decrease in tax increment allocable to the Successor Agency may be material.

Project Area No. 1 and Project Area No. 3 have assessed value derived from possessory interest on tribal land. If the tribe prevails with respect to their claims, the loss of tax revenue net of tax sharing amounts for the Fiscal Year 2014-15, has been estimated as follows:

Project Sub Areas	Possessory Interest Value	Related Base Year Value	Net Impact on Incremental Value	General Levy	Tax Revenue Net of Tax Sharing
Project Area No. 1	\$ 31,509,648	\$ 7,165,599	\$ 24,344,049	\$ 243,441	\$ 169,688
Project Area No. 3	<u>516,009,314</u>	<u>98,923,684</u>	<u>417,085,630</u>	<u>4,170,856</u>	<u>1,627,355</u>
Total	\$547,518,962	\$106,089,283	\$441,429,679	\$4,414,297	\$1,797,043
Percentage of Project Area Tax Revenues					10.67%

Source: HdL Coren & Cone, Fiscal Consultant's Report.

As noted above, if the tribe prevails with respect to their claims and leaseholders are successful seeking refunds, taxes imposed on possessory interests on tribal land that were collected during the four year period prior to the initiation of litigation may be subject to refund. The estimated loss of tax revenue, inclusive of estimated losses in Fiscal Year 2014-15, is \$734,605 in Project Area No. 1 and \$8,942,111 in Project Area No. 3, with the cumulative loss being \$9,676,716. Neither the City nor the Successor Agency can predict the timing or amounts of any possessory interest tax refunds, should refunds be permitted in future litigation filed by any leaseholder.

Levy and Collection of Taxes

The Successor Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Pledged Tax Revenues, and accordingly, could have an adverse impact on the security for and the ability of the Successor Agency to repay the Bonds.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Merged Redevelopment Project Area, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Successor Agency's ability to make timely payments on the Bonds. Any reduction in Pledged Tax Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Successor Agency's ability to pay the principal of and interest on the Bonds.

State Budget Issues

AB X1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively. The 2011-12 State budget included projected State savings estimated to aggregate \$1.7 billion in 2011-12 associated with AB X1 27, which would have allowed redevelopment agencies to continue in operation provided their establishing cities or counties agreed to make an aggregate \$1.7 billion in payments to K-12 schools. However, AB X1 27 was found in December 2011 by the California Supreme Court to violate the State Constitution, which altered this budgetary plan of the State. According to the State's Summary of the 2012-13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (projected savings of \$1.5 billion). There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or Pledged Tax Revenues. The full text of each State Assembly bill cited above may be obtained from the "Official California Legislative Information" website maintained by the Legislative

Counsel of the State of California pursuant to State law, at the following web link: <http://www.leginfo.ca.gov/bilinfo.html>.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2013-14 Budget Summary, the current State budget and other documents related to the State budget may be found at the website of the State Department of Finance, www.dof.ca.gov. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov.

None of the websites or webpages referenced above is in any way incorporated by reference into this Official Statement. They are cited for informational purposes only. The Successor Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.

Recognized Obligation Payment Schedule

The Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the Successor Agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the Successor Agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Pledged Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller and remitted to the Trustee without a duly approved and effective Recognized Obligation Payment Schedule. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recognized Obligation Payment Schedule" and "PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedures – Recognized Obligation Payment Schedule." In the event the Successor Agency was to fail to file a Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Pledged Tax Revenues to the Successor Agency could be adversely affected for such period.

In the event a Successor Agency fails to submit to the State Department of Finance an oversight board-approved Recognized Obligation Payment Schedule complying with the provisions of the Dissolution Act within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the State Department of Finance may determine if any amount should be withheld by the applicable county auditor-controller for payments for enforceable obligations from distribution to taxing entities pursuant to clause (iv) in the following paragraph, pending approval of a Recognized Obligation Payment Schedule. Upon notice provided by the State Department of Finance to the county auditor-controller of an amount to be withheld from allocations to taxing entities, the county auditor-controller must distribute to taxing entities any monies in the Redevelopment Property Tax Trust Fund in excess of the withholding amount set forth in the notice, and the county auditor-controller must distribute withheld funds to the Successor Agency only in accordance with a Recognized Obligation Payment Schedule when and as approved by the State Department of Finance.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, the County Auditor-Controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act: (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (as described above under "SECURITY FOR THE BONDS – Statutory Pass-Through Amounts") and no later than each January 2 and June 1, to each local Successor Agency and school entity, to the extent applicable, amounts required

for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including pursuant to the Pass-Through Agreements and Statutory Pass-Through Amounts; (ii) second, on each January 2 and June 1, to the Successor Agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule; (iii) third, on each January 2 and June 1, to the Successor Agency for the administrative cost allowance, as defined in the Dissolution Act; and (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

If the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the State Department of Finance does not provide a notice to the County Auditor-Controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above. However, the Successor Agency has covenanted to take all actions required under the Dissolution Act to include scheduled debt service on the Bonds as well as any amount required under the Indenture to replenish the Reserve Fund, in Recognized Obligation Payment Schedules for each six-month period and to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Indentures or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Bonds for the next payment due in the following six-month period (see "THE INDENTURE – Covenants of the Successor Agency").

AB 1484 also adds new provisions to the Dissolution Act implementing certain penalties in the event the Successor Agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must be submitted by the Successor Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than by 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period. If the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Successor Agency's administrative cost allowance is reduced by 25% if the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods.

Syncora Litigation – Challenge to Dissolution Act

With respect to California successor agencies and the Dissolution Act in general, on August 1, 2012, Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "Syncora") filed a lawsuit against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215) (the "Syncora Lawsuit"). Syncora are monoline financial guaranty insurers domiciled in the State of New

York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleges that the Dissolution Act, and specifically the “Redistribution Provisions” thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the “contract clauses” of the United States and California Constitutions (U.S. Const. art. 1, § 10, cl.1; Cal. Const. art. 1, § 9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleges that the Redistribution Provisions violate the “Takings Clauses” of the United States and California Constitutions (U.S. Const. amend. V; Cal. Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders’ and Syncora’s contractual right to critical security mechanisms without just compensation. Specifically, the complaint alleges that the security mechanism created by the irrevocable pledge of tax increment revenues to repay the redevelopment agency debts was a critical feature of the redevelopment bonds’ marketability in at least three manners: (i) tax increment revenues which have been previously irrevocably pledged are now subject to restrictive terms such as periodic Recognized Obligation Payment Schedules, Oversight Board approval, and State Department of Finance approval, that unconstitutionally impair the contract providing for such pledge; (ii) excess tax increment revenues previously could be held by a redevelopment agency in reserve to protect against potential future shortfalls (in contrast to the provisions under the Dissolution Act that require the County Auditor-Controller to distribute surplus monies from the Redevelopment Property Tax Trust Fund amounts to taxing entities each six-month period); and (iii) the former Redevelopment Law and bond indentures or trust agreements governing redevelopment bonds typically included requirements and covenants for the redevelopment agency to use surplus tax increment revenues received in excess of amounts required for debt service on redevelopment activities, which were calculated under the Redevelopment Law to stimulate growth and general increases in assessed valuation, and therefore increase additional security for the bonds, and such covenants have been substantially and unconstitutionally impaired by the Dissolution Act, AB 1484, and in particular the Redistribution Provisions thereof.

The Syncora Lawsuit has been brought as a petition for writ of mandate, complaint for declaratory relief, inverse condemnation and injunctive relief. The injunctive relief sought includes an injunction enjoining the respondents from implementing enforcing, and/or carrying out the Redistribution Provisions, ordering respondents to immediately return all money remitted by successor agencies to local taxing agencies pursuant to the Redistribution Provisions, and ordering respondents to hold all future tax increment revenues in the Redevelopment Property Tax Trust Fund, or a similar fund, for the exclusive benefit of, and distribution to, the bondholders, until such a time when the bondholders are completely repaid. The writ of mandate was denied by the Sacramento County Superior Court on May 29, 2013.

Bankruptcy and Foreclosure

The payment of the property taxes from which Pledged Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such

delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

Estimated Revenues

In estimating that Pledged Tax Revenues will be sufficient to pay debt service on the Bonds, the Successor Agency has made certain assumptions with regard to present and future assessed valuation in the Merged Redevelopment Project Area, future tax rates and percentage of taxes collected. The Successor Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the Pledged Tax Revenues available to pay debt service on the Bonds will be less than those projected and such reduced Pledged Tax Revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the Bonds.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Merged Redevelopment Project Area. In general, the owners and operators of property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Merged Redevelopment Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

Natural Disasters

The value of the property in the Merged Redevelopment Project Area in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the Merged Redevelopment Project Area could be diminished in the aftermath of such events. A substantial reduction of the value of such properties and could affect the ability or willingness of the property owners to pay the property taxes.

The Merged Redevelopment Project Area is located in an active seismic region. The Landers earthquake (7.1 on the Richter scale) and the Big Bear earthquake (6.4 on the Richter scale) that both occurred in June, 1992 did not cause any significant damage to structures within the Merged Redevelopment Project Area that affected the assessed valuation of the property within the Merged Redevelopment Project Area. Notwithstanding the preceding, damage from an earthquake could reduce the value of the property in the Merged Redevelopment Project Area, with a corresponding reduction in the Pledged Tax Revenues pledged to the repayment of the Bonds.

Changes in the Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Pledged Tax

Revenues, which could have an adverse effect on the Successor Agency's ability to pay debt service on the Bonds.

Investment Risk

Funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See APPENDIX A-1 and APPENDIX A-2 attached hereto for a summary of the definition of Permitted Investments. The funds and accounts of the Successor Agency, into which a portion of the proceeds of the Bonds will be deposited and into which Pledged Tax Revenues are deposited, may be invested by the Successor Agency in any investment authorized by law. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

Further, the Successor Agency cannot predict the effects on the receipt of Pledged Tax Revenues if the County were to suffer significant losses in its portfolio of investments or if the County or the City were to become insolvent or declare bankruptcy. See "RISK FACTORS – Bankruptcy and Foreclosure."

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances.

In the past, the Successor Agency was not allocated sufficient funds from the Redevelopment Property Tax Trust Fund by the County to meet its enforceable obligations, including the payment of debt service on the Subordinate Bonds. Funds to meet such enforceable obligations were loaned to the Successor Agency by the City. The City is under no obligation to loan such funds to the Successor Agency in the future. If the Successor Agency does not have sufficient funds to meet its enforceable obligations, including the payment of debt service on the Subordinate Bonds, there could be an effect on the secondary market for the Bonds.

Concentration of Ownership

The risk of reduction in assessed value as a result of factors described herein may generally increase where the assessed value within the Merged Redevelopment Project Area is concentrated among a relatively few number of property owners. Ownership of property in the Merged Redevelopment Project Area is highly concentrated, with the ten largest property owners accounting for 4.49% of the Fiscal Year 2013-14 assessed valuation and 5.12% of the Merged Redevelopment Project Area incremental value. Significant reduction in the assessed values of these property owners could, by itself or in combination with other factors, have a material adverse effect on the Successor Agency's ability to pay debt service on the Bonds as such payments become due and payable.

PROPERTY TAXATION IN CALIFORNIA

Property Tax Collection Procedures

Classification. In the State, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the

assessment roll maintained by the County assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property arising pursuant to State law, regardless of the time of the creation of other liens.

Generally, ad valorem taxes are collected by a county (the "Taxing Authority") for the benefit of the various entities (cities, schools and special districts) that share in the ad valorem tax (each a taxing entity) and successor agencies eligible to receive distributions from the respective Redevelopment Property Tax Trust Fund.

Collections. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer, (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (iii) filing a certificate of delinquency for record in the county recorder's office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

Penalty. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default by operation of law and declaration of the tax collector on or about June 30 of each fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date.

Delinquencies. The valuation of property is determined as of the January 1 lien date as equalized in August of each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent August 31.

Supplemental Assessments. California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments for up to 14 months. This statute provides increased revenue to the Redevelopment Property Tax Trust Fund to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Merged Redevelopment Project Area, Pledged Tax Revenues may increase.

Property Tax Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies

among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Year 2013-14, the County's administrative charge to the Predecessor Agency and Successor Agency, together with certain charges relating to the dissolution of the Predecessor Agency, was \$394,594, and for Fiscal Year 2014-15 and future years, the County's administrative charge to the Successor Agency is estimated to be 1.23% of gross revenues.

In addition to the amounts charged by the County for administration of property taxes under SB 2557, pursuant to ABx1 26, the County may charge an administrative fee for administration of the Redevelopment Property Tax Trust Fund. The amount charged to the Successor Agency for the January 2, 2014 Redevelopment Property Tax Trust Fund allocation was \$27,544. This nominal amount has not been factored into the projections.

Statutory Pass-Through Amounts. The payment of Statutory Pass-Through Amounts (defined in each APPENDIX A-1 and APPENDIX A-2) results from (i) plan amendments which add territory in existing project areas on or after January 1, 1994 and (ii) from plan amendments which eliminates one or more limitations within a redevelopment plan (such as the removal of the time limit on the establishment of loans, advances and indebtedness). The calculation of the amount due affected taxing entities is described in Sections 33607.5 and 33607.7 of the Redevelopment Law. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Statutory Pass-Through Amounts" for further information regarding the applicability of the statutory pass-through provisions of the Redevelopment Law and the Dissolution Act to the Merged Redevelopment Project Area.

Recognized Obligation Payment Schedule. The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the Successor Agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the Successor Agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Pledged Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Successor Agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recognized Obligation Payment Schedule" and "RISK FACTORS – Recognized Obligation Payment Schedule."

Unitary Property

Assembly Bill ("AB") 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive that same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro-rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro-rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

AB 454 (Statutes of 1987, Chapter 921) further modifies chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

Article XIII A of the State Constitution

Article XIII A limits the amount of ad valorem taxes on real property to 1% of “full cash value” of such property, as determined by the county assessor. Article XIII A defines “full cash value” to mean “the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value,’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” Furthermore, the “full cash value” of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Article XIII A (i) exempts from the 1% tax limitation taxes to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain additional ad valorem taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIII A has been upheld by both the California Supreme Court and the United States Supreme Court.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms “purchase” and “change of ownership,” for the purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. This amendment to Article XIII A may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIII A to permit the Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence assessed value to the new residence. As a result of the Legislature’s action, the growth of property tax revenues may decline.

Legislation enacted by the Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

Appropriations Limitation – Article XIII B

Article XIII B limits the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The “base year” for establishing such appropriations limit is the 1978-79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Redevelopment Law provides that the allocation of taxes to a redevelopment Successor Agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by an Successor Agency of proceeds of taxes levied by or on behalf of an Successor Agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions. On the basis of these decisions, the Successor Agency has not adopted an appropriations limit.

Articles XIII C and XIII D of the State Constitution

At the election held on November 5, 1996, Proposition 218 was passed by the voters of California. The initiative added Articles XIII C and XIII D to the State Constitution. Provisions in the two articles affect the ability of local government to raise revenues. The Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218. See also “– Propositions 218 and 26” below.

Proposition 87

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the State Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on certain bonded indebtedness issued by a taxing entity (not the Predecessor Agency or the Successor Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies.

Appeals of Assessed Values

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner’s property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring to reduce the assessed value of such owner’s property in any one year must submit an application to the County Assessment Appeals Board (the “Appeals Board”). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor’s Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal’s filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of

comparable values that the property continues to be overvalued (known as “ongoing hardship”), the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. Appeals for reduction in the “base year” value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for “ongoing hardship” in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property tax revenues from which Pledged Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted. See “THE MERGED REDEVELOPMENT PROJECT AREA” for information regarding the assessed valuations of the largest taxpayers within the Merged Redevelopment Project Area.

Proposition 8

Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions under this code section may be initiated by the County Assessor or requested by the property owner.

After a roll reduction is granted under this code section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

Assessed values declined from Fiscal Year 2009-10 through Fiscal Year 2012-13 but have increased slightly in Fiscal Years 2013-14 and 2014-15. See “PLEDGED TAX REVENUES – Historical Taxable Value.” However, the Successor Agency cannot guarantee that reductions undertaken by the County Assessor or requested by a property owner pursuant to Proposition 8 will not in the future reduce the assessed valuation of property in the Merged Redevelopment Project Area and, therefore, Pledged Tax Revenues that secure the Bonds.

Propositions 218 and 26

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIII C of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. Pledged Tax Revenues securing the Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and outside of the scope of taxes which are limited by Proposition 26.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Successor Agency revenues or the Successor Agency's ability to expend revenues.

TAX MATTERS

2014A Bonds and 2014B Bonds

Tax Exemption

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the 2014A Bonds and the 2014B Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2014A Bonds and the 2014B Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the 2014A Bonds and the 2014B Bonds. The Successor Agency has covenanted in the Indentures to maintain the exclusion of the interest on the 2014A Bonds and the 2014B Bonds, respectively, from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the 2014A Bonds and the 2014B Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the 2014A Bonds and the 2014B Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the 2014A Bonds and the 2014B Bond are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the 2014A Bonds and the 2014B Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on the 2014A Bonds and the 2014B Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the Indentures and in the Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate") to be delivered by the Successor Agency in connection with the issuance of the 2014A Bonds and the 2014B Bonds, the Successor Agency will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the 2014A Bonds and the 2014B Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by the Successor Agency with such covenants.

Except as stated in this section above, Bond Counsel will not express any opinions as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the 2014A Bonds and the 2014B Bonds. Furthermore, Bond Counsel will not express any opinions as to any federal, state or local tax law consequences with respect to the 2014A Bonds and the 2014B Bonds, or the interest thereon, if any action is taken with respect to the 2014A Bonds or the 2014B Bonds or the

proceeds thereof predicated or permitted upon the advice or approval of other counsel. Bond Counsel has not undertaken to advise in the future whether any events after the dates of issuance of the 2014A Bonds and the 2014B Bonds may affect the tax status of interest on the 2014A Bonds and the 2014B Bonds or the tax consequences of the ownership of the 2014A Bonds and the 2014B Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Successor Agency described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the Successor Agency as the "taxpayer," and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the 2014A Bonds and the 2014B Bonds, the Successor Agency may have different or conflicting interest from the owners of the 2014A Bonds and the 2014B Bonds. Public awareness of any future audit of the 2014A Bonds and the 2014B Bonds could adversely affect the value and liquidity of the 2014A Bonds and the 2014B Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exemption of interest on the Bonds from personal income taxation by the State of California or of the exclusion of the interest on the 2014A Bonds and the 2014B Bonds from the gross income of the owners thereof for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the 2014A Bonds and the 2014B Bonds. Prospective purchasers of the 2014A Bonds and the 2014B Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Copies of the forms of opinion of Bond Counsel relating to the 2014A Bonds and the 2014B Bonds is included in Appendix B.

Tax Accounting Treatment of Bond Premium and Original Issue Discount

To the extent that a purchaser of a 2014A Bond or a 2014B Bond acquires that bond at a price in excess of its "stated redemption price at maturity" (within the meaning of section 1273(a)(2) of the Code), such excess will constitute "bond premium" under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner's basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its 2014A Bond or 2014B Bond is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the 2014A Bond or 2014B Bond to the owner.

The excess, if any, of the stated redemption price at maturity of 2014A Bonds or the 2014B Bonds of a maturity over the initial offering price to the public of the 2014A Bonds or the 2014B Bonds of that maturity is "original issue discount." Original issue discount accruing on a 2014A Bond or 2014B Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and is exempt from California personal income tax to the same extent as would be stated interest

on that 2014A Bond or 2014B Bond. Original issue discount on any 2014A Bond or 2014B Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the 2014A Bond or 2014B Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a 2014A Bond or 2014B Bond accruing during each period is added to the adjusted basis of such 2014A Bond or 2014B Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such 2014A Bond or 2014B Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of 2014A Bonds or 2014B Bonds who purchase such 2014A Bonds or 2014B Bonds other than at the initial offering price and pursuant to the initial offering

Persons considering the purchase of 2014A Bonds or 2014B Bonds with original issue discount or initial bond premium should consult with their own tax advisors with respect to the determination of original issue discount or amortizable bond premium on such 2014A Bonds or 2014B Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2014A Bonds or 2014B Bonds.

Other Tax Consequences

Although interest on the 2014A Bonds and the 2014B Bonds may be exempt from California personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the 2014A Bonds or the 2014B Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the 2014A Bonds and the 2014B Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the 2014A Bonds and the 2014B Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the 2014A Bonds and the 2014B Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the 2014A Bonds and the 2014B Bonds, (iii) interest on the 2014A Bonds and the 2014B Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the 2014A Bonds and the 2014B Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the 2014A Bonds and the 2014B Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the 2014A Bonds and the 2014B Bonds, may disqualify the recipients thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequences.

2014C Bonds

State Tax Exemption. In the opinion of Bond Counsel, under existing law interest on the 2014C Bonds is exempt from personal income taxes of the State of California. Copies of the forms of opinion of Bond Counsel relating to the 2014B Bonds is included in Appendix B.

Federal Income Tax Considerations. The following is a general summary of certain United States federal income tax consequences of the purchase and ownership of the 2014C Bonds. The discussion is based upon the Code, United States Treasury Regulations, rulings and decisions now in

effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein.

The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors and generally does not address consequences relating to the disposition of a 2014C Bond by the owner thereof for federal income tax purposes. Further, the discussion below does not discuss all aspects of federal income taxation that may be relevant to a particular investor in the 2014C Bonds in light of the investor's particular circumstances or to certain types of investors subject to special treatment under the federal income tax laws (including insurance companies, tax exempt organizations and other entities, financial institutions, broker-dealers, persons who have hedged the risk of owning the 2014C Bonds, traders in securities that elect to use a mark to market method of accounting, thrifts, regulated investment companies, pension and other employee benefit plans, partnerships and other pass through entities, certain hybrid entities and owners of interests therein, persons who acquire 2014C Bonds in connection with the performance of services, or persons deemed to sell 2014C Bonds under the constructive sale provisions of the Code). The discussion below also does not discuss any aspect of state, local, or foreign law or United States federal tax laws other than United States federal income tax law. The discussion below is limited to certain issues relating to initial investors who will hold the 2014C Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such 2014C Bonds for investment and not as a dealer or for resale. The discussion below addresses certain federal income tax consequences applicable to owners of the 2014C Bonds who are United States persons within the meaning of section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequences to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the Service with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

Prospective investors should note that no rulings have been or will be sought from the Service with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 2014C BONDS.

Interest on the 2014C Bonds. Bond Counsel has rendered no opinion regarding the exclusion pursuant to section 103(a) of the Code of interest on the 2014C Bonds from gross income for federal income tax purposes. The Successor Agency has taken no action to cause, and does not intend, interest on the 2014C Bonds to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. The Successor Agency intends to treat the 2014C Bonds as debt instruments for all federal income tax purposes, including any applicable reporting requirements under the Code. THE SUCCESSOR AGENCY EXPECTS THAT THE INTEREST PAID ON A 2014C BOND GENERALLY WILL BE INCLUDED IN THE GROSS INCOME OF THE OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES WHEN RECEIVED OR ACCRUED, DEPENDING UPON THE TAX ACCOUNTING METHOD OF THAT OWNER.

Disposition of 2014C Bonds, Inclusion of Acquisition Discount and Treatment of Market Discount. An owner of 2014C Bonds will generally recognize gain or loss on the sale or exchange of the 2014C Bonds equal to the difference between the sales price (exclusive of the amount paid for accrued interest) and the owner's adjusted tax basis in 2014C Bonds. Generally, the owner's adjusted tax basis in the 2014C Bonds will be the owner's initial cost, increased by original issue discount (if any) previously

included in the owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the owner's holding period for the 2014C Bonds.

Under current law, a purchaser of a 2014C Bond who did not purchase that 2014C Bond in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition (or earlier partial principal payment) of such 2014C Bond, to recognize as ordinary income a portion of the gain (or partial principal payment), if any, to the extent of the accrued "market discount." In general, market discount is the amount by which the price paid for such 2014C Bond by such a subsequent purchaser is less than the stated redemption price at maturity of that 2014C Bond (or, in the case of a 2014C Bond bearing original issue discount, is less than the "revised issue price" of that 2014C Bond (as defined below) upon such purchase), except that market discount is considered to be zero if it is less than one quarter of one percent of the principal amount times the number of complete remaining years to maturity. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire 2014C Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of such 2014C Bonds could have a material effect on the market value of such 2014C Bonds.

Stated Interest and Reporting of Interest Payments. The stated interest on the 2014C Bonds will be included in the gross income, as defined in section 61 of the Code, of the owners thereof as ordinary income for federal income tax purposes at the time it is paid or accrued, depending on the tax accounting method applicable to the owners thereof. Subject to certain exceptions, the stated interest on the 2014C Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099-INT (or other appropriate reporting form) which will reflect the name, address, and taxpayer identification number of the owner. A copy of such Form 1099-INT will be sent to each owner of a 2014C Bond for federal income tax purposes.

Original Issue Discount. If the first price at which a substantial amount of the 2014C Bonds of any stated maturity is sold (the "Issue Price") is less than the face amount of those 2014C Bonds, the excess of the face amount of each 2014C Bond of that maturity over the Issue Price of that maturity is "original issue discount." If the original issue discount on a 2014C Bond is less than the product of one quarter of one percent of its face amount times the number of complete years to its maturity, the original issue discount on that 2014C Bond will be treated as zero. Original issue discount on a 2014C Bond will be amortized over the life of the 2014C Bond using the "constant yield method" provided in the Treasury Regulations. As the original issue discount on a 2014C Bond accrues under the constant yield method, the owner of that 2014C Bond, regardless of its regular method of accounting, will be required to include such accrued amount in its gross income as interest. This can result in taxable income to the beneficial owners of the 2014C Bonds that exceeds actual cash distributions to the owners in a taxable year. To the extent that a 2014C Bond is purchased at a price that exceeds the sum of the Issue Price of that 2014C Bond and all original issue discount previously includible by any holder in gross income (the "revised issue price" of that 2014C Bond), the subsequent accrual of original issue discount to that purchaser must be reduced to reflect that premium.

The amount of the original issue discount that accrues on the 2014C Bonds each taxable year will be reported annually to the Service and to the owners. The portion of the original issue discount included in each owner's gross income while the owner holds the 2014C Bonds will increase the adjusted tax basis of the 2014C Bonds in the hands of such owner.

Amortizable Bond Premium. An owner that purchases a 2014C Bond for an amount that is greater than its stated redemption price at maturity will be considered to have purchased the 2014C Bond with “amortizable bond premium” equal in amount to such excess. The owner may elect to amortize such premium using a constant yield method over the remaining term of the 2014C Bond and may offset interest otherwise required to be included in respect of the 2014C Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a 2014C Bond held by an owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a 2014C Bond. However, if the 2014C Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the 2014C Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Owners of the 2014C Bonds should consult with their own tax advisor concerning this additional tax, as it may apply to interest earned on the 2014C Bonds as well as gain on the sale of a 2014C Bond.

Defeasance. Persons considering the purchase of a 2014C Bond should be aware that the bond documents permit the Successor Agency under certain circumstances to deposit monies or securities with the Trustee, resulting in the release of the lien of the Indenture (a “defeasance”). A defeasance could result in the realization of gain or loss by the owner of a 2014C Bond for federal income tax purposes, without any corresponding receipt of monies by the owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange. Owners of 2014C Bonds are advised to consult their own tax advisers with respect to the tax consequences resulting from such events.

Backup Withholding. Under section 3406 of the Code, an owner of a 2014C Bond who is a United States person may, under certain circumstances, be subject to “backup withholding” of current or accrued interest on a 2014C Bond or with respect to proceeds received from a disposition of the 2014C Bond. This withholding applies if such owner of a 2014C Bond: (i) fails to furnish to the payor such owner’s social security number or other taxpayer identification number (“TIN”); (ii) furnishes the payor an incorrect TIN; (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain owners of the 2014C Bonds. Owners of the 2014C Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising

from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business.

Assuming the interest income of such an owner of the 2014C Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the owner provides a statement to the payor certifying, under penalties of perjury, that such owner is not a United States person and providing the name and address of such owner; (ii) such interest is treated as not effectively connected with the owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country that the Service has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the 2014C Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such owner is not a bank receiving interest on the 2014C Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the 2014C Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge or reason to know that such person is a United States person.

The preceding discussion of certain United States federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to particular tax consequences to it of purchasing, owning, and disposing of the 2014C Bonds, including the applicability and effect of any state, local, or foreign tax laws, and of any proposed changes in applicable laws.

UNDERWRITING

The 2014A Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the 2014A Bonds at a price of \$51,770,421.41 (being the principal amount of the 2014A Bonds plus an original issue premium of \$5,956,181.05 and less an underwriters' discount of \$325,759.64). The Underwriter will purchase all of the 2014A Bonds if any are purchased.

The 2014B Bonds are being purchased by the Underwriter. The Underwriter has agreed to purchase the 2014B Bonds at a price of \$17,732,089.47 (being the principal amount of the 2014B Bonds plus an original issue premium of \$2,208,771.60 and less an underwriters' discount of \$106,682.13). The Underwriter will purchase all of the 2014B Bonds if any are purchased.

The 2014C Bonds are being purchased by the Underwriter. The Underwriter has agreed to purchase the 2014C Bonds at a price of \$11,721,155.53 (being the principal amount of the 2014C Bonds less an original issue discount of \$182,826.85 and less an underwriters' discount of \$81,017.62). The Underwriter will purchase all of the 2014C Bonds if any are purchased.

FINANCIAL ADVISOR

The Successor Agency has retained the Financial Advisor in connection with the authorization, issuance, sale and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is an independent registered municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

VERIFICATION OF MATHEMATICAL ACCURACY

Causey Demgen, & Moore, P.C., an independent accountant, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them that were prepared by the Successor Agency, relating to the sufficiency of monies deposited into the 2000 and 2002 Obligations Escrow Funds created under the 2000 and 2002 Obligations Escrow Agreement, the 2004A and 2005A Redemption pursuant to the 2004A and 2005A Escrow Instructions, 2002D Escrow Fund created under the 2002D Escrow Agreement, and the 2002E Fund created under the 2002E Escrow Agreement to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements with respect to the Refunded Non-Housing Obligations, the 2002D Housing Loan Agreement and the 2002E Housing Loan Agreement, respectively, and with respect to each related series of Authority Bonds.

The reports of Causey Demgen, & Moore, P.C., will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or date or information coming to its attention, subsequent to the date of its report.

LITIGATION

There is no action, suit or proceeding known to the Successor Agency to be pending and notice of which has been served upon and received by the Successor Agency, or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indentures or in any way contesting or affecting the validity of the foregoing or any proceedings of the Successor Agency taken with respect to any of the foregoing. On January 2, 2014, the Agua Caliente Band of Cahuilla Indians filed a complaint against the County and various related County defendants (*Agua Caliente Band of Cahuilla Indians v. Riverside County, et al.*; Case No. 14-00007JGB) in U.S. District Court for the Central District of California, Eastern Division, seeking to prevent the assessment of possessory interest taxes on tribal land, including land located in the Merged Redevelopment Project Area. If the Agua Caliente Band of Cahuilla Indians are successful in this litigation, there may be a material adverse effect on the Pledged Tax Revenues. For a discussion of the litigation and the potential impact on Pledged Tax Revenues, see “RISK FACTORS – City Possessory Interest in Taxes; Bureau of Indian Affairs and Regulations” herein.

LEGALITY FOR INVESTMENT IN CALIFORNIA

The Redevelopment Law provides that obligations authorized and issued under the Redevelopment Law will be legal investments for all banks, trust companies and savings banks, insurance companies, and various other financial institutions, as well as for trust funds. The Bonds are also authorized security for public deposits under the Redevelopment Law.

RATINGS

Standard & Poor's, A Division of McGraw-Hill Companies ("S&P") is expected to assign a rating of "AA" (Stable) to the Insured Bonds with the understanding that upon delivery of the Insured Bonds, the Policies insuring the payment of principal of and interest on respective Insured Bonds when due will be issued by AGM. See "BOND INSURANCE." In addition, S&P has assigned its rating of "BBB+" to the 2014A Bonds that are not Insured 2014A Bonds and such rating shall be the underlying rating for the Insured 2014A Bonds. S&P has assigned its rating of "A" to the 2014B Bonds that are not Insured 2014B Bonds and such rating shall be the underlying rating for Insured 2014B Bonds. S&P has assigned its rating of "A" to the 2014C Bonds that are not Insured 2014C Bonds and such rating shall serve as the underlying rating for the Insured 2014C Bonds. The ratings reflect only the view of S&P as to the credit quality of the Bonds, and explanation of the significance of the ratings may be obtained from S&P. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement, dated October 15, 2014 (the "Continuing Disclosure Agreement"), by and between the Successor Agency and Willdan Financial Services, as Dissemination Agent, the Successor Agency has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Successor Agency not later than March 31 following the end of the Successor Agency's Fiscal Year (which Fiscal Year presently ends on June 30) (the "Annual Report"), commencing with the report for Fiscal Year 2013-14, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of material events, if any, will be filed by the Successor Agency or its agent with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and the notice of certain enumerated events is set forth in "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT" herein. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

As of the date hereof, the Successor Agency is in compliance in all material respects with its continuing disclosure undertakings for the last five years, except as described below. A review of the Successor Agency's prior disclosure undertakings and its prior disclosure filings during the past five years indicates (i) certain annual reports and certain audited financial statements with respect to Fiscal Years 2008-09 through 2012-13 were not timely filed (generally days to two months late) or not filed in a few circumstances, (ii) certain annual reports for Fiscal Years 2008-09 through 2012-13 did not include all content required by the applicable disclosure undertaking, and (iii) notices of listed events relating to changes in the ratings of certain of the Successor Agency's then outstanding obligations were generally not filed. In August and September 2014, the Successor Agency has filed the annual reports and audited financial statements which were not timely filed, has filed addendums and additional information relating to annual reports to provide information not included in the annual reports filed, and has filed listed event notices that were not timely filed. The Successor Agency has established processes to ensure it will fulfill the requirements of its continuing disclosure undertakings in the future.

APPROVAL OF LEGAL PROCEEDINGS

The issuance of the Bonds is subject to the approving opinion of Bond Counsel, to be delivered in substantially the form set forth in APPENDIX B herein. Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, in its role as Bond Counsel has undertaken no responsibility to the owners of the Bonds for the accuracy, completeness or fairness of this Official Statement or any other offering material related

to the Bonds, and expresses no opinion to the Owners with respect thereto. Certain legal matters also will be passed upon by Hawkins Delafield & Wood LLP, as Underwriter's Counsel.

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EXECUTION AND DELIVERY

The execution and delivery of this Official Statement by its Executive Director has been duly authorized by the Successor Agency.

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF
CATHEDRAL CITY**

By: _____ /s/ Charlie McClendon
Executive Director

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APPENDIX A-1

SUMMARY OF CERTAIN PROVISIONS OF THE 2014A INDENTURE

The following is a summary of certain provisions of the 2014A Indenture. *For the purposes of this summary, references to the "Indenture" shall mean the 2014A Indenture.* This summary is not to be considered a full statement of the terms of such documents and accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not otherwise defined in this summary or in this Official Statement have the respective meanings set forth in the Indenture.

DEFINITIONS

"Act" means Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

"Adverse Change in State Law" means a change in State law, including any judicial decision, that adversely affects the ability of the Successor Agency to comply with or perform the related covenant set forth in the Indenture.

"Annual Debt Service" means, for any Bond Year, the principal and interest payable on the Outstanding Bonds such Bond Year.

"Authorized Denomination" means \$5,000 and any integral multiple thereof.

"Bond Counsel" means Fulbright & Jaworski LLP or a successor thereto or a firm of attorneys acceptable to the Successor Agency of nationally recognized standing in matters pertaining to the exclusion of interest on bonds from the gross income of the holders thereof issued by states and political subdivisions.

"Bond Year" means the twelve (12) month period commencing on August 2 of each year, provided that the first Bond Year shall extend from the Delivery Date to and including August 1, 2015.

"Business Day" means any day other than (i) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city in which the corporate trust office of the Trustee is located are authorized to close, or (ii) a day on which the New York Stock Exchange is closed.

"Certificate" or "Certificate of the Successor Agency" means a Written Certificate of the Successor Agency.

"Chairperson" means the Chairperson of the Successor Agency or other duly appointed officer of the Successor Agency authorized by the Successor Agency by resolution or by law to perform the functions of the Chairperson in the event of the Chairperson's absence or disqualification.

"Code" means the Internal Revenue Code of 1986.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated the Delivery Date, by and between the Successor Agency and the dissemination agent named therein, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Corporate Trust Office” means the Corporate Trust Office of the Trustee, or such other or additional offices as may be specified to the Successor Agency by the Trustee in writing.

“Costs of Issuance” means the costs and expenses incurred in connection with the issuance and sale of the Bonds including the initial fees and expenses of the Trustee, rating agency fees, verification agent fees, fees and expenses of Bond Counsel and Disclosure Counsel, other legal fees and expenses relating to the approval of the Bonds, the Indenture, other related documents and certificates and matters related thereto, costs of preparing the Bonds and printing the Official Statement, fees of financial consultants, redevelopment consultants, bond insurance or surety premium, if any, and other fees and expenses set forth in a Written Certificate of the Successor Agency.

“Costs of Issuance Fund” means the trust fund established in the Indenture.

“County” means the County of Riverside, California.

“Debt Service Coverage” means, for each Bond Year, Pledged Tax Revenues divided by Annual Debt Service.

“Defeasance Securities” means: (1) cash; or (2) obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America including: U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, General Services Administration, Guaranteed Title XI financing, Government National Mortgage Association (GNMA), and State and Local Government Series. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

“Delivery Date” means the date on which the Bonds are delivered to the initial purchaser or purchasers thereof.

“EMMA” means the Electronic Municipal Market Access System, a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org.

“Excess Tax Revenues” means, in relation to any Fiscal Year, all Pledged Tax Revenues and Subordinate Pledged Tax Revenues in excess of the amount required to pay the principal of and interest or redemption premium (if any) on the Outstanding Bonds, and to replenish, as required, any Account in the Reserve Fund pursuant to the Indenture in such Fiscal Year.

“Existing Housing Debt” means (i) 2014B Bonds, (ii) the 2014C Bonds, and (iii) any obligation of the Successor Agency that, prior to the Dissolution Act, would have been payable from amounts deposited in the Predecessor Agency’s low and moderate income housing fund.

“Existing Non-Housing Debt” means the (i) Agency 2007A Merged Redevelopment Project Area Bonds, (ii) Agency 2007B Merged Redevelopment Project Area Taxable Bonds, (iii) Subordinate Bonds, (iv) Agency 2004B Project Area No. 3 Taxable Bonds and (v) 2000 First Merged Project Area Loan Agreement.

“Extraordinary Redemption Date” means August 1 of any year that Bonds shall be subject to extraordinary mandatory redemption pursuant to the Indenture.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “fair market value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit the value of which is determined in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) the value of which is determined in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security-State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States of America.

“Fitch” means Fitch Ratings, Inc. and its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Successor Agency.

“Fiscal Year” means any twelve (12) month period beginning on July 1st and ending on the next following June 30th.

“Fund or Account” means any of the funds or accounts referred to in the Indenture.

“Health and Safety Code” means the Health and Safety Code of the State of California.

“Independent Financial Consultant,” “Independent Certified Public Accountant” or “Independent Redevelopment Consultant” means any individual or firm engaged in the profession involved, appointed by the Successor Agency, and who, or each of whom, has a favorable reputation in the field in which his/her opinion or certificate will be given, and: (1) is in fact independent and not under domination of the Successor Agency; (2) does not have any substantial interest, direct or indirect, with the Successor Agency, other than as original purchaser of the Bonds or as financial advisor for fiscal consultant with respect to the Bonds; and (3) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

“Interest Account” means the account by that name established in the Indenture.

“Interest Payment Date” means February 1 and August 1, commencing February 1, 2015 so long as any of the Bonds remain Outstanding under the Indenture.

“Investment Agreement” means investment agreements when collateralized by United States of America guaranteed and direct obligation securities and such collateral is held by a third party institution and marked to market on a weekly basis to a minimum of the value of the outstanding balance of the agreement. Investment Agreements must be limited to the final maturity of the Bonds.

“Maximum Annual Debt Service” means, as of the date of calculation, the largest amount obtained by totaling, for the current or any future Bond Year, the sum of (a) the amount of interest payable on the Bonds, any Parity Debt, and, to the extent applicable, any Existing Debt to be Outstanding in such Bond Year, assuming that principal thereof is paid as scheduled and that any mandatory sinking fund payments are made as scheduled, and (b) the amount of principal payable on the Bonds, any Parity

Debt and any applicable Existing Debt to be Outstanding in such Bond Year, including any principal required to be prepaid by operation of mandatory sinking fund payments. For purposes of such calculation, there shall be excluded the principal of and interest on any Parity Debt to the extent the proceeds thereof are then deposited in a fully self-supporting escrow fund (the fully self-supporting nature of which is evidenced by a report prepared by an Independent Financial Consultant and any municipal bond insurance provider providing insurance with respect to any Existing Debt) from which amounts may not be released to the Agency unless the amount of Pledged Tax Revenues then to be received is not less than the percentage of Maximum Annual Debt Service required for the issuance of Parity Debt.

“Obligations” means obligations of the Successor Agency and includes, without limitation, bonds, notes, interim certificates, debentures or other obligations.

“Opinion of Counsel” means a written opinion of an attorney or firm of attorneys of favorable reputation in the field of municipal bond law. Any opinion of such counsel may be based upon, insofar as it is related to factual matters, information which is in the possession of the Successor Agency as shown by a certificate or opinion of, or representation by, an officer or officers of the Successor Agency, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which his or her opinion may be based is erroneous.

“Outstanding” means, when used as of any particular time with reference to Bonds, subject to the provisions of the Indenture, all Bonds theretofore issued and authenticated under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and authenticated pursuant to the Indenture.

“Oversight Board” means the oversight board duly constituted from time to time pursuant to Section 34179 of the Health and Safety Code.

“Owner” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Parity Debt” means, any bonds, notes, loans, advances or other indebtedness payable by the Successor Agency on a parity with the Bonds pursuant to the Indenture, and includes Existing Non-Housing Debt (with the exception of the Subordinate Bonds).

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely on a Written Request of the Successor Agency directing investment in such Permitted Investment as a certification by the Successor Agency to the Trustee that such Permitted Investment is a legal investment under the laws of the State), but only to the extent that the same are acquired at Fair Market Value: (a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause such as Stripped Treasury Coupons rated the same rating as direct obligations of the United States of America by S&P and Moody’s and held by a custodian for safekeeping on behalf of holders of such securities; (b) bonds or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depository and which are rated the same rating as

direct obligations of the United States of America by S&P and Moody's; (c) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association or Federal Housing Administration; (d) deposit accounts, certificates of deposit or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are rated no lower than A-1 by S&P and P-1 by Moody's including those of the Trustee and its affiliates; (e) Federal funds or banker's acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" by Moody's and "A-1" or "A" or better by S&P (including the Trustee and its affiliates); (f) repurchase obligations with a term not exceeding 30 days pursuant to a written agreement between the Trustee and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investor Protection Corporation ("SIPC") or a federally chartered commercial bank whose long-term debt obligations are rated A or better by S&P and Moody's, with respect to any security described in clause (1); provided that the securities which are the subject of such repurchase obligation (i) are free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, and (iii) are deposited with the Trustee and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest. The Trustee must have a valid first perfected security interest in such securities; (g) taxable government money market portfolios that have a rating by S&P of Am-G or Am or better and rated in one of the three highest rating categories of Moody's, subject to a maximum permissible limit equal to six months of principal and interest on the Bonds including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or sub-custodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee; (h) tax-exempt government money market portfolios that have a rating by S&P of Am-G or Am or better and rated in one of the three highest rating categories of Moody's consisting of securities which are rated in one of the two highest Rating Categories of S&P and Moody's subject to a maximum permissible limit equal to six months of principal and interest on the Bonds; (i) money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of AA-Am-G or AA-Am and rated in one of the two highest Rating Categories of Moody's, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or sub-custodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee; (j) investment agreements, including guaranteed investment contracts, when collateralized by United States of America guaranteed and direct obligation securities and such collateral is held by a bank, insurance company or other financial institution whose long-term obligations are rated "AA" or higher by Fitch and S&P, respectively, or with a bank, insurance company or other financial institution guaranteed by an entity whose long-term obligations are rated "AA" or higher by Fitch and S&P, respectively, and marked to market on a weekly basis to a minimum of the value of the outstanding balance of the agreement. The following additional requirements shall apply to any investment agreement: (i) the agreement shall be collateralized by United States of America guaranteed and direct obligation securities and such collateral shall be held by a third party institution and marked to market on a weekly basis to a minimum of the value of the outstanding balance of the agreement; (ii) term must be limited to the final maturity of the

Bonds; (iii) moneys invested thereunder may be withdrawn without any penalty, premium, or charge on not more than two (2) Business Days' notice; provided, that such notice may be amended or cancelled at any time prior to the withdrawal date; (iv) the agreement is not subordinated to any other obligations of the provider; (v) the agreement provides that the Successor Agency in its sole discretion shall have the right to terminate such agreement if the provider's ratings are downgraded below the requirements set forth in this paragraph; and (vi) the Successor Agency receives an opinion of counsel that such agreement is an enforceable obligation of the provider; any other investments which meet the criteria established by applicable published investment guidelines issued by each rating agency then rating the Bonds; (l) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Pledged Tax Revenues which may be outstanding at any time and (b) the aggregate amount of taxes which may be divided and allocated to the Successor Agency pursuant to the Redevelopment Plan.

"Pledged Tax Revenues" means all taxes annually allocated to the Successor Agency with respect to the Redevelopment Project Area pursuant to Article 6 of Chapter 6 (commencing with section 33670) of the Health and Safety Code and section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Redevelopment Plan, including (a) all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations, and (b) all amounts of such taxes which prior to the adoption of the Dissolution Act were required to be deposited into the Predecessor Agency low and moderate income housing fund in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law, but only to the extent permitted under the Redevelopment Law to be applied to the payment of the principal of, premium (if any) and interest on the 2014A Bonds and any Parity Debt; but (i) excluding all other amounts which prior to the adoption of the Dissolution Act were required to be deposited into the Predecessor Agency low and moderate income housing fund pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Redevelopment Law, to the extent required to pay debt service on the obligations payable from amounts which prior to the adoption of the Dissolution Act were required to be deposited into the Predecessor Agency low and moderate income housing fund, (ii) excluding amounts payable by the State to the Successor Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State, (iii) excluding amounts payable which are required to be paid to any other public agency under Article 6 of Chapter 6 (commencing with section 33607.5 and 33607.7) of the Health and Safety Code or under agreement between the Successor Agency and such public agency, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the 2014A Bonds, and any additional Parity Debt, and (iv) excluding amounts payable by the Successor Agency pursuant to that certain Promissory Note, dated December 29, 1986, by and between the Predecessor Agency and Date Palm Partnership, relating to the development of certain real property within the Redevelopment Project Area.

"Principal Account" means the account by that name established in the Indenture.

"Principal Payment Date" means August 1, commencing on the date set forth in the Official Statement n Outstanding under the Indenture.

"Qualified Reserve Fund Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company, deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met: (i) at the time of delivery of such letter of credit or surety bond, the long-term credit rating of such bank is within the two

highest rating categories of Moody's or S&P, or the claims paying ability of such insurance company is rated within the highest rating category of A.M. Best & Company and S&P; (ii) such letter of credit or surety bond has a term which ends no earlier than the last Interest Payment Date of the 2014A Bonds to which the Reserve Requirement applies; (iii) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder amounts necessary to carry out the purposes specified in the Indenture, including the replenishment of the Interest Account or the Principal Account.

"Rating Agency" means Fitch, Moody's or S&P.

"Recognized Obligation Payment Schedule" means a Recognized Obligation Payment Schedule, prepared and approved from time to time pursuant to subdivision (1) of Section 34177 of the Health and Safety Code.

"Record Date" means the fifteenth day of the month preceding any Interest Payment Date whether or not such day is a Business Day.

"Redemption Account" means the account by that name established in the Indenture.

"Redevelopment Obligation Retirement Fund" means the fund created within the treasury of the Successor Agency pursuant to Section 34170.5 of the Health and Safety Code.

"Redevelopment Plan" means the Merged Redevelopment Plan for the Merged Redevelopment Project Area and Redevelopment Project No. 3, approved by Ordinance No. 624, adopted September 27, 2006 by the City Council of the City, which Ordinance No. 624 ordered the merger of constituent project areas created pursuant to the following: (i) the Amended and Restated Redevelopment Plan for the Cathedral City 2006 Merged Redevelopment Project Area approved with respect to Cathedral City Redevelopment Project No. 1 by Ordinance No. 472, adopted by the City Council of the City on January 28, 1998, and approved with respect to Cathedral City Redevelopment Project No. 2 by Ordinance No. 473, adopted by the City Council of the City on January 28, 1998, together with all amendments of the Redevelopment Plan at any time duly authorized and adopted pursuant to the Redevelopment Law; said Ordinances No. 472 and No. 473 having ordered the merger of Cathedral City Redevelopment Project No. 1, established by Ordinance No. 39, adopted by the City Council of the City on November 29, 1982, and Cathedral City Redevelopment Project No. 2, established by Ordinance No. 61 adopted by the City Council of the City on November 29, 1983, and (ii) the Redevelopment Plan for the Cathedral City Redevelopment Project No. 3, approved by Ordinance No. 91 enacted by the City Council of the City on November 29, 1984, together with all amendments thereof at any time duly authorized pursuant to the Redevelopment Law.

"Redevelopment Project Area" means the project area described in the Redevelopment Plan.

"Redevelopment Property Tax Trust Fund" means the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Health and Safety Code.

"Reserve Fund" means the Fund by that name established in the Indenture.

"Reserve Requirement" means, for the 2014A Bonds, as of the calculation date, an amount equal to the least of (i) Maximum Annual Debt Service on all Outstanding 2014A Bonds, (ii) 10% of the initial offering price to the public of the 2014A Bonds as determined under the Code, or (iii) 125% of the

average Annual Debt Service as of the date of issuance of the such 2014A Bonds, but will never exceed the initial Reserve Requirement.

“Revenue Fund” means that trust fund established in the Indenture.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Financial Services LLC and its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Successor Agency.

“Statutory Pass-Through Amounts” means amounts payable to affected taxing agencies pursuant to Sections 33607.5 and/or 33607.7 of the Health and Safety Code and Section 34183 of the Health and Safety Code.

“Supplemental Indenture” means any indenture then in full force and effect which has been duly adopted by the Successor Agency under the Health and Safety Code, or any act supplementary thereto or amendatory thereof, at a meeting of the Successor Agency duly convened and held, of which a quorum was present and acted thereon, amendatory of or supplemental to the Indenture; but only if and to the extent that such supplemental indenture is specifically authorized under the Indenture.

“Surplus Housing Tax Revenues” means tax revenues allocable to the Successor Agency for payment of enforceable obligations pursuant to a Recognized Obligation Payment Schedule on deposit in or credited to the Redevelopment Property Tax Trust Fund that are not required to be deposited under an indenture for debt service on Existing Housing Debt or replenishment of any debt service reserve for Existing Housing Debt.

“Tax Certificate” means that certain Tax Certificates executed by the Successor Agency with respect to the 2014A Bonds.

“2014A Reserve Policy” means the debt service reserve insurance policy issued by the Insurer and deposited into the 2014A Reserve Account.

“Written Request of the Successor Agency” or “Written Certificate of the Successor Agency” means a request or certificate, in writing signed by the Chairperson, Secretary or Finance Officer of the Successor Agency or by any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose.

THE 2014A INDENTURE

Security of 2014A Bonds; Equal Security. The 2014A Bonds shall be equally secured by a pledge of, security interest in and a first and exclusive lien on all of the Pledged Tax Revenues, whether held in the Redevelopment Property Tax Trust Fund or by the Successor Agency or the Trustee, and a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Revenue Fund (including the Interest Account, the Principal Account and the Redemption Account and all subaccounts in the foregoing) and in the Reserve Fund to the Trustee for the benefit of the Owners of the Outstanding 2014A Bonds. Such pledge and lien shall be on a parity with the Existing Debt. The 2014A Bonds shall also be equally secured by a pledge of, security interest in and lien on Surplus Housing Tax Revenues, whether held in the Redevelopment Property Tax Trust Fund or by the Successor Agency or the Trustee, on a parity with the lien on Surplus Housing Tax Revenues given to Existing Debt. The lien of Surplus Housing Tax Revenues is made pursuant to Section 34177.5(g) of the Health and Safety Code and other

applicable law. The principal of and interest or redemption premium (if any) on the 2014A Bonds shall be payable from Pledged Tax Revenues and Surplus Housing Tax Revenues, if any.

Except for the Pledged Tax Revenues, Surplus Housing Tax Revenues, if any, and moneys in the Revenue Fund (including the Interest Account, the Principal Account, the Sinking Account and the Redemption Account and all subaccounts in the foregoing) and the Reserve Fund (and all accounts therein), no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the 2014A Bonds. Notwithstanding anything in the Indenture to the contrary, however, if Pledged Tax Revenues and Surplus Housing Tax Revenues are insufficient for the deposits required under the Indenture or the payment of the principal of and interest or redemption premium (if any) on the 2014A Bonds, the Successor Agency may, but shall not be obligated, to make such deposits or pay such principal of and interest or redemption premium (if any) on the 2014A Bonds from other legally available funds.

The Indenture constitutes a contract between the Successor Agency and the Trustee for the benefit of the Owners, and the covenants and agreements set forth in the Indenture to be performed on behalf of the Successor Agency and the Trustee shall be for the equal and proportionate benefit, security and protection of all Owners without preference, priority or distinction as to security or otherwise of any of the 2014A Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

Revenue Fund; Reserve Fund. The indenture establishes a special trust fund known as the “Revenue Fund” to be held by the Trustee in trust for Owners. The Trustee shall send the Successor Agency on each November 1 and April 1 a Written Request specifying the amount of Pledged Tax Revenues required to be deposited in the Revenue Fund. The Successor Agency shall remit the amount requested pursuant to such Written Request to the Trustee within two (2) Business Days of receipt of distributions of Pledged Tax Revenues on January 2 and June 1 of each year.

Transfer of Amounts. The Indenture establishes a separate Account within the Revenue Fund as set forth below, to be known respectively as the Interest Account, the Principal Account, the 2014A Sinking Account and the Redemption Account. Upon receiving Pledged Tax Revenues from the Successor Agency and Surplus Housing Tax Revenues, if any, from the Successor Agency, the Trustee shall deposit all amounts received into the Revenue Fund or the Reserve Fund, as applicable, until such time during each Bond Year as the amounts so deposited equal the aggregate amounts required to be transferred to the Trustee in such Bond Year (i) for deposit into the Interest Account, the Principal Account and the Redemption Account of the Revenue Fund, (ii) for deposit into the Reserve Fund, if necessary, and (iii) for amounts, if any, due and owing to the Insurer under the 2014A Policy and the 2014 Reserve Policy as provided in the Indenture. Such deposits shall be in the following order of priority:

First Interest Account. Within the Interest Account, there is created the “2014A Interest Subaccount,” referred to as the “Interest Subaccount.” On or before each Interest Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Subaccount an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on the Outstanding 2014A Bonds on such Interest Payment Date. No deposit need be made into the respective Interest Subaccount if the amount contained therein is at least equal to the interest to become due and payable on all Outstanding 2014A Bonds on the Interest Payment Dates in such Bond Year. Subject to the Indenture, all moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2014A Bonds as it becomes due and

payable (including accrued interest on any 2014A Bonds redeemed prior to maturity pursuant to the Indenture).

Second Principal Account. Within the Interest Account, there is created the “2014A Principal Subaccount,” referred as the “Principal Subaccount.” On or before each Principal Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the respective Principal Subaccount an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on the Outstanding 2014A Bonds on such Principal Payment Date. No deposit need be made into the respective Principal Subaccount if the amount contained therein is at least equal to the principal to become due and payable on all Outstanding 2014A Bonds on the upcoming Principal Payment Date. Subject to the Indenture, all moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal and sinking account payments on the Outstanding 2014A Bonds as they become due and payable.

Third Reserve Fund. Within the Reserve Fund, there is created the 2014A Reserve Account, referred to herein as the “Reserve Account”. Subject to the Indenture, all money in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of (i) making transfers to the related Interest Account, the Principal Account and the Sinking Account (and subaccounts therein, as the case may be), in such order of priority, in the event of any deficiency at any time in any of such accounts or (ii) for the retirement of all the 2014A Bonds then Outstanding. Any amount in the Reserve Fund in excess of the Reserve Requirement for the 2014A Bonds shall be withdrawn from the Reserve Fund on or before the Interest Payment Date by the Trustee and deposited in the Interest Account (for further deposit into the subaccounts therein). All amounts in any Account in the Reserve Fund five (5) Business Days before the final Interest Payment Date shall be withdrawn therefrom by the Trustee and transferred either (i) to the Interest Account and then Principal Account, to the extent required to make the deposits then required to be made under the Indenture, or (ii) if sufficient deposits have been made under the Indenture, then, as directed by the Successor Agency in any manner permitted by law pursuant to a Written Request of the Successor Agency.

The Reserve Requirement may be satisfied by crediting to the Reserve Fund moneys or a Qualified Reserve Fund Credit Instrument or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve Requirement. Upon deposit of such Qualified Reserve Fund Credit Instrument, the Trustee shall transfer any excess amounts then on deposit in the Reserve Fund in excess of the Reserve Requirement into a segregated account of the Bond Fund, which monies shall be applied upon written direction of the Successor Agency either (i) to the payment within one year of the date of transfer of capital expenditures of the Successor Agency permitted by law, or (ii) to the redemption of 2014A Bonds on the earliest succeeding date on which such redemption is permitted, and pending such application shall be held either not invested in investment property (as defined in section 148(b) of the Code), or invested in such property to produce a yield that is not in excess of the yield on the 2014A Bonds; *provided, however*, that the Successor Agency may by written direction to the Trustee cause an alternative use of such amounts if the Successor Agency shall first have obtained a written opinion of nationally recognized bond counsel substantially to the effect that such alternative use will not adversely affect the exclusion pursuant to section 103 of the Code of interest on the 2014A Bonds from the gross income of the owners thereof for federal income tax purposes.

In any case where the Reserve Fund is funded with a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee shall deplete all cash balances before drawing on the Qualified Reserve Fund Credit Instrument. With regard to replenishment, any available moneys provided by the Successor Agency shall be used first to reinstate the Qualified Reserve Fund Credit Instrument and second, to replenish the cash in the Reserve Fund. If the Qualified Reserve Fund Credit Instrument is

drawn upon, the Successor Agency shall make payment of interest on amounts advanced under the Qualified Reserve Fund Credit Instrument after making any payments pursuant to this subsection.

The Reserve Requirement for the 2014A Bonds shall initially be satisfied through the deposit of the 2014A Reserve Policy into the 2014A Reserve Account.

Replenishment of Reserve Fund. The Trustee shall value the balances in the Accounts in the Reserve Fund on each October 1. If the balance in an Account in the Reserve Fund is less than the Reserve Requirement, the Trustee shall indicate the amount of such deficiency in a Written Request to the Successor Agency. Upon receipt of such Written Request, the Successor Agency shall immediately take all necessary action to cure such deficiency in such Account, including using best efforts to place the amount of such deficiency on a Recognized Obligation Payment Schedule. No transfers or deposits need be made to any Account in the Reserve Fund so long as there is on deposit therein a sum at least equal to the Reserve Requirement.

Fourth Redemption Account. On or before the 5th Business Day preceding any date on which 2014A Bonds are to be redeemed, the Successor Agency will deliver or cause to be delivered funds to the Trustee for deposit in the Redemption Account an amount required to pay the principal of, interest and premium, if any, on the 2014A Bonds (other than 2014A Bonds redeemed from sinking account payments) to be redeemed on such date. Subject to the Indenture, all moneys in the Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest or redemption premium (if any) on the 2014A Bonds to be redeemed on the date set for such redemption.

Costs of Issuance Fund. The Indenture establishes a separate fund to be known as the “2014A Costs of Issuance Fund” held in trust by the Trustee. Moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the applicable Fund. Each such Written Request of the Successor Agency shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Six (6) months following the Delivery Date, or upon the earlier Written Request of the Successor Agency, all amounts (if any) remaining in either Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Revenue Fund.

Surplus Fund. The Indenture establishes a “Surplus Fund.” Following the deposits described in the Indenture, the Trustee shall deposit any remaining Pledged Tax Revenues and Surplus Housing Tax Revenues into the Surplus Fund. Following such deposit, the Trustee shall transfer any Surplus Housing Tax Revenues and any Pledged Tax Revenues to the Successor Agency for the payment of any enforceable obligations of the Successor Agency, or, if no such payment is required, such amounts shall be distributed to the taxing entities pursuant to the Dissolution Act.

Notwithstanding the preceding paragraph, if the Report described in Section 5.1 Covenant 11 shows the cumulative amount of Annual Debt Service remaining to be paid on the Outstanding 2014A Bonds to their scheduled maturity equals or exceeds 90 percent of remaining Pledged Tax Revenues that the Successor Agency is permitted to receive under the Redevelopment Plan to be credited to the Redevelopment Obligation Retirement Fund, then all Pledged Housing Tax Revenue and Surplus Housing Tax Revenues remaining following the deposits described in the Indenture, shall be deposited into the Special Redemption Fund pursuant to the Indenture.

Special Redemption Fund. Upon receipt of any Excess Tax Revenues pursuant to in the Indenture, the Trustee shall immediately deposit such money in the Special Redemption Fund. No later

than July 15 of each year, the Trustee shall provide a written notification to the Successor Agency of the balance of the Special Redemption Fund. The Successor Agency, no later than the following July 25, shall (i) determine the amount (and if applicable, designating the maturities) of 2014A Bonds to be called pursuant to the Indenture on the following August 1, and (ii) notify the Trustee of such determination in writing. Such determination by the Successor Agency shall be based on a *pro rata* application of moneys in the Special Redemption Fund toward the redemption of 2014A Bonds, based on the then Outstanding principal amount of 2014A Bonds; provided, that such “*pro rata* application” shall be in, as nearly as practicable, multiples of \$5,000, and shall result in the principal amount of 2014A Bonds remaining Outstanding after such extraordinary redemption being in an Authorized Denomination. Upon receipt of such determination by the Successor Agency, the Trustee shall prepare and send notices of redemption to the applicable Owners in accordance with the Indenture. If the Successor Agency determines that there is not sufficient money in the Special Redemption Fund to redeem 2014A Bonds pursuant to the Indenture in any year, then the Successor Agency shall provide a written notice to the Trustee to that effect as required pursuant to the Indenture.

At least five (5) Business Days before each Extraordinary Redemption Date, the Trustee shall notify the Successor Agency in writing of the accrued interest (the “Accrued Interest”) that will become due on such Extraordinary Redemption Date with respect to the 2014A Bonds being called pursuant to the Indenture. The Trustee shall, no later than the Business Day before such Extraordinary Redemption Date, transfer the amount of such Accrued Interest from the Revenue Fund to the Special Redemption Fund. The Trustee shall use the moneys in the Special Redemption Fund to pay the applicable Redemption Price on the Extraordinary Redemption Date.

Any money remaining in the Special Redemption Fund on the final maturity date of the 2014A Bonds or the defeasance date of all of the Outstanding 2014A Bonds shall be transferred to the Revenue Fund (for application toward the final payment on the 2014A Bonds or transfer to the defeasance escrow). Pending such transfer to the Revenue Fund, any interest earnings of moneys in the Special Redemption Fund shall be retained in the Special Redemption Fund.

Covenants of the Successor Agency. As long as the 2014A Bonds are Outstanding, the Successor Agency shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or in any Bond issued under the Indenture, including the following covenants and agreements for the benefit of the Owners which are necessary, convenient and desirable to secure the 2014A Bonds:

Compliance with Health and Safety Code. The Successor Agency covenants that it will comply with all applicable requirements of the Health and Safety Code.

Recognized Obligation Payment Schedule. Pursuant to Section 34177 of the Health and Safety Code, not less than 90-days prior to each January 2 and June 1 (or such other dates as are specified in the Health and Safety Code or other applicable law), the Successor Agency shall prepare and submit to the Successor Agency Oversight Board and the State Department of Finance, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations of the Successor Agency are listed, including debt service with respect to the 2014A Bonds. Such Recognized Obligation Payment Schedule shall include all scheduled interest, principal payments on the 2014A Bonds that are due and payable on February and August 1 of the Bond Year ending on August 1 of the next ensuing calendar year, together with any amount required to replenish any Account in the Reserve Fund and amounts, if any, due and owing to the Insurer under the 2014A Insurance Policy or the 2014A Reserve Policy as provided in the Indenture. If, on January 2 of any year, the amount of Pledged Tax Revenues remitted by the County Auditor-Controller to the Successor Agency is less than the amount required pursuant to the preceding paragraph, then not less than 90-days prior to June 1 of such year, the Successor Agency shall prepare,

and submit to the Successor Agency Oversight Board and the State Department of Finance, a Recognized Obligation Payment Schedule that includes the balance due.

Punctual Payment. The Successor Agency covenants that it will duly and punctually pay or cause to be paid the principal of and interest on the 2014A Bonds on the date, at the place and in the manner provided in the 2014A Bonds, and that it will take all actions required under the Health and Safety Code to include debt service on the 2014A Bonds on the applicable Recognized Obligation Payment Schedule, including any amounts required to replenish either Account within the Reserve Fund to the full amount of the Reserve Requirement.

No Priority; No Additional Parity Bonds; Refunding Bonds; Other Obligations. The Successor Agency covenants that it will not issue any Obligations payable, either as to principal or interest, from the Pledged Tax Revenues which have any lien upon the Pledged Tax Revenues on a parity with or superior to the lien under the Indenture for the 2014A Bonds; provided, that the Successor Agency may issue and sell refunding bonds payable from Pledged Tax Revenues on a parity with Outstanding Bonds, if (a) annual debt service on such refunding bonds is lower than annual debt service on the 2014A Bonds or Parity Debt, as applicable, being refunded during every year the refunding bonds will be outstanding, (b) the debt service payment dates with respect to such refunding bonds are the same as for the 2014A Bonds or Parity Debt, as applicable, being refunded and (c) the final maturity of any such refunding bonds does not exceed the final maturity of the 2014A Bonds or the Parity Debt, as applicable, being refunded.

Use of Proceeds: Management and Operation of Properties. The Successor Agency covenants that the proceeds of the sale of the 2014A Bonds will be deposited and used as provided in the Indenture and that it will manage and operate all properties owned by it comprising any part of the Redevelopment Project Area in a sound and proper manner and in accordance with applicable law.

Payment of Taxes and Other Charges. The Successor Agency covenants that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Successor Agency or any of the properties then owned by it in the Redevelopment Project Area, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of the properties, revenues or income or which might impair the security of the 2014A Bonds or the use of Pledged Tax Revenues or other legally available funds to pay the principal of and interest and redemption premium (if any) on the 2014A Bonds, all to the end that the priority and security of the 2014A Bonds shall be preserved; provided, however, that nothing in this covenant shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of the payment.

Books and Accounts: Financial Transactions and Records. The Successor Agency covenants that it will at all times keep, or cause to be kept, proper and current books and accounts in which complete and accurate entries are made of the financial transactions and records of the Successor Agency. Within one hundred eighty (180) days after the close of each Fiscal Year an Independent Certified Public Accountant shall prepare an audit of the financial transactions and records of the Successor Agency for such Fiscal Year. To the extent permitted by law, such audit may be included within the annual audited financial statements of the City. Upon written request, the Successor Agency shall, as soon practicable, furnish a copy of each audit to any Owner. The Trustee shall have no duty to review such audits.

Protection of Security and Rights of Owners. The Successor Agency covenants to preserve and protect the security of the 2014A Bonds and the rights of the Owners and to contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the Successor Agency that the Pledged Tax Revenues pledged under the Indenture cannot be used to pay

debt service on the 2014A Bonds or (b) any other action affecting the validity of the 2014A Bonds or diluting the security therefor, including, with respect to the Pledged Tax Revenues, the senior lien position of the 2014A Bonds to the Statutory Pass-Through Amounts that have been subordinated to the payment of debt service on the 2014A Bonds.

Continuing Disclosure. The Successor Agency covenants that it will comply with and carry out all of the provisions of its Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure by the Successor Agency to comply with its Continuing Disclosure Agreement shall not be considered an Event of Default; however, any participating underwriter, Owner or beneficial owner of any 2014A Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Annual Review of Tax Revenues. On or before November 1 of each year commencing November 1, 2015, the Successor Agency shall submit a written report of an Independent Redevelopment Consultant (the "Report") to the Trustee. The Report shall show the total amount of Pledged Tax Revenues remaining available to be credited to the Redevelopment Obligation Retirement Fund by the Successor Agency under the Redevelopment Plan's cumulative tax increment limitation, as well as future cumulative Annual Debt Service with respect to the Bonds. The Successor Agency will not accept Pledged Tax Revenues for credit to the Redevelopment Obligation Retirement Fund in any Fiscal Year greater than the sum of the Annual Debt Service for the Outstanding Bonds, plus an amount necessary to replenish the Account in the Reserve Fund, if such acceptance would cause the amount remaining under the tax increment limit to fall below the remaining cumulative Annual Debt Service with respect to the Outstanding Bonds, except for the purpose of using Excess Tax Revenues for the redemption of Outstanding Bonds. If the Report shows the cumulative amount of Annual Debt Service remaining to be paid on the Outstanding Bonds to their scheduled maturity equals or exceeds 90 percent of remaining Pledged Tax Revenues that the Successor Agency is permitted to receive under the Redevelopment Plan to be credited to the Redevelopment Obligation Retirement Fund, the Successor Agency shall cause the deposit of all Excess Tax Revenues in the Special Redemption Fund each Fiscal Year until all of the Outstanding Bonds have been paid or defeased. Moneys deposited in the Special Redemption Fund shall only be used to redeem Bonds as described in the Indenture.

Tax Covenants. The Successor Agency shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any of the 2014A Bonds to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Authority receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the Successor Agency shall comply with each of the specific tax covenants in the Indenture.

Covenant to Provide Surplus Housing Tax Revenues. The Successor Agency covenants to provide the Trustee with Surplus Housing Tax Revenues for the payment of the principal of and interest on the 2014A Bonds, and if necessary to replenish any Reserve Account under the Indenture, if Pledged Tax Revenues are insufficient for such purposes. Surplus Housing Tax Revenues shall be provided by the Successor Agency on the same date or dates, as applicable, that Pledged Tax Revenues are required to be transmitted to the Trustee under the Indenture.

Further Assurances. The Successor Agency covenants to adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to

carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Indenture.

Duties, Immunities and Liabilities of Trustee.

The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. The Successor Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the 2014A Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Successor Agency has knowledge that the Trustee has ceased to be eligible in accordance with this provision, or has become incapable of acting, or has been adjudged as bankrupt or insolvent, or a receiver of the Trustee or its property has been appointed, or any public officer shall have taken control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Successor Agency to the Trustee, whereupon the Successor Agency shall appoint a successor Trustee by an instrument in writing. The Trustee may at any time resign by giving prior written notice of such resignation to the Successor Agency, and by giving the Owners notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Successor Agency shall promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Successor Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Written Request of the Successor Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Successor Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Successor Agency shall mail, with a copy to the Successor Trustee, a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then has a current rating on the 2014A Bonds and to the Owners at their respective addresses shown on the Registration Books. If the

Successor Agency fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Successor Agency. Notwithstanding any other provisions of the Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed.

Every successor Trustee appointed under the provisions of the Indenture shall be a trust company, national banking association, or bank in good standing authorized to exercise trust powers or having the powers of a trust company and duly authorized to exercise trust powers within the State having a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association, or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

The Trustee shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these 2014A Bonds. Before taking any action under the Indenture at the request or direction of the Owners, the Trustee may require that an indemnity bond satisfactory to the Trustee be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or its willful misconduct in connection with any action so taken.

Merger or Consolidation. Any bank, national banking association, or trust company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank, national banking association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association, or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association, or trust company shall be eligible under the provisions of the Indenture, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee.

The recitals of facts in the Indenture and in the 2014A Bonds contained shall be taken as statements of the Successor Agency, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of the Indenture or of the 2014A Bonds nor shall incur any responsibility in respect thereof, other than as expressly stated in the Indenture. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the 2014A Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee may become the Owner of any 2014A Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the 2014A Bonds then Outstanding. The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate

principal amount of the 2014A Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture. The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated under the Indenture shall not be construed as a mandatory duty. The Trustee shall not be deemed to have knowledge of any Event of Default under the Indenture unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at its Corporate Trust Office. Except as otherwise expressly provided in the Indenture, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Indenture or of any of the documents executed in connection with the 2014A Bonds, or as to the existence of an Event of Default thereunder. No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability under the Indenture. The Trustee may execute any of the trust or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care. The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty. The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

Compensation and Indemnification. The Successor Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Indenture. Upon the occurrence of an Event of Default, the Trustee shall have a first lien on the Pledged Tax Revenues and all funds and accounts held by the Trustee under the Indenture to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture. The Successor Agency further covenants and agrees to indemnify and hold the Trustee and its officers, directors, agents and employees, harmless against any loss, expense, and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs and expenses and those of its attorneys and advisors of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Successor Agency under this section shall survive resignation or removal of the Trustee under the Indenture and payment of the 2014A Bonds and discharge of the Indenture.

Investment of Moneys in Funds and Accounts. Subject to the provisions of the Indenture, all moneys held by the Trustee in the Revenue Fund, Costs of Issuance Fund, the Redemption Account or the Rebate Fund, shall, at the written direction of the Successor Agency, be invested only in Permitted Investments. If the Trustee receives no written directions from the Successor Agency as to the investment of moneys held in any Fund or Account, the Trustee shall request such written direction from the Successor Agency and, pending receipt of instructions, shall invest such moneys solely in specific Permitted Investments described in the Indenture; (a) moneys in the Redevelopment Obligation Retirement Fund shall be invested by the Successor Agency only in obligations permitted by the Health and Safety Code which will by their terms mature not later than the date the Successor Agency estimates the moneys represented by the particular investment will be needed for withdrawal from the Redevelopment Obligation Retirement Fund; (b) moneys in the Interest Account, the Principal Account, the Sinking Account and the Redemption Account of the Revenue Fund shall be invested by the Trustee only in obligations which will by their terms mature on such dates as to ensure that before each Interest Payment Date and Principal Payment Date, there will be in such account, from matured obligations and other moneys already in such account, cash equal to the interest and principal payable on such payment

date; (c) moneys in the Reserve Fund shall be invested by the Trustee in (i) obligations which will by their terms mature on or before the date of the final maturity of the 2014A Bonds or five (5) years from the date of investment, whichever is earlier or (ii) an Investment Agreement which permits withdrawals or deposits without penalty at such time as such moneys will be needed or to replenish the Reserve Fund; and (d) moneys in the Rebate Fund shall be invested in Defeasance Securities which mature on or before the date such amounts are required to be paid to the United States.

Obligations purchased as an investment of moneys in any of the Funds or Accounts shall be deemed at all times to be a part of such respective Fund or Account and the interest accruing thereon and any gain realized from an investment shall be credited to such Fund or Account and any loss resulting from any authorized investment shall be charged to such Fund or Account without liability to the Trustee. The Successor Agency or the Trustee, as the case may be, shall sell or present for redemption any obligation purchased whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such Fund or Account as required by the Indenture and shall incur no liability for any loss realized upon such a sale. All interest earnings received on any monies invested in the Interest Account, the Principal Account, the Sinking Account, the Redemption Account or the Reserve Fund, to the extent they exceed the amount required to be in such Account, shall be transferred on each Interest Payment Date to the Revenue Fund. All interest earnings on monies invested in the Rebate Fund shall be retained in such Fund and applied as set forth in the Tax Certificate. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this provision. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Indenture. The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Successor Agency periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

The value of Permitted Investments shall be determined as follows: (i) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; (ii) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; (iii) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and (iv) as to any investment not specified above: the value thereof established by prior agreement between the Successor Agency and the Trustee. If more than one provision of this definition of "value" shall apply at any time to any particular investment, the value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment; provided, notwithstanding the foregoing, in making any valuations under the Indenture, the Trustee may utilize and conclusively rely upon such pricing services as may be regularly available to it, including, without limitation, those within its regular accounting system.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the 2014A Bonds and all funds and accounts held by it established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Successor Agency at reasonable hours and

under reasonable circumstances with reasonable prior notice. The Trustee shall furnish to the Successor Agency, at least quarterly, an accounting of all transactions in the form of its regular account statements relating to the proceeds of the 2014A Bonds and all funds and accounts held by the Trustee pursuant to the Indenture.

Modification or Amendment of the Indenture.

Amendment Without Consent of Owners. The Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Owners, to the extent permitted by law and for any one or more of the following purposes: (a) to add to the covenants and agreements of the Successor Agency in the Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any rights or power in the Indenture reserved to or conferred upon the Successor Agency; or (b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, or as to any other provisions of the Indenture as the Successor Agency may deem necessary or desirable, in any case which do not have a material and adverse effect on the security for the 2014A Bonds granted under the Indenture; or (c) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute thereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or (d) to modify or amend any provision of the Indenture with any effect and to any extent whatsoever permissible by law, provided that any such modification or amendment shall apply only to the 2014A Bonds issued and delivered subsequent to the execution and delivery of the applicable Supplemental Indenture.

Amendment With Consent of Owners. Except as set forth in the Indenture, the Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the 2014A Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any 2014A Bonds, or reduce the amount of principal thereof, or extend the time of payment, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of 2014A Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the 2014A Bonds of the lien created by the Indenture on such Pledged Tax Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the 2014A Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Successor Agency and the Trustee of any Supplemental Indenture pursuant to this provision, the Trustee shall cause to be mailed a notice (the form of which shall be furnished to the Trustee by the Successor Agency), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the 2014A Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties to the Indenture or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of

any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement or Replacement of 2014A Bonds After Amendment. After the effective date of any amendment or modification of the Indenture pursuant to the Indenture, the Successor Agency may determine that any or all of the 2014A Bonds shall bear a notation, by endorsement in form approved by the Successor Agency, as to such amendment or modification and in that case upon demand of the Successor Agency, the Owners of such 2014A Bonds shall present such 2014A Bonds for that purpose at the Corporate Trust Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such 2014A Bonds. In lieu of such notation, the Successor Agency may determine that new 2014A Bonds shall be prepared and executed in exchange for any or all of the 2014A Bonds and, in that case upon demand of the Successor Agency, the Owners of the 2014A Bonds shall present such 2014A Bonds for exchange at the Corporate Trust Office of the Trustee, without cost to such Owners.

Events of Default and Remedies of Owners.

Events of Default and Acceleration of Maturities. The following events shall constitute Events of Default under the Indenture: (a) if default shall be made in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise; (b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the 2014A Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following receipt by the Successor Agency of written notice from the Trustee or any Owner of not less than 50% in aggregate principal amount of the Outstanding 2014A Bonds; provided, that if such default is such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Successor Agency within the applicable period and diligently pursued until the default is corrected, which period shall not be longer than sixty (60) days from the date of written notice specifying the failure; or (c) if the Successor Agency shall commence a voluntary action under Title 11 of the United States Code or any substitute or successor statute. If an Event of Default has occurred and is continuing, the Trustee may, or if requested in writing by the Owners of the majority in aggregate principal amount of the 2014A Bonds then Outstanding, the Trustee shall, by written notice to the Successor Agency, (a) only in the event of a default under the Indenture, declare the principal of the 2014A Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, and (b) upon any Event of Default (with receipt of indemnity to its satisfaction) exercise any remedies available to the Trustee and the Owners in law or at equity.

Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone confirmed in writing. Such notice shall also state whether the principal of the 2014A Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Successor Agency, and the Owners in the same manner as provided in the Indenture for notices of redemption of the 2014A Bonds, which shall include the statement that interest on the 2014A Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the 2014A Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid interest on the 2014A Bonds is actually paid on such date.)

This provision, however, is subject to the condition that if, at any time after the principal of the 2014A Bonds shall have been so declared due and payable, and before any judgment or decree for the

payment of the moneys due shall have been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the 2014A Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the 2014A Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the net effective rate then borne by the Outstanding 2014A Bonds, and the reasonable fees and expenses of the Trustee, including but not limited to attorneys' fees, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the 2014A Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the 2014A Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the 2014A Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Upon the occurrence of an event of default, the Trustee may, with the consent of a majority of the Owners, by written notice to the Successor Agency, declare the principal of the 2014A Bonds to be immediately due and payable, whereupon that portion of the principal of the 2014A Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Indenture in the 2014A Bonds to the contrary notwithstanding.

Application of Funds Upon Acceleration. All of the Pledged Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee in the order following, upon presentation of the several 2014A Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in this section of the Indenture, including reasonable compensation to its agents, attorneys and counsel including all sums owed the Trustee pursuant to the Indenture; and

Second, to the payment pro rata of the whole amount then owing and on the 2014A Bonds (and any refunding 2014A Bonds payable from Pledged Tax Revenues on a parity with Outstanding 2014A Bonds) for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding 2014A Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected) and amounts, if any, due and owing to the Insurer under the 2014A Insurance Policy or the 2014A Reserve Policy pursuant to the Indenture, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the 2014A Bonds, then to the payment of such principal and interest without preference or priority of principal over interest and such amounts due and owing to the Insurer, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest or any Bond over any other Bond.

Power of Trustee to Control Proceedings. If the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the

best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Owner's Right to Sue. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee. Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provisions of the Indenture shall be instituted, had and maintained in the manner provided and for the equal benefit of all Owners of the Outstanding Bonds. The right of any Owner of any Bond to receive payment of the principal of and interest and redemption premium (if any) on such Bond as provided in the Indenture, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions or any other provision of the Indenture.

Non-waiver. Nothing in the Indenture or in the Bonds, shall affect or impair the obligation of the Successor Agency, which is absolute and unconditional, to pay from the Pledged Tax Revenues and other amounts pledged under the Indenture, the principal of and interest and redemption premium (if any) on the Bonds to the respective Owners on the respective Interest Payment Dates, as provided in the Indenture, or affect or impair the right of action, which is also absolute and unconditional, of the Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds. A waiver of any default by any Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Health and Safety Code or by this provision may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners. If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Owners, the Successor Agency and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Actions by Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as

such attorney-in-fact, provided the Trustee shall have no duty or obligation to enforce any such right or remedy if it has not been indemnified to its satisfaction from loss, liability or any expense including, but not limited to reasonable fees and expenses of its attorneys.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or thereafter existing, at law or in equity by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Health and Safety Code or any other law.

Discharge of Indenture.

Discharge of Indenture. If the Successor Agency shall pay and discharge the entire indebtedness on all Bonds or any portion thereof in any one or more of the following ways: (i) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on all Outstanding Bonds, including all principal, interest and redemption premiums, (if any), or; (ii) by irrevocably depositing with the Trustee or another fiduciary, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all Outstanding Bonds, including all principal, interest and redemption premiums (if any), or, (iii) by irrevocably depositing with the Trustee or another fiduciary, in trust, Defeasance Securities in such amount as an Independent Certified Public Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums, if any) at or before maturity, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice then, at the election of the Successor Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Pledged Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Successor Agency under the Indenture with respect to all Outstanding Bonds shall cease and terminate, except only (a) the obligation of the Trustee to transfer and exchange Bonds under the Indenture and (b) the obligation of the Successor Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees, expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee. Any funds thereafter held by the Trustee, which are not required for said purpose, shall be paid over to the Successor Agency.

Insurer and Sole Holder of Bonds

The Insurer shall be deemed to be the sole holder of the 2014A Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of this Indenture and each 2014A Bond, the Trustee and each Owner appoint the Insurer as their agent and attorney-in-fact and agree that the Insurer may at any time during the continuation of any proceeding by or against the Successor Agency under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Owner delegate and assign to the Insurer,

to the fullest extent permitted by law, the rights of the Trustee and each Owner in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Owners shall expressly include mandamus.

APPENDIX A-2

SUMMARY OF CERTAIN PROVISIONS OF THE 2014B AND 2014C INDENTURE

The following is a summary of certain provisions of the 2014B and 2014C Indenture. *For the purposes of this summary, references to the "Indenture" shall mean the 2014B and 2014C Indenture.* This summary is not to be considered a full statement of the terms of such documents and accordingly is qualified by reference thereto and is subject to the full text thereof. Capitalized terms not otherwise defined in this summary or in this Official Statement have the respective meanings set forth in the Indenture.

DEFINITIONS

“Act” means Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

“Adverse Change in State Law” means a change in State law, including any judicial decision, that adversely affects the ability of the Successor Agency to comply with or perform the related covenant set forth in the Indenture.

“Annual Debt Service” means, for any Bond Year, the principal and interest payable on the Outstanding Bonds of a Series in such Bond Year.

“Authorized Denomination” means \$5,000 and any integral multiple thereof.

“Bond Counsel” means Fulbright & Jaworski LLP or a successor thereto or a firm of attorneys acceptable to the Successor Agency of nationally recognized standing in matters pertaining to the exclusion of interest on bonds from the gross income of the holders thereof issued by states and political subdivisions.

“Bond Year” means the twelve (12) month period commencing on August 2 of each year, provided that the first Bond Year shall extend from the Delivery Date to and including August 1, 2015.

“Business Day” means any day other than (i) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city in which the corporate trust office of the Trustee is located are authorized to close, or (ii) a day on which the New York Stock Exchange is closed.

“Certificate” or “Certificate of the Successor Agency” means a Written Certificate of the Successor Agency.

“Chairperson” means the Chairperson of the Successor Agency or other duly appointed officer of the Successor Agency authorized by the Successor Agency by resolution or by law to perform the functions of the Chairperson in the event of the Chairperson’s absence or disqualification.

“Code” means the Internal Revenue Code of 1986.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated the Delivery Date, by and between the Successor Agency and the dissemination agent named therein, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Corporate Trust Office” means the Corporate Trust Office of the Trustee, or such other or additional offices as may be specified to the Successor Agency by the Trustee in writing.

“Costs of Issuance” means the costs and expenses incurred in connection with the issuance and sale of the Bonds including the initial fees and expenses of the Trustee, rating agency fees, verification agent fees, fees and expenses of Bond Counsel and Disclosure Counsel, other legal fees and expenses relating to the approval of the Bonds, the Indenture, other related documents and certificates and matters related thereto, costs of preparing the Bonds and printing the Official Statement, fees of financial consultants, redevelopment consultants, bond insurance or surety premium, if any, and other fees and expenses set forth in a Written Certificate of the Successor Agency.

“Costs of Issuance Funds” means the respective trust funds established in the Indenture.

“County” means the County of Riverside, California.

“Debt Service Coverage” means, for each Bond Year, Pledged Housing Tax Revenues divided by Annual Debt Service.

“Defeasance Securities” means: (1) cash; or (2) obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America including: U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, General Services Administration, Guaranteed Title XI financing, Government National Mortgage Association (GNMA), and State and Local Government Series. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

“Delivery Date” means the date on which the Bonds are delivered to the initial purchaser or purchasers thereof.

“EMMA” means the Electronic Municipal Market Access System, a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org.

“Excess Tax Revenues” means, in relation to any Fiscal Year, all Pledged Housing Tax Revenues and Surplus Non-Housing Tax Revenues in excess of the amount required to pay the principal of and interest or redemption premium (if any) on the Outstanding Bonds, and to replenish, as required, any Account in the Reserve Fund pursuant to the Indenture in such Fiscal Year.

“Existing Non-Housing Debt” means the (i) 2014A Bonds, (ii) Agency 2007A Merged Redevelopment Project Area Bonds, (iii) Agency 2007B Merged Redevelopment Project Area Taxable Bonds, (iv) Subordinate Bonds, (v) Agency 2004B Project Area No. 3 Taxable Bonds, (vi) 2000 First Merged Project Area Loan Agreement, and (viii) any obligations of the Successor Agency payable from amounts received by the Successor Agency that are not Pledged Housing Tax Revenues.

“Extraordinary Redemption Date” means August 1 of any year that Bonds shall be subject to extraordinary mandatory redemption pursuant to the Indenture.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities

market (within the meaning of section 1273 of the Code) and, otherwise, the term “fair market value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit the value of which is determined in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) the value of which is determined in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security-State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States of America.

“Fitch” means Fitch Ratings, Inc. and its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Successor Agency.

“Fiscal Year” means any twelve (12) month period beginning on July 1st and ending on the next following June 30th.

“Fund or Account” means any of the funds or accounts referred to in the Indenture.

“Health and Safety Code” means the Health and Safety Code of the State of California.

“Independent Financial Consultant,” “Independent Certified Public Accountant” or “Independent Redevelopment Consultant” means any individual or firm engaged in the profession involved, appointed by the Successor Agency, and who, or each of whom, has a favorable reputation in the field in which his/her opinion or certificate will be given, and: (1) is in fact independent and not under domination of the Successor Agency; (2) does not have any substantial interest, direct or indirect, with the Successor Agency, other than as original purchaser of the Bonds or as financial advisor for fiscal consultant with respect to the Bonds; and (3) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

“Interest Account” means the account by that name established in the Indenture.

“Interest Payment Date” means February 1 and August 1, commencing February 1, 2015 so long as any of the Bonds remain Outstanding under the Indenture.

“Investment Agreement” means investment agreements when collateralized by United States of America guaranteed and direct obligation securities and such collateral is held by a third party institution and marked to market on a weekly basis to a minimum of the value of the outstanding balance of the agreement. Investment Agreements must be limited to the final maturity of the Bonds.

“Maximum Annual Debt Service” means, as of the date of calculation, the largest amount obtained by totaling, for the current or any future Bond Year, the sum of (a) the amount of interest payable on the Bonds, any Parity Debt, and, to the extent applicable, any Parity Debt to be Outstanding in such Bond Year, assuming that principal thereof is paid as scheduled and that any mandatory sinking fund payments are made as scheduled, and (b) the amount of principal payable on the Bonds, any Parity Debt and any applicable Parity Debt to be Outstanding in such Bond Year, including any principal required to be prepaid by operation of mandatory sinking fund payments. For purposes of such calculation, there shall be excluded the principal of and interest on any Parity Debt to the extent the proceeds thereof are

then deposited in a fully self-supporting escrow fund (the fully self-supporting nature of which is evidenced by a report prepared by an Independent Financial Consultant and any municipal bond insurance provider providing insurance with respect to any Parity Debt) from which amounts may not be released to the Agency unless the amount of Pledged Housing Tax Revenues then to be received is not less than the percentage of Maximum Annual Debt Service required for the issuance of Parity Debt.

“Obligations” means obligations of the Successor Agency and includes, without limitation, bonds, notes, interim certificates, debentures or other obligations.

“Opinion of Counsel” means a written opinion of an attorney or firm of attorneys of favorable reputation in the field of municipal bond law. Any opinion of such counsel may be based upon, insofar as it is related to factual matters, information which is in the possession of the Successor Agency as shown by a certificate or opinion of, or representation by, an officer or officers of the Successor Agency, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which his or her opinion may be based is erroneous.

“Outstanding” means, when used as of any particular time with reference to Bonds, subject to the provisions of the Indenture, all Bonds theretofore issued and authenticated under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and authenticated pursuant to the Indenture.

“Oversight Board” means the oversight board duly constituted from time to time pursuant to Section 34179 of the Health and Safety Code.

“Owner” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Parity Housing Debt” means, any bonds, notes, loans, advances or other indebtedness payable by the Successor Agency on a parity with the Bonds pursuant to the Indenture.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely on a Written Request of the Successor Agency directing investment in such Permitted Investment as a certification by the Successor Agency to the Trustee that such Permitted Investment is a legal investment under the laws of the State), but only to the extent that the same are acquired at Fair Market Value: (a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause such as Stripped Treasury Coupons rated the same rating as direct obligations of the United States of America by S&P and Moody’s and held by a custodian for safekeeping on behalf of holders of such securities; (b) bonds or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depository and which are rated the same rating as direct obligations of the United States of America by S&P and Moody’s; (c) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmer’s Home Administration, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association or Federal Housing

Administration; (d) deposit accounts, certificates of deposit or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are rated no lower than A-1 by S&P and P-1 by Moody's including those of the Trustee and its affiliates; (e) Federal funds or banker's acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" by Moody's and "A-1" or "A" or better by S&P (including the Trustee and its affiliates); (f) repurchase obligations with a term not exceeding 30 days pursuant to a written agreement between the Trustee and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investor Protection Corporation ("SIPC") or a federally chartered commercial bank whose long-term debt obligations are rated A or better by S&P and Moody's, with respect to any security described in clause (1); provided that the securities which are the subject of such repurchase obligation (i) are free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, and (iii) are deposited with the Trustee and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest. The Trustee must have a valid first perfected security interest in such securities; (g) taxable government money market portfolios that have a rating by S&P of Am-G or Am or better and rated in one of the three highest rating categories of Moody's, subject to a maximum permissible limit equal to six months of principal and interest on the Bonds including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or sub-custodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee; (h) tax-exempt government money market portfolios that have a rating by S&P of Am-G or Am or better and rated in one of the three highest rating categories of Moody's consisting of securities which are rated in one of the two highest Rating Categories of S&P and Moody's subject to a maximum permissible limit equal to six months of principal and interest on the Bonds; (i) money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of AA-Am-G or AA-Am and rated in one of the two highest Rating Categories of Moody's, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or sub-custodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee; (j) investment agreements, including guaranteed investment contracts, when collateralized by United States of America guaranteed and direct obligation securities and such collateral is held by a bank, insurance company or other financial institution whose long-term obligations are rated "AA" or higher by Fitch and S&P, respectively, or with a bank, insurance company or other financial institution guaranteed by an entity whose long-term obligations are rated "AA" or higher by Fitch and S&P, respectively, and marked to market on a weekly basis to a minimum of the value of the outstanding balance of the agreement. The following additional requirements shall apply to any investment agreement: (i) the agreement shall be collateralized by United States of America guaranteed and direct obligation securities and such collateral shall be held by a third party institution and marked to market on a weekly basis to a minimum of the value of the outstanding balance of the agreement; (ii) term must be limited to the final maturity of the applicable Series of Bonds; (iii) moneys invested thereunder may be withdrawn without any penalty, premium, or charge on not more than two (2) Business Days' notice; provided, that such notice may be amended or cancelled at any time prior to the withdrawal date; (iv) the agreement is not subordinated to any other obligations of the provider; (v) the agreement provides that the Successor Agency in its sole

discretion shall have the right to terminate such agreement if the provider's ratings are downgraded below the requirements set forth in this paragraph; and (vi) the Successor Agency receives an opinion of counsel that such agreement is an enforceable obligation of the provider; any other investments which meet the criteria established by applicable published investment guidelines issued by each rating agency then rating the Bonds; (l) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Pledged Housing Tax Revenues which may be outstanding at any time and (b) the aggregate amount of taxes which may be divided and allocated to the Successor Agency pursuant to the Redevelopment Plan.

"Pledged Housing Tax Revenues" means annually not less than twenty percent (20%) of all taxes allocated within the applicable Plan Limitations from the Merged Redevelopment Project Area and allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with section 33670) of the Health and Safety Code and Section 16 of Article XVI of the Constitution of the State of California. Pledged Housing Tax Revenues shall not include any amounts payable to the Successor Agency pursuant to Section 16112.7 of the California Government Code.

"Principal Account" means the account by that name established in the Indenture.

"Principal Payment Date" means August 1, commencing on the date set forth in the Official Statement n Outstanding under the Indenture.

"Qualified Reserve Fund Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company, deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met: (i) at the time of delivery of such letter of credit or surety bond, the long-term credit rating of such bank is within the two highest rating categories of Moody's or S&P, or the claims paying ability of such insurance company is rated within the highest rating category of A.M. Best & Company and S&P; (ii) such letter of credit or surety bond has a term which ends no earlier than the last Interest Payment Date of the series of Bonds to which the Reserve Requirement applies; (iii) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder amounts necessary to carry out the purposes specified in the Indenture, including the replenishment of the Interest Account or the Principal Account.

"Rating Agency" means Fitch, Moody's or S&P.

"Recognized Obligation Payment Schedule" means a Recognized Obligation Payment Schedule, prepared and approved from time to time pursuant to subdivision (1) of Section 34177 of the Health and Safety Code.

"Record Date" means the fifteenth day of the month preceding any Interest Payment Date whether or not such day is a Business Day.

"Redemption Account" means the account by that name established in the Indenture.

"Redevelopment Obligation Retirement Fund" means the fund created within the treasury of the Successor Agency pursuant to Section 34170.5 of the Health and Safety Code.

“Redevelopment Plan” means the Merged Redevelopment Plan for the Merged Redevelopment Project Area and Redevelopment Project No. 3, approved by Ordinance No. 624, adopted September 27, 2006 by the City Council of the City, which Ordinance No. 624 ordered the merger of constituent project areas created pursuant to the following: (i) the Amended and Restated Redevelopment Plan for the Cathedral City 2006 Merged Redevelopment Project Area approved with respect to Cathedral City Redevelopment Project No. 1 by Ordinance No. 472, adopted by the City Council of the City on January 28, 1998, and approved with respect to Cathedral City Redevelopment Project No. 2 by Ordinance No. 473, adopted by the City Council of the City on January 28, 1998, together with all amendments of the Redevelopment Plan at any time duly authorized and adopted pursuant to the Redevelopment Law; said Ordinances No. 472 and No. 473 having ordered the merger of Cathedral City Redevelopment Project No. 1, established by Ordinance No. 39, adopted by the City Council of the City on November 29, 1982, and Cathedral City Redevelopment Project No. 2, established by Ordinance No. 61 adopted by the City Council of the City on November 29, 1983, and (ii) the Redevelopment Plan for the Cathedral City Redevelopment Project No. 3, approved by Ordinance No. 91 enacted by the City Council of the City on November 29, 1984, together with all amendments thereof at any time duly authorized pursuant to the Redevelopment Law.

“Redevelopment Project Area” means the project area described in the Redevelopment Plan.

“Redevelopment Property Tax Trust Fund” means the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Health and Safety Code.

“Reserve Fund” means the Fund by that name established in the Indenture.

“Reserve Requirement” means, for each Series of Bonds, as of each calculation date, an amount equal to the least of (i) Maximum Annual Debt Service on all Outstanding Bonds of the applicable Series, (ii) 10% of the initial offering price to the public of such Series of Bonds as determined under the Code, or (iii) 125% of the average Annual Debt Service as of the date of issuance of the such Series of Bonds, but will never exceed the initial Reserve Requirement.

“Revenue Fund” means that trust fund established in the Indenture.

“Series” means all of the 2014B Bonds or 2014C Bonds, as the context requires, that are being authenticated and delivered pursuant to the Indenture.

“Sinking Account” means 2014B Sinking Account and the 2014C Sinking Account created in the Revenue Fund held by the Trustee pursuant to the Indenture.

“Sinking Account Installment” means the amount of money required by the Indenture to be paid by the Successor Agency on any single date toward the retirement of any particular term bonds on or prior to their respective stated maturity dates.

“Sinking Account Payment Date” means any date on which Sinking Account Installments are scheduled to be paid with respect to a Series of Bonds.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Financial Services LLC and its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Successor Agency.

“Statutory Pass-Through Amounts” means amounts payable to affected taxing agencies pursuant to Sections 33607.5 and/or 33607.7 of the Health and Safety Code and Section 34183 of the Health and Safety Code.

“Surplus Non-Housing Tax Revenues” means tax revenues allocable to the Successor Agency for payment of enforceable obligations pursuant to a Recognized Obligation Payment Schedule on deposit in or credited to the Redevelopment Property Tax Trust Fund that are not required to be deposited under an indenture for debt service on Existing Non-Housing Debt or replenishment of any debt service reserve for Existing Non-Housing Debt.

“Supplemental Indenture” means any indenture then in full force and effect which has been duly adopted by the Successor Agency under the Health and Safety Code, or any act supplementary thereto or amendatory thereof, at a meeting of the Successor Agency duly convened and held, of which a quorum was present and acted thereon, amendatory of or supplemental to the Indenture; but only if and to the extent that such supplemental indenture is specifically authorized under the Indenture.

“Tax Certificate” means that certain Tax Certificates executed by the Successor Agency with respect to the 2014B Bonds.

“2014B Reserve Policy” means the debt service reserve insurance policy issued by the Insurer and deposited into the 2014B Reserve Account.

“2014C Reserve Policy” means the debt service reserve insurance policy issued by the Insurer and deposited into the 2014C Reserve Account.

“Written Request of the Successor Agency” or “Written Certificate of the Successor Agency” means a request or certificate, in writing signed by the Chairperson, Secretary or Finance Officer of the Successor Agency or by any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose.

THE 2014B AND 2014C INDENTURE

Security of Bonds; Equal Security. The Bonds shall be equally secured by a pledge of, security interest in and a first and exclusive lien on all of the Pledged Housing Tax Revenues, whether held in the Redevelopment Property Tax Trust Fund or by the Successor Agency or the Trustee, and a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Revenue Fund (including the Interest Account, the Principal Account, the Sinking Account and the Redemption Account and all subaccounts in the foregoing) and in the Reserve Fund to the Trustee for the benefit of the Owners of the Outstanding Bonds. Such pledge and lien shall be on a parity with the Parity Debt.

The Bonds shall also be equally secured by a pledge of, security interest in and lien on Surplus Non-Housing Tax Revenues, whether held in the Redevelopment Property Tax Trust Fund or by the Successor Agency or the Trustee, on a parity with the lien on Surplus Non-Housing Tax Revenues given to Parity Debt. The lien of Surplus Non-Housing Tax Revenues is made pursuant to Section 34177.5(g) of the Health and Safety Code and other applicable law. The principal of and interest or redemption premium (if any) on the Bonds shall be payable from Pledged Housing Tax Revenues and Surplus Non-Housing Tax Revenues, if any.

Except for the Pledged Housing Tax Revenues, Surplus Non-Housing Tax Revenues, if any, and moneys in the Revenue Fund (including the Interest Account, the Principal Account, the Sinking Account and the Redemption Account and all subaccounts in the foregoing) and the Reserve Fund (and all

Accounts therein), no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds. Notwithstanding anything in the Indenture to the contrary, however, if Pledged Housing Tax Revenues and Surplus Non-Housing Tax Revenues are insufficient for the deposits required under the Indenture or the payment of the principal of and interest or redemption premium (if any) on the Bonds, the Successor Agency may, but shall not be obligated, to make such deposits or pay such principal of and interest or redemption premium (if any) on the Bonds from other legally available funds.

The Indenture constitutes a contract between the Successor Agency and the Trustee for the benefit of the Owners, and the covenants and agreements set forth in the Indenture to be performed on behalf of the Successor Agency and the Trustee shall be for the equal and proportionate benefit, security and protection of all Owners without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

Revenue Fund; Reserve Fund. The indenture establishes a special trust fund known as the “Revenue Fund” to be held by the Trustee in trust for Owners. The Trustee shall send the Successor Agency on each November 1 and April 1 a Written Request specifying the amount of Pledged Housing Tax Revenues required to be deposited in the Revenue Fund. The Successor Agency shall remit the amount requested pursuant to such Written Request to the Trustee within two (2) Business Days of receipt of distributions of Pledged Housing Tax Revenues on January 2 and June 1 of each year.

Transfer of Amounts. The Indenture establishes a separate Account within the Revenue Fund as set forth below, to be known respectively as the Interest Account, the Principal Account, the 2014B Sinking Account, 2014C Sinking Account and the Redemption Account. Upon receiving Pledged Housing Tax Revenues from the Successor Agency and Surplus Non-Housing Tax Revenues, if any, from the Successor Agency, the Trustee shall deposit all amounts received into the Revenue Fund or the Reserve Fund, as applicable, until such time during each Bond Year as the amounts so deposited equal the aggregate amounts required to be transferred to the Trustee in such Bond Year (i) for deposit into the Interest Account, the Principal Account and the Redemption Account of the Revenue Fund, (ii) for deposit into the Reserve Fund, if necessary, and (iii) for amounts, if any, due and owing to the Insurer under the 2014B and 2014C Policy, the 2014B Reserve Policy or the 2014C Reserve Policy. Such deposits shall be in the following order of priority:

First Interest Account. Within the Interest Account, there is created ” the “2014B Interest Subaccount” and the” 2014C Interest Subaccount,” collectively referred to as the “Interest Subaccounts.” On or before each Interest Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the respective Interest Subaccount an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds of the related Series on such Interest Payment Date. No deposit need be made into the respective Interest Subaccount if the amount contained therein is at least equal to the interest to become due and payable on all Outstanding Bonds of the related Series on the Interest Payment Dates in such Bond Year. Subject to the Indenture, all moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

Second Principal Account. Within the Interest Account, there is created the “2014B Principal Subaccount” and the “2014C Principal Subaccount,” collectively referred as the “Principal Subaccounts.” On or before each Principal Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the respective Principal Subaccount an amount of money which, together with any money contained

therein, is equal to the aggregate amount of the principal becoming due and payable on the Outstanding Bonds of the related Series on such Principal Payment Date. No deposit need be made into the respective Principal Subaccount if the amount contained therein is at least equal to the principal to become due and payable on all Outstanding Bonds of the related Series on the upcoming Principal Payment Date. Subject to the Indenture, all moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal and sinking account payments on the Outstanding Bonds as they become due and payable.

On or before each Principal Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the applicable Sinking Account an amount of money equal to the Sinking Account Installment, if any, payable on the Sinking Account Payment Date in such Bond Year. The Trustee shall use moneys in the applicable Sinking Account to redeem Bonds of the applicable Series pursuant to the Indenture. If there shall be insufficient money in the Revenue Fund to make in full all such principal payments and Sinking Account payments required to be made in such Bond Year, then the money available in the Revenue Fund shall be applied *pro rata* with respect to such principal payments and Sinking Account payments in the proportion that all such principal payments and sinking account payments bear to each other.

Third Reserve Fund. Within the Reserve Fund, there is created the 2014B Reserve Account and the 2014C Reserve Account, collectively referred as the “Reserve Accounts. Subject to the Indenture, all money in the respective Reserve Account will be used and withdrawn by the Trustee solely for the purpose of (i) making transfers to the related Interest Account, the Principal Account and the Sinking Account (and subaccounts therein, as the case may be), in such order of priority, in the event of any deficiency at any time in any of such Accounts or (ii) for the retirement of all the Bonds of a related Series then Outstanding. Any amount in the Reserve Fund in excess of the applicable Reserve Requirement for the Bonds shall be withdrawn from the Reserve Fund on or before the Interest Payment Date by the Trustee and deposited in the Interest Account (for further deposit into the applicable subaccounts therein). All amounts in any Account in the Reserve Fund five (5) Business Days before the final Interest Payment Date shall be withdrawn therefrom by the Trustee and transferred either (i) to the Interest Account and then Principal Account and the Sinking Account (and subaccounts therein, as the case may be), to the extent required to make the deposits then required to be made under the Indenture, or (ii) if sufficient deposits have been made under the Indenture, then, as directed by the Successor Agency in any manner permitted by law pursuant to a Written Request of the Successor Agency.

The applicable Reserve Requirement may be satisfied by crediting to the Reserve Fund moneys or a Qualified Reserve Fund Credit Instrument or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the applicable Reserve Requirement. Upon deposit of such Qualified Reserve Fund Credit Instrument, the Trustee shall transfer any excess amounts then on deposit in the Reserve Fund in excess of the applicable Reserve Requirement into a segregated account of the Bond Fund, which monies shall be applied upon written direction of the Successor Agency either (i) to the payment within one year of the date of transfer of capital expenditures of the Successor Agency permitted by law, or (ii) to the redemption of Bonds on the earliest succeeding date on which such redemption is permitted, and pending such application shall be held either not invested in investment property (as defined in section 148(b) of the Code), or invested in such property to produce a yield that is not in excess of the yield on the Bonds; *provided, however*, that the Successor Agency may by written direction to the Trustee cause an alternative use of such amounts if the Successor Agency shall first have obtained a written opinion of nationally recognized bond counsel substantially to the effect that such alternative use will not adversely affect the exclusion pursuant to section 103 of the Code of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In any case where the Reserve Fund is funded with a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee shall deplete all cash balances before drawing on the Qualified Reserve Fund Credit Instrument. With regard to replenishment, any available moneys provided by the Successor Agency shall be used first to reinstate the Qualified Reserve Fund Credit Instrument and second, to replenish the cash in the Reserve Fund. If the Qualified Reserve Fund Credit Instrument is drawn upon, the Successor Agency shall make payment of interest on amounts advanced under the Qualified Reserve Fund Credit Instrument after making any payments pursuant to this subsection.

The Reserve Requirement for the 2014B Bonds shall initially be satisfied through the deposit of the 2014B Reserve Policy into the 2014B Reserve Account. The Reserve Requirement for the 2014C Bonds shall initially be satisfied through the deposit of the 2014C Reserve Policy into the 2014C Reserve Account.

Replenishment of Reserve Fund. The Trustee shall value the balances in the Accounts in the Reserve Fund on each October 1. If the balance in an Account in the Reserve Fund is less than the applicable Reserve Requirement, the Trustee shall indicate the amount of such deficiency in a Written Request to the Successor Agency. Upon receipt of such Written Request, the Successor Agency shall immediately take all necessary action to cure such deficiency in such Account, including using best efforts to place the amount of such deficiency on a Recognized Obligation Payment Schedule. No transfers or deposits need be made to any Account in the Reserve Fund so long as there is on deposit therein a sum at least equal to the applicable Reserve Requirement.

Fourth Redemption Account. On or before the 5th Business Day preceding any date on which Bonds are to be redeemed, the Successor Agency will deliver or cause to be delivered funds to the Trustee for deposit in the Redemption Account an amount required to pay the principal of, interest and premium, if any, on the Bonds (other than Bonds redeemed from sinking account payments) to be redeemed on such date. Subject to the Indenture, all moneys in the Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and interest or redemption premium (if any) on the Bonds to be redeemed on the date set for such redemption.

Costs of Issuance Funds. The Indenture establishes separate funds to be known as the “2014B Costs of Issuance Fund” and “2014C Costs of Issuance Fund,” each of which shall be held in trust by the Trustee. Moneys in the Costs of Issuance Funds shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the applicable Fund. Each such Written Request of the Successor Agency shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Six (6) months following the Delivery Date, or upon the earlier Written Request of the Successor Agency, all amounts (if any) remaining in either Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Revenue Fund.

Surplus Fund. The Indenture establishes the “Surplus Fund.” Following the deposits described in the Indenture, the Trustee shall deposit any remaining Pledged Housing Tax Revenues and Surplus Non-Housing Tax Revenues into the Surplus Fund. Following such deposit, the Trustee shall transfer any Pledged Housing Tax Revenues and any Surplus Non-Housing Tax Revenues to the Successor Agency for the payment of any enforceable obligations of the Successor Agency, or, if no such payment is required, such amounts shall be distributed to the taxing entities pursuant to the Dissolution Act.

Notwithstanding the preceding paragraph, if the Report described in Section 5.1 Covenant 11 shows the cumulative amount of Annual Debt Service remaining to be paid on the Outstanding Bonds to

their scheduled maturity equals or exceeds 90 percent of remaining Pledged Housing Tax Revenues that the Successor Agency is permitted to receive under the Redevelopment Plan to be credited to the Redevelopment Obligation Retirement Fund, then all Pledged Housing Tax Revenue and Surplus Non-Housing Tax Revenues remaining following the deposits described in Section 4.3 of this Indenture, shall be deposited into the Special Redemption Fund pursuant to Section 4.6.

Special Redemption Fund. Upon receipt of any Excess Tax Revenues pursuant to in the Indenture, the Trustee shall immediately deposit such money in the Special Redemption Fund. No later than July 15 of each year, the Trustee shall provide a written notification to the Successor Agency of the balance of the Special Redemption Fund. The Successor Agency, no later than the following July 25, shall (i) determine the amount (and if applicable, designating the maturities) of Bonds of each Series to be called pursuant to the Indenture on the following August 1, and (ii) notify the Trustee of such determination in writing. Such determination by the Successor Agency shall be based on a *pro rata* application of moneys in the Special Redemption Fund toward the redemption of each Series of Bonds, based on the then Outstanding principal amount of each such Series of Bonds; provided, that such “*pro rata* application” shall be in, as nearly as practicable, multiples of \$5,000, and shall result in the principal amount of each Series of Bonds remaining Outstanding after such extraordinary redemption being in an Authorized Denomination. Upon receipt of such determination by the Successor Agency, the Trustee shall prepare and send notices of redemption to the applicable Owners in accordance with the Indenture. If the Successor Agency determines that there is not sufficient money in the Special Redemption Fund to redeem Bonds pursuant to the Indenture in any year, then the Successor Agency shall provide a written notice to the Trustee to that effect as required pursuant to the Indenture.

At least five (5) Business Days before each Extraordinary Redemption Date, the Trustee shall notify the Successor Agency in writing of the accrued interest (the “Accrued Interest”) that will become due on such Extraordinary Redemption Date with respect to the Bonds being called pursuant to the Indenture. The Trustee shall, no later than the Business Day before such Extraordinary Redemption Date, transfer the amount of such Accrued Interest from the Revenue Fund to the Special Redemption Fund. The Trustee shall use the moneys in the Special Redemption Fund to pay the applicable Redemption Price on the Extraordinary Redemption Date.

Any money remaining in the Special Redemption Fund on the final maturity date of the Bonds or the defeasance date of all of the Outstanding Bonds shall be transferred to the Revenue Fund (for application toward the final payment on the Bonds or transfer to the defeasance escrow). Pending such transfer to the Revenue Fund, any interest earnings of moneys in the Special Redemption Fund shall be retained in the Special Redemption Fund.

Covenants of the Successor Agency. As long as the Bonds are Outstanding, the Successor Agency shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or in any Bond issued under the Indenture, including the following covenants and agreements for the benefit of the Owners which are necessary, convenient and desirable to secure the Bonds:

Compliance with Health and Safety Code. The Successor Agency covenants that it will comply with all applicable requirements of the Health and Safety Code.

Recognized Obligation Payment Schedule. Pursuant to Section 34177 of the Health and Safety Code, not less than 90-days prior to each January 2 and June 1 (or such other dates as are specified in the Health and Safety Code or other applicable law), the Successor Agency shall prepare and submit to the Successor Agency Oversight Board and the State Department of Finance, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations of the Successor Agency are listed,

including debt service with respect to the Bonds. Such Recognized Obligation Payment Schedule shall include all scheduled interest, principal payments on the Bonds that are due and payable on February and August 1 of the Bond Year ending on August 1 of the next ensuing calendar year, together with any amount required to replenish any Account in the Reserve Fund and amounts, if any due and owing to the Insurer under the 2014B and 2014C Insurance Policy, the 2014B Reserve Policy, or the 2014C Reserve Policy as provided in the Indenture. If, on January 2 of any year, the amount of Pledged Tax Revenues remitted by the County Auditor-Controller to the Successor Agency is less than the amount required pursuant to the preceding paragraph, then not less than 90-days prior to June 1 of such year, the Successor Agency shall prepare, and submit to the Successor Agency Oversight Board and the State Department of Finance, a Recognized Obligation Payment Schedule that includes the balance due.

Punctual Payment. The Successor Agency covenants that it will duly and punctually pay or cause to be paid the principal of and interest on the Bonds on the date, at the place and in the manner provided in the Bonds, and that it will take all actions required under the Health and Safety Code to include debt service on the Bonds on the applicable Recognized Obligation Payment Schedule, including any amounts required to replenish either Account within the Reserve Fund to the full amount of the applicable Reserve Requirement.

No Priority; No Additional Parity Bonds; Refunding Bonds; Other Obligations. The Successor Agency covenants that it will not issue any Obligations payable, either as to principal or interest, from the Pledged Housing Tax Revenues which have any lien upon the Pledged Housing Tax Revenues on a parity with or superior to the lien under the Indenture for the Bonds; provided, that the Successor Agency may issue and sell refunding bonds payable from Pledged Housing Tax Revenues on a parity with Outstanding Bonds, if (a) annual debt service on such refunding bonds is lower than annual debt service on the Bonds or the Parity Housing Debt, as applicable, being refunded during every year the refunding bonds will be outstanding, (b) the debt service payment dates with respect to such refunding bonds are the same as for the Bonds or the Parity Housing Debt, as applicable, being refunded and (c) the final maturity of any such refunding bonds does not exceed the final maturity of the Bonds or the Parity Housing Debt, as applicable, being refunded.

Use of Proceeds: Management and Operation of Properties. The Successor Agency covenants that the proceeds of the sale of the Bonds will be deposited and used as provided in the Indenture and that it will manage and operate all properties owned by it comprising any part of the Redevelopment Project Area in a sound and proper manner and in accordance with applicable law.

Payment of Taxes and Other Charges. The Successor Agency covenants that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Successor Agency or any of the properties then owned by it in the Redevelopment Project Area, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of the properties, revenues or income or which might impair the security of the Bonds or the use of Pledged Housing Tax Revenues or other legally available funds to pay the principal of and interest and redemption premium (if any) on the Bonds, all to the end that the priority and security of the Bonds shall be preserved; provided, however, that nothing in this covenant shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of the payment.

Books and Accounts: Financial Transactions and Records. The Successor Agency covenants that it will at all times keep, or cause to be kept, proper and current books and accounts in which complete and accurate entries are made of the financial transactions and records of the Successor Agency. Within one hundred eighty (180) days after the close of each Fiscal Year an Independent Certified Public Accountant

shall prepare an audit of the financial transactions and records of the Successor Agency for such Fiscal Year. To the extent permitted by law, such audit may be included within the annual audited financial statements of the City. Upon written request, the Successor Agency shall, as soon practicable, furnish a copy of each audit to any Owner. The Trustee shall have no duty to review such audits.

Protection of Security and Rights of Owners. The Successor Agency covenants to preserve and protect the security of the Bonds and the rights of the Owners and to contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the Successor Agency that the Pledged Housing Tax Revenues pledged under the Indenture cannot be used to pay debt service on the Bonds or (b) any other action affecting the validity of the Bonds or diluting the security therefor, including, with respect to the Pledged Housing Tax Revenues, the senior lien position of the Bonds to the Statutory Pass-Through Amounts that have been subordinated to the payment of debt service on the Bonds.

Continuing Disclosure. The Successor Agency covenants that it will comply with and carry out all of the provisions of its Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure by the Successor Agency to comply with its Continuing Disclosure Agreement shall not be considered an Event of Default; however, any participating underwriter, Owner or beneficial owner of any Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Tax Covenants. Other than with respect to the series 2014C Bonds, the Successor Agency shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any of the Bonds (other than a Series 2014C Bond) to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Authority receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond (other than a Series 2014C Bond), the Successor Agency shall comply with each of the specific tax covenants in the Indenture.

Annual Review of Tax Revenues. On or before November 1 of each year commencing November 1, 2015, the Successor Agency shall submit a written report of an Independent Redevelopment Consultant (the "Report") to the Trustee. The Report shall show the total amount of Pledged Housing Tax Revenues remaining available to be credited to the Redevelopment Obligation Retirement Fund by the Successor Agency under the Redevelopment Plan's cumulative tax increment limitation, as well as future cumulative Annual Debt Service with respect to the Bonds. The Successor Agency will not accept Pledged Housing Tax Revenues for credit to the Redevelopment Obligation Retirement Fund in any Fiscal Year greater than the sum of the Annual Debt Service for the Outstanding Bonds, plus an amount necessary to replenish the Accounts in the Reserve Fund, if such acceptance would cause the amount remaining under the tax increment limit to fall below the remaining cumulative Annual Debt Service with respect to the Outstanding Bonds, except for the purpose of using Excess Tax Revenues for the redemption of Outstanding Bonds. If the Report shows the cumulative amount of Annual Debt Service remaining to be paid on the Outstanding Bonds to their scheduled maturity equals or exceeds 90 percent of remaining Pledged Housing Tax Revenues that the Successor Agency is permitted to receive under the Redevelopment Plan to be credited to the Redevelopment Obligation Retirement Fund, the Successor Agency shall cause the deposit of all Excess Tax Revenues in the Special Redemption Fund each Fiscal Year until all of the Outstanding Bonds have been paid or defeased. Moneys deposited in the Special Redemption Fund shall only be used to redeem Bonds as described in the Indenture.

Covenant to Provide Surplus Non-Housing Tax Revenues. The Successor Agency covenants to provide the Trustee with Surplus Non-Housing Tax Revenues for the payment of the principal of and interest on the Bonds, and if necessary to replenish any Reserve Account under the Indenture, if Pledged Housing Tax Revenues are insufficient for such purposes. Surplus Non-Housing Tax Revenues shall be provided by the Successor Agency on the same date or dates, as applicable, that Pledged Housing Tax Revenues are required to be transmitted to the Trustee under the Indenture.

Further Assurances. The Successor Agency covenants to adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Indenture.

Duties, Immunities and Liabilities of Trustee.

The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. The Successor Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Successor Agency has knowledge that the Trustee has ceased to be eligible in accordance with this provision, or has become incapable of acting, or has been adjudged as bankrupt or insolvent, or a receiver of the Trustee or its property has been appointed, or any public officer shall have taken control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Successor Agency to the Trustee, whereupon the Successor Agency shall appoint a successor Trustee by an instrument in writing. The Trustee may at any time resign by giving prior written notice of such resignation to the Successor Agency, and by giving the Owners notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Successor Agency shall promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Successor Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Written Request of the Successor Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to

any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Successor Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Successor Agency shall mail, with a copy to the Successor Trustee, a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then has a current rating on the Bonds and to the Owners at their respective addresses shown on the Registration Books. If the Successor Agency fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Successor Agency. Notwithstanding any other provisions of the Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed.

Every successor Trustee appointed under the provisions of the Indenture shall be a trust company, national banking association, or bank in good standing authorized to exercise trust powers or having the powers of a trust company and duly authorized to exercise trust powers within the State having a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, national banking association, or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

The Trustee shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds. Before taking any action under the Indenture at the request or direction of the Owners, the Trustee may require that an indemnity bond satisfactory to the Trustee be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or its willful misconduct in connection with any action so taken.

Merger or Consolidation. Any bank, national banking association, or trust company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank, national banking association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association, or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, national banking association, or trust company shall be eligible under the provisions of the Indenture, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee.

The recitals of facts in the Indenture and in the Bonds contained shall be taken as statements of the Successor Agency, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of the Indenture or of the Bonds nor shall incur any responsibility in respect thereof, other than as expressly stated in the Indenture. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Indenture,

except for its own negligence or willful misconduct. The Trustee may become the Owner of any Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture. The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated under the Indenture shall not be construed as a mandatory duty. The Trustee shall not be deemed to have knowledge of any Event of Default under the Indenture unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at its Corporate Trust Office. Except as otherwise expressly provided in the Indenture, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Indenture or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder. No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability under the Indenture. The Trustee may execute any of the trust or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care. The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty. The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

Compensation and Indemnification. The Successor Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Indenture. Upon the occurrence of an Event of Default, the Trustee shall have a first lien on the Pledged Housing Tax Revenues and all funds and accounts held by the Trustee under the Indenture to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture. The Successor Agency further covenants and agrees to indemnify and hold the Trustee and its officers, directors, agents and employees, harmless against any loss, expense, and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs and expenses and those of its attorneys and advisors of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Successor Agency under this section shall survive resignation or removal of the Trustee under the Indenture and payment of the Bonds and discharge of the Indenture.

Investment of Moneys in Funds and Accounts. Subject to the provisions of the Indenture, all moneys held by the Trustee in the Revenue Fund, Costs of Issuance Funds, the Redemption Account or the Rebate Fund, shall, at the written direction of the Successor Agency, be invested only in Permitted Investments. If the Trustee receives no written directions from the Successor Agency as to the investment of moneys held in any Fund or Account, the Trustee shall request such written direction from the Successor Agency and, pending receipt of instructions, shall invest such moneys solely in specific Permitted Investments described in the Indenture; (a) moneys in the Redevelopment Obligation

Retirement Fund shall be invested by the Successor Agency only in obligations permitted by the Health and Safety Code which will by their terms mature not later than the date the Successor Agency estimates the moneys represented by the particular investment will be needed for withdrawal from the Redevelopment Obligation Retirement Fund; (b) moneys in the Interest Account, the Principal Account, the Sinking Account and the Redemption Account of the Revenue Fund shall be invested by the Trustee only in obligations which will by their terms mature on such dates as to ensure that before each Interest Payment Date and Principal Payment Date, there will be in such account, from matured obligations and other moneys already in such account, cash equal to the interest and principal payable on such payment date; (c) moneys in the Reserve Fund shall be invested by the Trustee in (i) obligations which will by their terms mature on or before the date of the final maturity of the Bonds or five (5) years from the date of investment, whichever is earlier or (ii) an Investment Agreement which permits withdrawals or deposits without penalty at such time as such moneys will be needed or to replenish the Reserve Fund; and (d) moneys in the Rebate Fund shall be invested in Defeasance Securities which mature on or before the date such amounts are required to be paid to the United States.

Obligations purchased as an investment of moneys in any of the Funds or Accounts shall be deemed at all times to be a part of such respective Fund or Account and the interest accruing thereon and any gain realized from an investment shall be credited to such Fund or Account and any loss resulting from any authorized investment shall be charged to such Fund or Account without liability to the Trustee. The Successor Agency or the Trustee, as the case may be, shall sell or present for redemption any obligation purchased whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such Fund or Account as required by the Indenture and shall incur no liability for any loss realized upon such a sale. All interest earnings received on any monies invested in the Interest Account, the Principal Account, the Sinking Account, the Redemption Account or the Reserve Fund, to the extent they exceed the amount required to be in such Account, shall be transferred on each Interest Payment Date to the Revenue Fund. All interest earnings on monies invested in the Rebate Fund shall be retained in such Fund and applied as set forth in the Tax Certificate. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this provision. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Indenture. The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Successor Agency periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

The value of Permitted Investments shall be determined as follows: (i) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; (ii) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; (iii) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and (iv) as to any investment not specified above: the value thereof established by prior agreement between the Successor Agency and the Trustee. If more than one provision of this definition of "value" shall apply at any time to any particular investment, the value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment; provided, notwithstanding the foregoing, in making any valuations under the Indenture, the Trustee may utilize and conclusively rely

upon such pricing services as may be regularly available to it, including, without limitation, those within its regular accounting system.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts held by it established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Successor Agency at reasonable hours and under reasonable circumstances with reasonable prior notice. The Trustee shall furnish to the Successor Agency, at least quarterly, an accounting of all transactions in the form of its regular account statements relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to the Indenture.

Modification or Amendment of the Indenture.

Amendment Without Consent of Owners. The Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Owners, to the extent permitted by law and any for one or more of the following purposes: (a) to add to the covenants and agreements of the Successor Agency in the Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any rights or power in the Indenture reserved to or conferred upon the Successor Agency; or (b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, or as to any other provisions of the Indenture as the Successor Agency may deem necessary or desirable, in any case which do not have a material and adverse effect on the security for the Bonds granted under the Indenture; or (c) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute thereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or (d) to modify or amend any provision of the Indenture with any effect and to any extent whatsoever permissible by law, provided that any such modification or amendment shall apply only to the Bonds issued and delivered subsequent to the execution and delivery of the applicable Supplemental Indenture.

Amendment With Consent of Owners. Except as set forth in the Indenture, the Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof, or extend the time of payment, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Pledged Housing Tax Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Successor Agency and the Trustee of any Supplemental Indenture pursuant to this provision, the Trustee shall cause to be mailed a notice (the form of which shall be furnished to the Trustee by the Successor Agency), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give

such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties to the Indenture or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement or Replacement of Bonds After Amendment. After the effective date of any amendment or modification of the Indenture pursuant to the Indenture, the Successor Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Successor Agency, as to such amendment or modification and in that case upon demand of the Successor Agency, the Owners of such Bonds shall present such Bonds for that purpose at the Corporate Trust Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Successor Agency may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and, in that case upon demand of the Successor Agency, the Owners of the Bonds shall present such Bonds for exchange at the Corporate Trust Office of the Trustee, without cost to such Owners.

Events of Default and Remedies of Owners.

Events of Default and Acceleration of Maturities. The following events shall constitute Events of Default under the Indenture: (a) if default shall be made in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise; (b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following receipt by the Successor Agency of written notice from the Trustee or any Owner of not less than 50% in aggregate principal amount of the Outstanding Bonds; provided, that if such default is such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Successor Agency within the applicable period and diligently pursued until the default is corrected, which period shall not be longer than sixty (60) days from the date of written notice specifying the failure; or (c) if the Successor Agency shall commence a voluntary action under Title 11 of the United States Code or any substitute or successor statute. If an Event of Default has occurred and is continuing, the Trustee may, or if requested in writing by the Owners of the majority in aggregate principal amount of the Bonds then Outstanding, the Trustee shall, by written notice to the Successor Agency, (a) only in the event of a default under the Indenture, declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, and (b) upon any Event of Default (with receipt of indemnity to its satisfaction) exercise any remedies available to the Trustee and the Owners in law or at equity.

Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Successor Agency, and the Owners in the

same manner as provided in the Indenture for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid interest on the Bonds is actually paid on such date.)

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the net effective rate then borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, including but not limited to attorneys' fees, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Upon the occurrence of an event of default, the Trustee may, with the consent of a majority of the Owners, by written notice to the Successor Agency, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Indenture in the Bonds to the contrary notwithstanding.

Application of Funds Upon Acceleration. All of the Pledged Housing Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee in the order following, upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in this section of the Indenture, including reasonable compensation to its agents, attorneys and counsel including all sums owed the Trustee pursuant to the Indenture; and

Second, to the payment pro rata of the whole amount then owing and on the respective Series of Bonds (and any refunding bonds payable from Pledged Housing Tax Revenues on a parity with Outstanding Bonds) for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected) and amounts, if any, due and owing to the Insurer under the 2014B and 2014C Policy, the 2014B Reserve Policy or the 2014C Reserve Policy pursuant to the Indenture, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest and amounts due and owing to the Insurer without preference or priority of principal over interest, or interest over principal, or of

any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest or any Bond over any other Bond.

Power of Trustee to Control Proceedings. If the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Owner's Right to Sue. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee. Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provisions of the Indenture shall be instituted, had and maintained in the manner provided and for the equal benefit of all Owners of the Outstanding Bonds. The right of any Owner of any Bond to receive payment of the principal of and interest and redemption premium (if any) on such Bond as provided in the Indenture, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions or any other provision of the Indenture.

Non-waiver. Nothing in the Indenture or in the Bonds, shall affect or impair the obligation of the Successor Agency, which is absolute and unconditional, to pay from the Pledged Housing Tax Revenues and other amounts pledged under the Indenture, the principal of and interest and redemption premium (if any) on the Bonds to the respective Owners on the respective Interest Payment Dates, as provided in the Indenture, or affect or impair the right of action, which is also absolute and unconditional, of the Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds. A waiver of any default by any Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Health and Safety Code or by this provision may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners. If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Owners, the Successor Agency and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Actions by Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, provided the Trustee shall have no duty or obligation to enforce any such right or remedy if it has not been indemnified to its satisfaction from loss, liability or any expense including, but not limited to reasonable fees and expenses of its attorneys.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or thereafter existing, at law or in equity by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Health and Safety Code or any other law.

Discharge of Indenture.

Discharge of Indenture. If the Successor Agency shall pay and discharge the entire indebtedness on all Bonds or any portion thereof in any one or more of the following ways: (i) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on all Outstanding Bonds, including all principal, interest and redemption premiums, (if any), or; (ii) by irrevocably depositing with the Trustee or another fiduciary, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all Outstanding Bonds, including all principal, interest and redemption premiums (if any), or, (iii) by irrevocably depositing with the Trustee or another fiduciary, in trust, Defeasance Securities in such amount as an Independent Certified Public Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums, if any) at or before maturity, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice then, at the election of the Successor Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Pledged Housing Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Successor Agency under the Indenture with respect to all Outstanding Bonds shall cease and terminate, except only (a) the obligation of the Trustee to transfer and exchange Bonds under the Indenture and (b) the obligation of the Successor Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees, expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee. Any funds thereafter held by the Trustee, which are not required for said purpose, shall be paid over to the Successor Agency.

Insurer as Sole Holder of Bonds

The Insurer shall be deemed to be the sole holder of the 2014B Bonds and the 2014C Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the 2014B Bonds and the 2014C Bonds insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of this Indenture, each 2014B Bond and each 2014C Bond, the Trustee and each Owner appoint the Insurer as their agent and attorney-in-fact and agree that the

Insurer may at any time during the continuation of any proceeding by or against the Successor Agency under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Owner delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Owner in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Owners shall expressly include mandamus.

APPENDIX B

FORMS OF BOND COUNSEL OPINION

Successor Agency to the Redevelopment Agency
of the City of Cathedral City
Cathedral City, California

\$46,140,000
Successor Agency to
the Redevelopment Agency of the City of Cathedral City
Tax Allocation Revenue Refunding Bonds,
Series 2014A
(Merged Redevelopment Project Area)

Ladies and Gentlemen:

We have acted as bond counsel to the Successor Agency to the Redevelopment Agency of the City of Cathedral City (the “Successor Agency”) in connection with the issuance of its Tax Allocation Revenue Refunding Bonds, Series 2014A (Merged Redevelopment Project Area) (the “2014A Bonds”) in the aggregate principal amount of \$46,140,000. The issuance of the 2014A Bonds was authorized by the Successor Agency pursuant to Resolution No. 2014-01 adopted on May 14, 2014 (the “Resolution”) and by the Oversight Board for the Successor Agency pursuant to Resolution No. 013-2014-24 adopted on May 15, 2014 (the “Oversight Board Resolution”). The 2014A Bonds will be issued pursuant to the Constitution and laws of the State of California, including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Bond Law”) and the Community Redevelopment Law, Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the “Redevelopment Law”). The 2014A Bonds are also being issued pursuant to an Indenture, dated as of October 1, 2014 (the “2014A Indenture”), by and between the Successor Agency and Wells Fargo Bank, National Association, as trustee (the “2014A Trustee”).

As bond counsel, we have examined applicable provisions of the Bond Law and copies certified to us as being true and complete copies of the proceedings of the Successor Agency and the Oversight Board for the authorization and issuance of the 2014A Bonds, including the Resolution, the Oversight Board Resolution, the 2014A Indenture and the Tax Certificate (as defined below). Our services as bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection we have also examined such certificates of public officials and officers of the Successor Agency as we have considered necessary for the purposes of this opinion.

We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the 2014A Indenture and the Tax Certificate. In addition, we call attention to the fact that the rights and obligations under the 2014A Bonds and the 2014A Indenture are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws affecting creditors’ rights, to the application of equitable principles, to the possible

unavailability of specific performance or injunctive relief, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The 2014A Bonds constitute valid and binding obligations of the Successor Agency, payable as to principal and interest from Pledged Tax Revenues and Surplus Housing Tax Revenues, if any, as provided in the 2014A Indenture.

2. The 2014A Indenture has been duly and validly authorized, executed and delivered by the Successor Agency and, assuming the 2014A Indenture constitutes the legally valid and binding obligation of the 2014A Trustee, constitutes the legally valid and binding obligation of the Successor Agency, enforceable against the Successor Agency in accordance with its terms.

3. Under existing statutes, regulations, rulings and court decisions, interest on the 2014A Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the 2014A Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes. It is our further opinion that, under existing statutes, regulations, rulings and court decisions, the 2014A Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the 2014A Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on 2014A Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the 2014A Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the 2014A Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the 2014A Bonds. Pursuant to the 2014A Indenture and the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* (the "Tax Certificate") being delivered by the Successor Agency in connection with the issuance of the 2014A Bonds, the Successor Agency is making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the 2014A Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the Successor Agency with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the 2014A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the 2014A Bonds, or the interest thereon, if any action is taken with respect to the 2014A Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our

opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of results and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2014A Bonds.

This opinion is limited to the laws of the State of California and the federal laws of the United States.

Respectfully submitted,

[Delivery Date]

Successor Agency to the Redevelopment Agency
of the City of Cathedral City
Cathedral City, California

\$15,630,000
Successor Agency to the
Redevelopment Agency of the City of Cathedral City
Tax Allocation Housing Revenue Refunding Bonds,
Series 2014B
(Merged Redevelopment Project Area)

\$11,985,000
Successor Agency to the
Redevelopment Agency of the City of Cathedral City
Taxable Tax Allocation Housing Revenue Refunding
Bonds,
Series 2014C
(Merged Redevelopment Project Area)

Ladies and Gentlemen:

We have acted as bond counsel to the Successor Agency to the Redevelopment Agency of the City of Cathedral City (the "Successor Agency") in connection with the issuance of its Tax Allocation Housing Revenue Refunding Bonds, Series 2014B (Merged Redevelopment Project Area) (the "2014B Bonds") in the aggregate principal amount of \$15,630,000 and its Taxable Tax Allocation Housing Revenue Refunding Bonds, Series 2014C (Merged Redevelopment Project Area) (the "2014C Bonds" and, together with the 2014B Bonds, the "Bonds") in the aggregate principal amount of \$11,985,000. The issuance of the Bonds was authorized by the Successor Agency pursuant to Resolution No. 2014-01 adopted on May 14, 2014 (the "Resolution") and by the Oversight Board for the Successor Agency pursuant to Resolution No. 013-2014-24 adopted on May 15, 2014 (the "Oversight Board Resolution"). The Bonds will be issued pursuant to the Constitution and laws of the State of California, including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Bond Law") and the Community Redevelopment Law, Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the "Redevelopment Law"). The Bonds are also being issued pursuant to an Indenture, dated as of October 1, 2014 (the "2014B&C Indenture"), by and between the Successor Agency and Wells Fargo Bank, National Association, as trustee (the "2014B&C Trustee").

As bond counsel, we have examined applicable provisions of the Bond Law and copies certified to us as being true and complete copies of the proceedings of the Successor Agency and the Oversight Board for the authorization and issuance of the Bonds, including the Resolution, the Oversight Board Resolution, the 2014B&C Indenture and the Tax Certificate (as defined below). Our services as bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection we have also examined such certificates of public officials and officers of the Successor Agency as we have considered necessary for the purposes of this opinion.

We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the 2014B&C Indenture and the Tax Certificate. In addition, we call attention to the fact that the rights and obligations under the Bonds and the 2014B&C Indenture are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles, to the possible

unavailability of specific performance or injunctive relief, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the Successor Agency, payable as to principal and interest from Pledged Tax Revenues and Surplus Non-Housing Tax Revenues, if any, as provided in the 2014B&C Indenture.

2. The 2014B&C Indenture has been duly and validly authorized, executed and delivered by the Successor Agency and, assuming the 2014B&C Indenture constitutes the legally valid and binding obligation of the 2014B&C Trustee, constitutes the legally valid and binding obligation of the Successor Agency, enforceable against the Successor Agency in accordance with its terms.

3. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the 2014B Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes. It is our further opinion that, under existing statutes, regulations, rulings and court decisions, the 2014B Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the 2014B Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on 2014B Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the 2014B Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the 2014B Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the 2014B Bonds. Pursuant to the 2014B Indenture and the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* (the "Tax Certificate") being delivered by the Successor Agency in connection with the issuance of the 2014B Bonds, the Successor Agency is making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the 2014B Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the Successor Agency with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of results and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds.

This opinion is limited to the laws of the State of California and the federal laws of the United States.

Respectfully submitted,

APPENDIX C

BOOK-ENTRY SYSTEM

The information in this APPENDIX C concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. The Successor Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing Successor Agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Successor Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Successor Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Successor Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Successor Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, in the

event that a successor depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

The Successor Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Successor Agency believes to be reliable, but the Successor Agency takes no responsibility for the accuracy thereof.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the Successor Agency to the Redevelopment Agency of the City of Cathedral City (the “Successor Agency”) and Willdan Financial Services, as dissemination agent (the “Dissemination Agent”), in connection with the issuance of \$46,140,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City of Cathedral City Tax Allocation Revenue Refunding Bonds, Series 2014A (Merged Redevelopment Project Area) (the “2014A Bonds”), \$15,630,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City of Cathedral City Tax Allocation Housing Revenue Refunding Bonds, Series 2014B (Merged Redevelopment Project Area) (the “2014B Bonds”), and \$11,985,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City of Cathedral City Taxable Tax Allocation Housing Revenue Refunding Bonds, Series 2014C (Merged Redevelopment Project Area) (the “2014C Bonds” and, together with the 2014B Bonds and the 2014C Bonds, the “Bonds”). The 2014A Bonds are being issued pursuant to an Indenture, dated as of September 1, 2014 (the “2014A Indenture”), by and between the Successor Agency and Wells Fargo Bank, National Association, as trustee (the “Trustee”). The 2014B Bonds and the 2014C Bonds are being issued pursuant to an Indenture, dated as of September 1, 2014 (the “2014B & 2014C Indenture” and, together with the 2014A Indenture, the “Indenture”), by and between the Successor Agency and the Trustee. The Successor Agency and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Successor Agency for the benefit of the Owners and Beneficial Owners of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Successor Agency pursuant to, and as described in, Section 3 this Disclosure Agreement.

“Beneficial Owner” shall mean any person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Business Day” means any day other than (i) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city in which the corporate trust office of the Trustee is located are authorized to close, or (ii) a day on which the New York Stock Exchange is closed.

“Dissemination Agent” shall mean initially, Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Successor Agency, and which has filed with the Trustee a written acceptance of such designation.

“EMMA” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for Municipal Securities disclosures, maintained on the internet at <http://emma.msrb.org>.

“Fiscal Year” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve-month or fifty-two week period hereafter selected by the Successor Agency, with notice of such selection or change in fiscal year to be provided as set forth herein.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any other entity designated or authorized by the United States Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the United States Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the Official Statement, dated September 18, 2014, relating to the Bonds.

“Owner” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

“State” shall mean the State of California.

SECTION 3. Provision and Contents of Annual Report.

(a) So long as any Bonds remain outstanding, the Successor Agency shall, or shall cause the Dissemination Agent to, not later than the March 31 occurring after the end of the Successor Agency’s Fiscal Year, commencing with the Fiscal Year ended June 30, 2014, provide to the MSRB, through EMMA, a postaudit of the financial transactions and records of the Successor Agency for the Fiscal Year. If the Successor Agency’s postaudit is not available by the time such postaudit is required to be filed pursuant to this Section 3(a), an unaudited statement of financial transactions and records of the Successor Agency in a format required by Section 34177(n) of the Health and Safety Code of the State of California shall be provided to the Dissemination Agent, and the postaudit shall be filed when it becomes available. The postaudit shall constitute the Annual Report hereunder. The Annual Report may be contained in

the City of Cathedral City's comprehensive annual financial report ("CAFR") and submission of such CAFR to the MSRB through EMMA shall constitute compliance for submission of the postaudit required hereunder. Each Annual Report shall also contain the following information for the immediately prior Fiscal Year:

- The aggregate assessed values of the project areas included in the Official Statement in a similar format as provided in the Official Statement under the tables entitled "Project Area No. 1 Historical Assessed Valuation Growth," "Project Area No. 2 Historical Assessed Valuation Growth," "Project Area No. 3 Historical Assessed Valuation Growth" and "Merged Redevelopment Project Area Historical Assessed Valuation Growth;"
- The list of top ten largest included in a similar format as provided in the Official Statement under the table entitled "Merged Redevelopment Project Area Largest Fiscal Year 2013-14 Property Taxpayers;"
- Information on appeals by top ten taxpayers in the Merged Redevelopment Project Area;
- For the most recent Fiscal Year completed, (i) the aggregate annual debt service for the 2014A Bonds and any outstanding Parity Non-Housing Debt, (ii) the aggregate annual debt service for the 2014B Bonds, the 2014C Bonds and any outstanding Parity Housing Debt, (iii) the actual amount of 2014A Pledged Tax Revenues and (iv) the actual amount of 2014B & 2014C Pledged Housing Tax Revenues; and
- Updated information regarding Case No. 14-00007JGB - *Agua Caliente Band of Cahuilla Indians v. Riverside County, et al* (the "Agua Caliente Band of Cahuilla Indians Litigation") if the Successor Agency obtains actual knowledge of a final, non-appealable judgment in the Agua Caliente Band of Cahuilla Indians Litigation, and such final, non-appealable judgment will have a material adverse effect on the 2014A Pledged Tax Revenues or the 2014B & 2014C Pledged Housing Tax Revenues.

(b) The Annual Report must be submitted in electronic format, accompanied by such identifying information as required by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3(d) of this Disclosure Agreement. If the Fiscal Year changes for the Successor Agency, the Successor Agency shall give notice of such change in the manner provided under Section 5(e) hereof.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements or other disclosure documents of debt issues of the Successor Agency or related public entities, available to the public on EMMA or filed with the SEC. The Successor Agency shall clearly identify each such other document so included by reference.

(d) The contents, presentation and format of the Annual Report may be modified from time to time as determined in the judgment of the Successor Agency to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Successor Agency or to reflect changes in the business, structure, operations, legal form of the Successor Agency.

(e) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(f) The Dissemination Agent shall:

(i) determine the electronic filing address of, and then-current procedures for submitting Annual Reports to, the MSRB prior to the date for providing the Annual Reports; and

(ii) to the extent known to the Dissemination Agent file a report with the Successor Agency and (if the Dissemination Agent is not the Trustee) certify that the Annual Report has been provided pursuant to this Disclosure Agreement, and stating the date it was provided.

SECTION 4. Reserved.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, in a timely manner not more than ten (10) Business Days after the event:

- (i) principal and interest payment delinquencies;
- (ii) defeasances;
- (iii) tender offers;
- (iv) rating changes;
- (v) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701-TEB);
- (vi) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (vii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (viii) substitution of credit or liquidity providers or their failure to perform; or
- (ix) bankruptcy, insolvency, receivership or similar proceedings.

For these purposes, any event described in the immediately preceding paragraph (9) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Successor Agency in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Successor Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Successor Agency.

(b) Pursuant to the provisions of this Section 5, the Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) the consummation of a merger, consolidation or acquisition involving the Successor Agency or the sale of all or substantially all of the assets of the Successor Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions;

(ii) appointment of a successor or additional Trustee or the change of the name of a Trustee;

(iii) non-payment related defaults;

(iv) modifications to the rights of Owners;

(v) Bond calls;

(vi) release, substitution or sale of property securing repayment of the Bonds;

or

(vii) in addition to the adverse tax opinions or determinations of taxability described in Section 5(a)(5) above, any other notices or determinations with respect to the tax status of the Bonds.

(c) Whenever the Successor Agency obtains knowledge of the occurrence of a Listed Event, described in subsection (b) of this Section 5, the Successor Agency shall as soon as possible determine if such event would be material under applicable federal securities law.

(d) If the Successor Agency determines that knowledge of the occurrence of a Listed Event described in subsection (b) of this Section 5 would be material under applicable federal securities law, the Successor Agency shall promptly notify the Dissemination Agent in writing and instruct the Dissemination Agent to report the occurrence to EMMA in a timely manner not more than ten (10) Business Days after the event.

(e) If the Dissemination Agent has been instructed by the Successor Agency to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB.

SECTION 6. Filings with the MSRB. All information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Successor Agency's obligations under this Disclosure Agreement with respect to the Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of all Outstanding Bonds. If such termination occurs prior to the final maturity of the Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. Dissemination Agent. The Successor Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the Successor Agency may amend this Disclosure Agreement, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of such party, and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Successor Agency to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Successor Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Successor Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Successor Agency shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Successor Agency or the Dissemination Agent (if the Dissemination Agent is other than the Successor Agency) to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of outstanding Bonds with indemnification satisfactory to it, shall), or any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including

seeking mandate or specific performance by court order, to cause the Successor Agency or the Dissemination Agent (if the Dissemination Agent is other than the Successor Agency), as the case may be, to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the Successor Agency or the Dissemination Agent (if the Dissemination Agent is other than the Successor Agency) to comply with this Disclosure Agreement shall be an action to compel performance. The Trustee shall not owe any fiduciary duty to the Participating Underwriter nor shall its failure to comply with the request of any Participating Underwriter result in a breach of any of its fiduciary duties owed to the Owners.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Successor Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. If the Trustee performs the duties assigned to it hereunder, the Trustee shall not be responsible to any person for any failure by the Successor Agency or the Dissemination Agent (if other than the Trustee) to perform duties or obligations imposed hereby. The Dissemination Agent shall have the same rights and protections hereunder as accorded to the Trustee under the Indenture. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with the MSRB shall be prepared and provided to it by the Successor Agency. The Dissemination Agent has undertaken no responsibility with respect to any reports, notices or disclosures provided to it under this Disclosure Agreement, and has no liability to any person, including any owner of Bonds, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the Successor Agency shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the Successor Agency.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Successor Agency, the Trustee, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity. No person shall have any right to commence any action against the Trustee or the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. Neither the Trustee nor the Dissemination Agent shall be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Agreement.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed and construed in accordance with the laws of the State.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: October 15, 2014

SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY
OF CATHEDRAL CITY

By _____
Chairperson

WILLDAN FINANCIAL SERVICES, as
Dissemination Agent

By _____
Authorized Officer

EXHIBIT A
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: The Successor Agency to the Cathedral City Redevelopment

Name of Bond Issue: \$46,140,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City of Cathedral City Tax Allocation Revenue Refunding Bonds, Series 2014A (Merged Redevelopment Project Area), \$15,630,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City of Cathedral City Tax Allocation Housing Revenue Refunding Bonds, Series 2014B (Merged Redevelopment Project Area), and \$11,985,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City of Cathedral City Taxable Tax Allocation Housing Revenue Refunding Bonds, Series 2014C (Merged Redevelopment Project Area)

Date of Issuance: October 15, 2014

NOTICE IS HEREBY GIVEN that the Successor Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of ____ 1, 2014, with respect to the Bonds. [The Successor Agency anticipates that the Annual Report will be filed by _____.]

Dated: _____

WILLDAN FINANCIAL SERVICES
as Dissemination Agent

on behalf of the Successor Agency

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APPENDIX E

SUCCESSOR AGENCY PRIVATE-PURPOSE TRUST FUND – JUNE 30, 2013

CITY OF CATHEDRAL CITY

Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds - Successor Agency Trust Fund
June 30, 2013

	Redevelopment Obligation Retirement	Successor Agency #1	Successor Agency #2
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 10,610,946	112	12,665
Interest receivable	13,897	-	594
Accounts receivable	-	-	-
Loans receivable	-	-	-
Due from other funds	13,249	-	-
Prepaid assets	-	-	-
Land held for resale	-	-	-
Restricted cash and investments:			
Held with Successor Agency	-	-	-
Capital assets:			
Capital assets, not being depreciated	-	-	-
Capital assets, net of accumulated depreciation	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>10,638,092</u>	<u>112</u>	<u>13,259</u>
Liabilities			
Accounts payable	-	-	-
Deposits from others	-	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Long-term liabilities:			
Due in more than one year	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Held in trust for other purposes	<u>10,638,092</u>	<u>112</u>	<u>13,259</u>
	<u> </u>	<u> </u>	<u> </u>
Total net position	<u>\$ 10,638,092</u>	<u>112</u>	<u>13,259</u>

(continued)



Successor Agency #3	Successor Agency 2002 D TAB Housing Bonds	Successor Agency 2002 E TAB Housing Bonds	
40,927	1,515	2,409	Assets
3,402	2	3	Cash and investments
-	-	-	Interest receivable
-	-	-	Accounts receivable
-	-	-	Loans receivable
-	-	-	Due from other funds
-	-	-	Prepaid assets
-	-	-	Land held for resale
-	-	-	Restricted cash and investments:
-	-	-	Held with Successor Agency
-	-	-	Capital assets:
-	-	-	Capital assets, not being depreciated
-	-	-	Capital assets, net of accumulated depreciation
<u>44,329</u>	<u>1,517</u>	<u>2,412</u>	Total assets
6,597	-	-	Liabilities
-	-	-	Accounts payable
-	-	-	Deposits from others
-	-	-	Due to other funds
-	-	-	Unearned revenue
-	-	-	Long-term liabilities:
-	-	-	Due in more than one year
<u>6,597</u>	<u>-</u>	<u>-</u>	Total liabilities
<u>37,732</u>	<u>1,517</u>	<u>2,412</u>	Net Position
<u>37,732</u>	<u>1,517</u>	<u>2,412</u>	Held in trust for other purposes
			Total net position

CITY OF CATHEDRAL CITY

Combining Statement of Fiduciary Net Position

Private-Purpose Trust Funds - Successor Agency Trust Fund

June 30, 2013 (continued)

	Successor Agency Administration	Successor Agency Other	Successor Agency Project Areas
Assets			
Cash and investments	\$ -	-	852,098
Interest receivable	153	-	1,104
Accounts receivable	-	1,911	-
Loans receivable	-	-	37,366
Due from other funds	69,991	-	-
Prepaid assets	-	-	-
Land held for resale	-	230,807	7,616,752
Restricted cash and investments:			
Held with Successor Agency	-	-	-
Capital assets:			
Capital assets, not being depreciated	-	61,043	-
Capital assets, net of accumulated depreciation	-	2,092,443	-
Total assets	70,144	2,386,204	8,507,320
Liabilities			
Accounts payable	11,507	11,078	-
Deposits from others	-	11,782	-
Due to other funds	-	83,240	-
Unearned revenue	-	-	7,333
Long-term liabilities:			
Due in more than one year	-	11,277,277	-
Total liabilities	11,507	11,383,377	7,333
Net Position			
Held in trust for other purposes	58,637	(8,997,173)	8,499,987
Total net position	\$ 58,637	(8,997,173)	8,499,987

(continued)



Successor Agency 2004 Series A TAB	Successor Agency 2005 Series A TAB MPA	Successor Agency 2007 Series A TAB	
225,122	19,231	1,748,462	Assets
295	25	4,451	Cash and investments
-	-	-	Interest receivable
-	-	-	Accounts receivable
-	-	974,301	Loans receivable
-	-	-	Due from other funds
-	-	-	Prepaid assets
-	1,687,328	4,000,000	Land held for resale
-	-	3,565,009	Restricted cash and investments:
-	-	-	Held with Successor Agency
-	-	-	Capital assets:
-	-	-	Capital assets, not being depreciated
-	-	-	Capital assets, net of accumulated depreciation
<u>225,417</u>	<u>1,706,584</u>	<u>10,292,223</u>	Total assets
-	-	-	Liabilities
-	5,300	-	Accounts payable
-	-	-	Deposits from others
-	-	-	Due to other funds
-	-	-	Unearned revenue
-	-	-	Long-term liabilities:
-	-	-	Due in more than one year
-	5,300	-	Total liabilities
<u>225,417</u>	<u>1,701,284</u>	<u>10,292,223</u>	Net Position
<u>225,417</u>	<u>1,701,284</u>	<u>10,292,223</u>	Held in trust for other purposes
<u>225,417</u>	<u>1,701,284</u>	<u>10,292,223</u>	Total net position

CITY OF CATHEDRAL CITY

Combining Statement of Fiduciary Net Position

Private-Purpose Trust Funds - Successor Agency Trust Fund

June 30, 2013 (continued)

	Successor Agency 2007 Series B TAB	Successor Agency 2007 Series C TAB	Successor Agency Housing Balance
Assets			
Cash and investments	\$ 6,648,976	3,465,403	23,186
Interest receivable	10,318	7,602	30
Accounts receivable	111,906	-	-
Loans receivable	8,657,833	-	-
Due from other funds	-	-	-
Prepaid assets	-	8,600	-
Land held for resale	15,165,732	3,031,488	-
Restricted cash and investments:			
Held with Successor Agency	9,135,850	5,054,551	-
Capital assets:			
Capital assets, not being depreciated	-	-	-
Capital assets, net of accumulated depreciation	-	-	-
Total assets	39,730,615	11,567,644	23,216
Liabilities			
Accounts payable	1,285	-	-
Deposits from others	1,675	-	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Long-term liabilities:			
Due in more than one year	-	-	-
Total liabilities	2,960	-	-
Net Position			
Held in trust for other purposes	39,727,655	11,567,644	23,216
Total net position	\$ 39,727,655	11,567,644	23,216



<u>Total</u>
23,651,052
41,876
113,817
9,669,500
83,240
8,600
31,732,107
17,755,410
61,043
2,092,443
<u>85,209,088</u>
30,467
18,757
83,240
7,333
<u>11,277,277</u>
<u>11,417,074</u>
<u>73,792,014</u>
<u>73,792,014</u>

Assets
Cash and investments
Interest receivable
Accounts receivable
Loans receivable
Due from other funds
Prepaid assets
Land held for resale
Restricted cash and investments:
Held with Successor Agency
Capital assets:
Capital assets, not being depreciated
Capital assets, net of accumulated depreciation
Total assets

Liabilities
Accounts payable
Deposits from others
Due to other funds
Unearned revenue
Long-term liabilities:
Due in more than one year
Total liabilities

Net Position
Held in trust for other purposes
Total net position

CITY OF CATHEDRAL CITY

Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds - Successor Agency Trust Fund
Year ended June 30, 2013

	Redevelopment Obligation Retirement	Successor Agency #1	Successor Agency #2
Additions			
Taxes	\$ 14,363,544	-	-
Use of money and property	59,872	3,319	7,737
Total additions	<u>14,423,416</u>	<u>3,319</u>	<u>7,737</u>
Deductions			
Administrative expenses	-	-	-
Contractual services	-	99,243	26,253
Other operating expenses	-	-	-
Interest expense	-	-	-
Contributions to other governments	-	-	638,319
Total deductions	<u>-</u>	<u>99,243</u>	<u>664,572</u>
Transfers in (out)			
Transfers in	1,446,178	384	646,294
Transfers out	<u>(5,231,502)</u>	<u>(542,337)</u>	<u>(1,055,956)</u>
Total transfers in (out)	<u>(3,785,324)</u>	<u>(541,953)</u>	<u>(409,662)</u>
Extraordinary item	-	-	-
Changes in net position	10,638,092	(637,877)	(1,066,497)
Net position, beginning	<u>-</u>	<u>637,989</u>	<u>1,079,756</u>
Net position, ending	<u>\$ 10,638,092</u>	<u>112</u>	<u>13,259</u>

(continued)



Successor Agency #3	Successor Agency 2002 D TAB Housing Bonds	Successor Agency 2002 E TAB Housing Bonds	
-	-	-	Additions
25,854	20	45	Taxes
25,854	20	45	Use of money and property
			Total additions
-	-	-	Deductions
160,624	6,000	4,000	Administrative expenses
-	-	-	Contractual services
-	-	-	Other operating expenses
-	-	-	Interest expense
3,476,450	446,316	367,149	Contributions to other governments
3,637,074	452,316	371,149	Total deductions
3,493,550	450,016	370,849	Transfers in (out)
(2,750,029)	(887)	(2,887)	Transfers in
743,521	449,129	367,962	Transfers out
-	-	-	Total transfers in (out)
(2,867,699)	(3,167)	(3,142)	Extraordinary item
2,905,431	4,684	5,554	Changes in net position
37,732	1,517	2,412	Net position, beginning
			Net position, ending

CITY OF CATHEDRAL CITY

Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds - Successor Agency Trust Fund
Year ended June 30, 2013 (continued)

	Successor Agency Administration	Successor Agency Other	Successor Agency Project Areas
Additions			
Taxes	\$ -	-	-
Use of money and property	1,483	27,375	17,773
Total additions	<u>1,483</u>	<u>27,375</u>	<u>17,773</u>
Deductions			
Administrative expenses	279,455	469,591	-
Contractual services	-	2,357	-
Other operating expenses	-	51,571	-
Interest expense	-	562,853	-
Contributions to other governments	152,845	-	96,301
Total deductions	<u>432,300</u>	<u>1,086,372</u>	<u>96,301</u>
Transfers in (out)			
Transfers in	234,361	42,646	-
Transfers out	(26,514)	(75,486)	-
Total transfers in (out)	<u>207,847</u>	<u>(32,840)</u>	<u>-</u>
Extraordinary item	-	-	-
Changes in net position	(222,970)	(1,091,837)	(78,528)
Net position, beginning	<u>281,607</u>	<u>(7,905,336)</u>	<u>8,578,515</u>
Net position, ending	<u>\$ 58,637</u>	<u>(8,997,173)</u>	<u>8,499,987</u>

(continued)



Successor Agency 2004 Series A TAB	Successor Agency 2005 Series A TAB MPA	Successor Agency 2007 Series A TAB	
-	-	-	Additions
2,331	712	125,771	Taxes
2,331	712	125,771	Use of money and property
			Total additions
-	-	-	Deductions
-	-	214,536	Administrative expenses
-	-	-	Contractual services
-	-	-	Other operating expenses
-	-	-	Interest expense
-	250,000	1,412,044	Contributions to other governments
-	250,000	1,626,580	Total deductions
-	-	-	Transfers in (out)
-	-	-	Transfers in
-	-	-	Transfers out
-	-	-	Total transfers in (out)
-	-	-	Extraordinary item
2,331	(249,288)	(1,500,809)	Changes in net position
223,086	1,950,572	11,793,032	Net position, beginning
225,417	1,701,284	10,292,223	Net position, ending

CITY OF CATHEDRAL CITY

Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Funds - Successor Agency Trust Fund
Year ended June 30, 2013 (continued)

	Successor Agency 2007 Series B TAB	Successor Agency 2007 Series C TAB	Successor Agency Housing Balance
Additions			
Taxes	\$ -	-	-
Use of money and property	561,308	46,485	240
Total additions	561,308	46,485	240
Deductions			
Administrative expenses	-	-	-
Contractual services	1,670,138	3,680,008	-
Other operating expenses	-	-	-
Interest expense	-	-	-
Contributions to other governments	-	-	-
Total deductions	1,670,138	3,680,008	-
Transfers in (out)			
Transfers in	3,001,320	-	-
Transfers out	-	-	-
Total transfers in (out)	3,001,320	-	-
Extraordinary item	-	2,566,500	-
Changes in net position	1,892,490	(1,067,023)	240
Net position, beginning	37,835,165	12,634,667	22,976
Net position, ending	\$ 39,727,655	11,567,644	23,216



Total
14,363,544
880,325
<u>15,243,869</u>
749,046
5,863,159
51,571
562,853
6,839,424
<u>14,066,053</u>
9,685,598
<u>(9,685,598)</u>
-
<u>2,566,500</u>
3,744,316
<u>70,047,698</u>
<u><u>73,792,014</u></u>

Additions

- Taxes
- Use of money and property
- Total additions

Deductions

- Administrative expenses
- Contractual services
- Other operating expenses
- Interest expense
- Contributions to other governments
- Total deductions

Transfers in (out)

- Transfers in
- Transfers out
- Total other financing sources (uses)

Extraordinary item

- Changes in net position

Net position, beginning

Net position, ending

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APPENDIX F

STATE DEPARTMENT OF FINANCE APPROVAL LETTER

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July 11, 2014

Ms. Tami Scott, Administrative Services Director
City of Cathedral City
68-700 Avenida Lalo Guerrero
Cathedral City, CA 92234

Dear Ms. Scott:

Subject: Approval of Oversight Board Action

The City of Cathedral City Successor Agency (Agency) notified the California Department of Finance (Finance) of its May 15, 2014 Oversight Board (OB) resolution on May 15, 2014. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution 2014-24 authorizing the issuance of Tax Allocation Revenue Refunding Bonds, is approved. The bond proceeds will be refunding the former redevelopment agency's (RDA) obligations listed below.

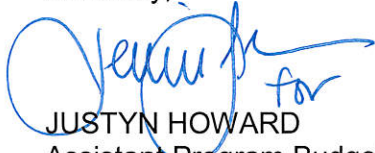
- Partial refunding of the \$12,311,000 Senior Loan Agreement Dated April 1, 2000 between the RDA, BNY Western Trust Company, and the Cathedral City Public Financing Authority (Authority) for the 2000 Tax Allocation Revenue Bonds, Series A.
- Refunding of the \$24,220,000 Loan Agreement dated October 1, 2002 between the RDA, BNY Western Trust Company, and the Authority for the 2002 Tax Allocation Revenue Bonds, Series A.
- Refunding of the \$22,820,000 Housing Loan Agreement dated October 1, 2002 between the RDA, BNY Western Trust Company, and the Authority for the 2002 Tax Allocation Revenue Bonds, Series D.
- Refunding of the \$14,350,000 Housing Loan Agreement dated October 1, 2002 between the RDA, BNY Western Trust Company, and the Authority for the 2002 Tax Allocation Revenue Bonds, Series E.
- Refunding of the RDA's 2004 Tax Allocation Bonds, Series A for \$21,370,000.
- Refunding of the RDA's 2004 Taxable Tax Allocation Bonds, Series B for \$8,630,000.
- Refunding of the RDA's 2005 Tax Allocation Bonds, Series A for \$13,000,000.

It is our understanding that no refunding bonds will be issued unless such bonds meet the requirements outlined in HSC section 34177.5 (a). Following the issuance, the payments for the refunding bonds should be placed on future Recognized Obligation Payment Schedule (ROPS) for Finance's review.

In addition, this resolution state the Agency is authorized to recover its costs related to the issuance of the refunding bonds from the proceeds. While Finance does not object to these actions, any associated costs must be placed on a subsequent ROPS for Finance's review and approval before they can be considered enforceable.

Please direct inquiries to Beliz Chappuie, Supervisor, or Susana Medina Jackson, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Kevin Biersack, Accounting Services Manager, Cathedral City
Ms. Pam Elias, Chief Accounting Property Tax Division, County of Riverside
Auditor-Controller
California State Controller's Office

APPENDIX G

SUPPLEMENTAL INFORMATION – THE CITY OF CATHEDRAL CITY

The following information concerning the City of Cathedral City (the “City”) and surrounding areas is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City, County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General Information

The City of Cathedral City is located in Riverside County located in the Coachella Valley 115 miles southeast of downtown Los Angeles. The City was incorporated in 1981 and covers approximately 22 square miles and had an estimated population of 52,595 as of January 2014. The City is bordered by the City of Palm Springs to the west, the City of Rancho Mirage to the south and east, and an unincorporated area of the County to the north and northeast.

The City operates as a general law city under the council-manager form of government. There are four city council members and a separately-elected mayor. The mayor is elected for a two-year term. The four council members are elected at large for alternating four-year terms; two each two-year election cycle.

The following table shows population estimates for the City, the County and the State of California for the past five years.

**CITY OF CATHEDRAL CITY, RIVERSIDE COUNTY
POPULATION ESTIMATES**

Year (January 1)	City of Cathedral City	Riverside County	State of California
1990	30,085	1,144,400	29,758,213
2000	42,647	1,545,387	33,753,000
2010	51,200	2,189,641	37,223,900
2011	51,400	2,205,731	37,427,946
2012	52,108	2,234,193	37,668,804
2013	52,339	2,255,653	37,984,138
2014	52,595	2,279,967	38,340,074

Source: State of California Department of Finance, Demographic Research Unit.

Top Taxpayers

The table below lists the top ten taxpayers for the City for 2013.

CITY OF CATHEDRAL CITY TOP TAXPAYERS

	<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total Taxable Assessed Value</u>
1.	MHC Date Palm LLC	\$ 30,909	0.89%
2.	34251 Date Palm Drive Holdings	30,021	0.86
3.	Welk Park North	26,048	0.75
4.	Roberta's Limited Partnership	20,798	0.60
5.	Edom Hills Project 1	16,911	0.48
6.	Meristar Sub 1C	15,776	0.45
7.	Rolling Hills Silver Spur Pickford	13,945	0.40
8.	Goble Investment	13,341	0.38
9.	U Store It LP	13,319	0.38
10.	Palm Springs Motors, Inc.	<u>13,257</u>	<u>0.38</u>
	Totals	<u>\$194,325</u>	5.57%

⁽¹⁾ Rankings are based on taxable assessed value, not property taxes paid.

Source: HdL Coren & Cone (Riverside County Assessor 2012-13 and 2003-04 Combined Tax Rolls and the SBE Unitary Tax Roll.

Principal Employers

The table below lists the principal employers for the City for 2013.

CITY OF CATHEDRAL CITY PRINCIPAL EMPLOYERS

	<u>Employer</u>	<u>Employee Range⁽¹⁾</u>	<u>Percentage of Total City Employment</u>
1.	Addus Healthcare	250 - 499	1.1% - 2.1%
2.	Doral Desert Princess Resort	250 - 499	1.1% - 2.1%
3.	Target	250 - 499	1.1% - 2.1%
4.	Cathedral City High School	100 - 249	0.4% - 1.1%
5.	City of Cathedral City	100 - 249	0.4% - 1.1%
6.	Honda of the Desert	100 - 249	0.4% - 1.1%
7.	Jessup Auto Plaza	100 - 249	0.4% - 1.1%
8.	Nellie N. Coffman Middle School	100 - 249	0.4% - 1.1%
9.	Palm Springs Motors	100 - 249	0.4% - 1.1%
10.	Stater Bros. Markets (Ramon)	100 - 249	0.4% - 1.1%
11.	Stater Bros. Markets (Vista Chino)	100 - 249	0.4% - 1.1%
12.	Toyota of the Desert	100 - 249	0.4% - 1.1%
Totals		1,650 - 3,738	6.9% - 16.2%

⁽¹⁾ Total employees by employer are presented as a range as specific employer totals are not available. In addition, the percentage of total city employment is also presented as a range.

Source: Source: U.S. Department of Labor, Bureau of Labor Statistics; State of California, Employment Development Department, Labor Market Info (information provided by Infogroup, 2013)

Commercial Activity

A summary of the significant categories of historic taxable sales within the City during the past five available years is shown in the following table. 2013 taxable transaction figures for the City are not yet available.

CITY OF CATHEDRAL CITY Taxable Transactions (dollars in thousands)

<u>Category</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Apparel Stores	9,893	8,470	8,735	10,337	9,757
Food Stores	33,306	34,493	31,552	31,214	36,095
Eating and Drinking Places	58,802	51,922	49,177	52,049	52,697
Bldg. Materials	38,889	26,780	18,236	18,695	20,915
Auto Dealers and Suppliers	275,745	232,016	258,621	290,101	304,752
Service Stations	91,846	66,156	74,951	91,435	83,746
Other Retail	91,187	81,373	79,110	72,686	84,702
All Other Outlets	151,413	104,175	99,260	106,414	123,471
Total	751,081	605,385	619,642	672,931	716,135

Source: State of California, Board of Equalization/HdL Coren & Cone.

Construction Trends

Provided below are the building permits and valuations for the County for calendar years 2008 through 2012. 2013 figures not yet available.

COUNTY OF RIVERSIDE New Construction (dollars in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Permit Valuation</u>					
New Single-family	\$ 1,214,752	\$ 891,825	\$ 914,058	\$ 651,747	\$ 854,814
New Multi-family	243,741	76,717	71,152	115,064	99,578
Res. Alterations/Additions	<u>118,490</u>	<u>85,148</u>	<u>94,429</u>	<u>119,684</u>	<u>84,517</u>
Total Residential	\$ 1,576,983	\$1,053,690	\$1,079,639	\$ 886,495	\$1,038,963
New Commercial	\$ 539,944	\$ 94,653	\$ 191,324	\$ 152,160	\$ 346,865
New Industrial	70,411	12,278	6,686	10,000	3,767
New Other	138,766	107,334	98,105	99,898	78,602
Com. Alterations/Additions	<u>292,694</u>	<u>162,557</u>	<u>243,265</u>	<u>297,357</u>	<u>154,325</u>
Total Nonresidential	\$ 1,041,815	\$ 376,822	\$ 539,380	\$ 559,415	\$ 583,559
TOTAL	<u>\$ 2,618,798</u>	<u>\$1,430,512</u>	<u>\$1,619,019</u>	<u>\$1,445,910</u>	<u>\$1,602,522</u>
<u>New Dwelling Units</u>					
Single Family	3,815	3,424	4,031	2,676	3,455
Multiple Family	<u>2,104</u>	<u>784</u>	<u>526</u>	<u>1,073</u>	<u>829</u>
TOTAL	<u>5,919</u>	<u>4,208</u>	<u>4,557</u>	<u>3,749</u>	<u>4,284</u>

⁽¹⁾ Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and other non-residential buildings and structures.

Source: Construction Industry Research Board for 2008 through 2011, California Homebuilding Foundation for 2012.

Transportation

The City is located along Interstate 10 and parallels State Route 111. Interstate 10 is the principal transportation artery for the County. Local public transit within the City and the County of Riverside is provided by Sunline Transit. Greyhound service is available from Palm Springs. Air passenger and cargo service is available at Palm Springs Regional Airport which is two miles west of the City. This airport affords travelers the services of all major airlines. Bermuda Dunes, a private airport, is located eight miles northeast of the City.

Rail service is available on the Union Pacific main line and Amtrak passenger rail service is available in Indio and Palm Springs, California. There is truck transportation and shipping services from the City to Los Angeles, San Francisco, San Diego and Phoenix. Other transportation services include rail and truck shipping services and passenger rail service to Indio and Palm Springs.

Utilities

Natural gas, electricity and telephone service in the City are provided by Southern California Gas Company, Southern California Edison and Verizon Incorporated. Coachella Valley Water District and Desert Water Agency provide water and sewer service to the City.

Community Information

Public Safety. The City provides police services to its residents through its Police Department. The Cathedral City Fire Department provides residents and visitors with emergency response, disaster preparedness, fire prevention, code enforcement and paramedic ambulance services as well as public education on relevant safety topics.

Education. The City currently has seven primary/middle schools (six public and one private) and two high schools (one public and one private). Secondary education is available to students at seven colleges and universities offering bachelors, masters and doctoral programs, including the University of California-Riverside and the University of California-San Diego, and their branch campuses located within a 10 mile radius of the City. The closest college, the College of the Desert, is a fully accredited community college bestowing various associate degrees. The college works with local business providing contract education and a comprehensive array of training and management programs for students.

Healthcare. The Coachella Valley offers a variety of health centers and services ranging from pediatric to geriatric medicine. Health care is available through the Eisenhower Medical Center located five miles away in Rancho Mirage, the Desert Regional Medical Center, a 393-bed acute care facility and trauma center, located 6 miles away in Palm Springs and the John F. Kennedy Memorial Hospital located approximately 18 miles away in Indio, California. The Desert Regional Medical Center offers an array of specialty services to residents, including the International Heart Institute of Palm Springs, the Comprehensive Cancer Centers of the Desert, Women and Infant Center, home health and hospice services, the Arthritis Institute, the Health Key Plus senior program and others programs. Also available is the Betty Ford Center for the treatment of chemical dependency, the Barbara Sinatra Children's Center and the Annenberg Center for Health Sciences.

Library. The City's 20,000 square foot library opened in 1996. The library serves the community as a reference center providing basic business, legal and medical information as well as general reference materials. The library provides a Spanish language collection and a host of exhibits, historical collections, art, and computer services (including free access to the Internet and word processing). In addition to these resources, the library provides study rooms, a community room, an adult literacy program and a story room.

Recreation. The City, through its Community Partnerships, assists in offering a variety of programs to adults and children. There are over 22 acres of parks for leisure and recreational use. The City has several golf courses, including the Cimarron Golf Resort, the Cathedral Canyon Golf and Tennis Club, The Desert Princess Country Club and Date Palm Country Club. The City's Town Square is the venue for numerous outdoor festivals, concerts and arts and crafts show. Other entertainment activities are available at the old Hollywood style Mary Pickford Theater, host of the annual Festival of Festivals, the Civic Center and the six-story IMAX Theater complex.

APPENDIX H
FISCAL CONSULTANT'S REPORT

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SUCCESSOR AGENCY TO THE CATHEDRAL CITY REDEVELOPMENT AGENCY

**TAX ALLOCATION REVENUE REFUNDING BONDS, SERIES 2014A,
TAX ALLOCATION HOUSING REVENUE REFUNDING BONDS, SERIES 2014B AND THE
TAXABLE TAX ALLOCATION HOUSING REVENUE REFUNDING BONDS, SERIES 2014C**

Merged Redevelopment Project Area

**PROJECTED TAXABLE VALUES AND
ANTICIPATED TAX INCREMENT REVENUES**

September 9, 2014

I. Introduction

On June 29, 2011, the California Legislature and Governor enacted Assembly Bill 1x 26 (AB 1x 26), which generally dissolved redevelopment agencies statewide as of February 1, 2012. The bill was challenged by a suit filed before the California Supreme Court, but was upheld by the Court on December 29, 2012. On June 27, 2012 Assembly Bill 1484 (AB 1484) was signed into law, modifying and supplementing AB 1x 26.

Pursuant to authority granted by Section 34177.5(a)(1) of the Health & Safety Code the State of California, the City of Cathedral City (the “City”) as Successor Agency to the Cathedral City Redevelopment Agency (the “Successor Agency”) is proposing to issue its Tax Allocation Revenue Refunding Bonds, Series 2014A (the “2014A Bonds”), Tax Allocation Housing Revenue Refunding Bonds, Series 2014B (the “2014B Bonds”) and the Taxable Tax Allocation Housing Revenue Refunding Bonds, Series 2014C (the “2014C Bonds” and, together with the 2014A Bonds, the 2014B Bonds and the 2014C Bonds, the “Bonds”) to prepay all or portions of nine outstanding loans of the Redevelopment Agency of the City of Cathedral City (the “Former Agency”) payable on a parity basis from tax increment revenues generated in the Former Agency’s Merged Redevelopment Project Area (the “Project Area”). The Project Area is comprised of the Redevelopment Project Area No. 1 (including the territory added by its Amendment 4), Redevelopment Project Area No. 2 and Redevelopment Project Area No. 3. For purposes of this report, the component project areas will be referred to as follows:

<u>Component Project Area</u>	<u>Herein Referred to As</u>
Redevelopment Project Area No. 1 (Original)	“Project 1 Original”
Redevelopment Project Area No. 1 - Amendment 4	“Project 1 Amendment”
Redevelopment Project Area No. 1 (Original & Amend. 4)	“Project 1”
Redevelopment Project Area No. 2	“Project 2”
Merged Redevelopment Project Area	“Merged Project 1 & 2”
Cathedral City Redevelopment Project Area No. 3	“Project 3”

The prepayment of all or portions of the loans will result in the defeasance and refunding of all or portions of the following series of bonds that were issued by the Cathedral City Public Financing Authority (the “Authority”) to fund the loans. These Former Agency loans and the related Authority bonds are:

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September 9, 2014**

	<u>Former Agency Obligation</u>	<u>Related Authority Bonds</u>
1.	Senior Loan Agreement, dated as of April 1, 2000, by and among the Cathedral City Redevelopment Agency, BNY Western Trust Company, and the Cathedral City Public Financing Authority, relating to Loan of \$12,311,000.40 to Cathedral City Merged Redevelopment Project	\$12,311,000.40 Cathedral City Public Financing Authority 2000 Tax Allocation Revenue Bonds, Series A (Cathedral City Merged Redevelopment Projects)
2.	Loan Agreement, dated as of October 1, 2002, by and among the Cathedral City Redevelopment Agency, BNY Western Trust Company, and the Cathedral City Public Financing Authority, relating to Loan of \$16,400,000 to Cathedral City Merged Redevelopment Project	\$24,220,000 Cathedral City Public Financing Authority 2002 Tax Allocation Revenue Bonds, Series A (Cathedral City Redevelopment Projects)
3.	Loan Agreement, dated as of October 1, 2002, by and among the Cathedral City Redevelopment Agency, BNY Western Trust Company, and the Cathedral City Public Financing Authority, relating to Loan of \$7,820,000 to Cathedral City Redevelopment Project No. 3	\$24,220,000 Cathedral City Public Financing Authority 2002 Tax Allocation Revenue Bonds, Series A (Cathedral City Redevelopment Projects)
4.	Housing Loan Agreement, dated as of October 1, 2002, by and among the Cathedral City Redevelopment Agency, BNY Western Trust Company, and the Cathedral City Public Financing Authority, relating to Loan of \$22,820,000 for Cathedral City Housing Redevelopment Projects	\$22,820,000 Cathedral City Public Financing Authority 2002 Tax Allocation Revenue Bonds, Series D (Cathedral City Housing Redevelopment Projects)
5.	Housing Loan Agreement, dated as of October 1, 2002, by and among the Cathedral City Redevelopment Agency, BNY Western Trust Company, and the Cathedral City Public Financing Authority, relating to Loan of \$14,350,000 for Cathedral City Housing Redevelopment Projects	\$14,350,000 Cathedral City Public Financing Authority 2002 Taxable Tax Allocation Revenue Bonds, Series E (Cathedral City Housing Redevelopment Projects)
6.	\$21,370,000 Cathedral City Redevelopment Agency, Cathedral City Redevelopment Project No. 3, 2004 Tax Allocation Bonds, Series A	\$21,370,000 Cathedral City Public Financing Authority 2004 Tax Allocation Revenue Bonds, Series A (Cathedral City Redevelopment Projects)
7.	\$8,630,000 Cathedral City Redevelopment Agency, Cathedral City Redevelopment Project No. 3, 2004 Taxable Tax Allocation Bonds, Series B	\$8,630,000 Cathedral City Public Financing Authority 2004 Taxable Tax Allocation Revenue Bonds, Series B (Cathedral City Redevelopment Projects)

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	<u>Former Agency Obligation</u>	<u>Related Authority Bonds</u>
8.	\$8,000,000 Cathedral City Redevelopment Agency, Cathedral City Merged Redevelopment Project, 2005 Tax Allocation Bonds, Series A	\$13,000,000 Cathedral City Public Financing Authority 2005 Tax Allocation Revenue Bonds, Series A (Cathedral City Redevelopment Projects)
9.	\$5,000,000 Cathedral City Redevelopment Agency, Cathedral City Redevelopment Project No. 3, 2005 Tax Allocation Bonds, Series A	\$13,000,000 Cathedral City Public Financing Authority 2005 Tax Allocation Revenue Bonds, Series A (Cathedral City Redevelopment Projects)
10.	\$29,740,000 Cathedral City Redevelopment Agency Cathedral City 2006 Merged Redevelopment Project Area 2007 Tax Allocation Revenue Bonds, Series A	\$29,740,000 Cathedral City Public Financing Authority 2007 Tax Allocation Revenue Bonds, Series A (Cathedral City 2006 Merged Redevelopment Project Area)
11.	\$53,400,000 Cathedral City Redevelopment Agency Cathedral City 2006 Merged Redevelopment Project Area 2007 Taxable Tax Allocation Revenue Bonds, Series B	\$53,400,000 Cathedral City Public Financing Authority 2007 Taxable Tax Allocation Revenue Bonds, Series B (Cathedral City 2006 Merged Redevelopment Project Area)
12	\$31,860,000 Cathedral City Redevelopment Agency Cathedral City 2006 Merged Redevelopment Project Area 2007 Subordinate Tax Allocation Revenue Bonds, Series C	\$31,860,000 Cathedral City Public Financing Authority 2007 Subordinate Tax Allocation Revenue Bonds, Series C (Cathedral City 2006 Merged Redevelopment Project Area)

The intent of prepaying all or portions of the loans will be to lower the cost of repayment of the Authority bonds in accordance with Section 34177.5 of the California Health and Safety Code, to pay the costs of issuance and to redeem the portion of the Authority Bonds secured by the refunded Successor Agency bonds. In accordance with Section 34177.5(g) of the California Health and Safety Code, the Bonds shall be considered indebtedness incurred by the dissolved redevelopment agency, with the same legal effect as if the bonds, indebtedness, financing agreement, or amended enforceable obligation had been issued, incurred, or entered into prior to June 29, 2011, in full conformity with the applicable provisions of the California Community Redevelopment Law (being Part 1 of Division 24 of the Health and Safety Code and is being referred to herein as the “Law”) that existed prior to that date, shall be included in the Successor Agency’s Recognized Obligation Payment Schedule (the “ROPS”), and shall be secured by a pledge of, and lien on, and shall be repaid from moneys deposited from time to time in the Successor Agency’s Redevelopment Property Tax Trust Fund (the “RPTTF”). The tax revenue to be deposited into the RPTTF by the Riverside County (the “County”) Auditor-Controller will be generated from the Project Area.

The Law provided for the creation of redevelopment agencies by cities and counties for the purpose of the elimination of blight. The Law, together with Article 16, Section 16 of the California Constitution, authorized redevelopment agencies to receive that portion of property tax revenues generated by project area taxable values that were in excess of the Base Year value. The Base Year value is defined as the

**Successor Agency to the Cathedral City Redevelopment Agency
 Fiscal Consultant’s Report – Tax Allocation Refunding Bonds
 September 9, 2014**

amount of the taxable values within the project area boundaries on the last equalized tax roll prior to adoption of the project area. The amount of current year taxable value that is in excess of the Base Year value is referred to as incremental taxable value. Tax revenues generated from the incremental taxable value are, for purposes of this report, referred to as “Gross Tax Increment Revenues.” The Law provides that the tax increment revenues may be pledged by the redevelopment agency to the repayment of agency indebtedness.

In this report, Gross Tax Increment Revenues combined with Unitary Tax Revenue (see Section IV.H., Allocation of State Assessed Unitary Taxes) are referred to as Gross Revenues. For purposes of this report, “Tax Revenues Available to RPTTF” are defined as “Gross Revenues” less the SB 2557 County Administrative charges (see Section IV.G., County Collection Charges) and amounts owed, if any, to taxing entities pursuant to tax sharing agreements, statutory tax sharing obligations and any applicable owner participation agreement payments (see Section VII) and other obligations with a lien on revenue superior to debt service on the Bonds are referred to as Tax Revenue. The calculation of the Former Housing Set-Aside Amount is based on 20% of Adjusted Gross Revenues.

The purpose of this fiscal consultant report (the “Report”) is to examine property tax information for the current fiscal year and to project the amount of tax increment revenues anticipated to be received by the Successor Agency from the Project Area for the current fiscal year and nine subsequent fiscal years. Provisions of the Law and the Redevelopment Plan for the Project Area (the “Redevelopment Plan”) determine the amount of Tax Revenues Available to RPTTF that the Successor Agency may utilize for purposes of making debt service payments and any payments on other obligations with a superior lien on Tax Revenues Available to RPTTF (see Section VII., Tax Sharing Agreements and Other Obligations, herein). As a result of our research, we project that the Tax Revenues Available to RPTTF for the Project Area will be as shown in Table A below:

Table A					
Project Area Tax Revenues					
(000’s omitted)					
Fiscal Year	Incremental Value	Adjusted Gross Revenue	Tax Revenue	Former Housing Set-Aside Amount	Non-Housing Set-Aside Tax Revenues
2014-15	\$3,340,868	\$23,834	\$17,495	\$4,767	\$12,729
2015-16	3,419,443	24,383	17,891	4,877	13,014
2016-17	3,495,751	24,917	18,265	4,983	13,282
2017-18	3,573,585	25,462	18,655	5,092	13,563
2018-19	3,652,975	26,018	19,053	5,204	13,849
2019-20	3,733,954	26,585	19,459	5,317	14,142
2020-21	3,816,551	27,163	19,873	5,433	14,440
2021-22	3,900,801	27,753	20,295	5,551	14,744
2022-23	3,986,736	28,355	20,726	5,671	15,055
2023-24	4,074,390	28,968	21,165	5,794	15,371

The taxable values of property and the resulting Tax Revenues Available to RPTTF for the Project Area summarized above are reflected on Tables 1 and 2 of the projection (attached). These projections are based on assumptions determined by our review of the taxable value history of the Project Area and the

property tax assessment and property tax apportionment procedures of the County Assessor (the “Assessor”) and the County Auditor-Controller (the “Auditor-Controller”). Future year assessed values and Tax Revenues Available to RPTTF are projections based on the assumptions described in this Report and are not guaranteed as to accuracy. This Report is not to be construed as a representation of such by HdL Coren & Cone.

II. The Project Area

Pursuant to the Redevelopment Law, the City Council of Cathedral City originally established three separate redevelopment project areas. The City Council adopted Ordinance No. 624 on September 27, 2006, which amended the redevelopment plans of the Merged Project 1 & 2 and merged them with Project 3 to form the 2006 Cathedral City Merged Redevelopment Project.

A. Merged Project 1 & 2

Pursuant to the Redevelopment Law, the City Council of Cathedral City originally established two separate redevelopment project areas. The City Council adopted Ordinance Nos. 472 and 473 on January 28, 1998, which amended the redevelopment plans of Project 1 Original and Project 1 – Amendment and merged them with Project 2 to form the Merged Project 1 & 2.

1. Project 1 Original

The City Council of Cathedral City passed Ordinance No. 39 that approved and adopted the redevelopment plan for Project 1 Original on November 29, 1982. Project implementation includes installation of public improvements and facilities which include streets, curb and gutter, sewers, storm drains, traffic signals, electrical distribution systems, water distribution systems, parks and sanitation distribution systems. Project 1 Original encompasses approximately 357 acres and includes the majority of the downtown business district from the westerly City limits to Date Palm Drive on the east. A variety of land uses are located in the project area, including single and multiple family residential, commercial, mobile home and light industrial, although the majority of the land is zoned for commercial use. Included in Project 1 Original is the Cathedral City Auto Center, a 35-acre regional automobile sales and service center.

On July 9, 2003 with the adoption of Ordinance No. 578, Project 1 Original was amended by the addition of several properties to the southerly portion of the Project 1 Original. These properties were originally located in Project 3 and were deleted from Project 3 concurrently with the adoption of this amendment. Project 1 Amendment also extended the Former Agency's eminent domain authority within Project 1.

2. Project 2

The City Council of Cathedral City passed Ordinance No. 61 that approved and adopted the redevelopment plan for Project 2 on November 29, 1983. Project 2 encompasses approximately 960 acres. Of the total area, approximately 700 acres are zoned for single-family residential uses: 160 acres are zoned for multi-family residential uses; and the remaining 100 acres are zoned for commercial uses. Project 2 contains two noncontiguous sub-areas. Sub-area A (“Panorama”), encompasses approximately one square mile area and was an early attempt to develop a large planned community of single-family homes, parks and commercial development. Sub-area B (“Ramon Road”) contains the secondary

commercial strip within the City. Some commercial structures in the area are in need of reconstruction, off-street parking and other public improvements. Table B below illustrates general information regarding the Merged Project 1 & 2:

Table B				
Merged Project 1 & 2 General Information				
<u>Project Name</u>	<u>Adoption Date</u>	<u>Ordinance No(s).</u>	<u>Parcels</u>	<u>Acres</u>
Project 1 Original	November 29, 1982	39, 311, 408 and 591	407	357
Project 1 Amendment	July 9, 2003	578	44	21
Project 2	November 28, 1983	61, 409 and 592	3,307	960
Merged Project 1 & 2	January 28, 1998	472, 473	-	-
Totals:			3,758	1,338

B. Project 3

The City Council of Cathedral City passed Ordinance No. 91 that approved and adopted the redevelopment plan for Project 3 on November 30, 1984. The Plan provides for the elimination of blight and deterioration, which was found to exist in Project 3 in order to allow development to proceed in conformance with the City's General Plan. Project 3 originally encompassed approximately 8,260 acres (12.9 square miles), which was about 64.5% of the total incorporated area of the City (20 miles). The majority of undeveloped land within Project 3 has been designated for residential uses in order to promote expansion of the City's housing resources.

On July 9, 2003 with the adoption of Ordinance No. 579, Project 3 was amended and 47 parcels (21 acres) with a combined assessed value of \$3,230,448 were removed. Table C below illustrates general information regarding Project 3:

Table C			
Project 3 General Information			
<u>Adoption Date</u>	<u>Ordinance No(s).</u>	<u>Parcels</u>	<u>Acres</u>
November 30, 1984	91, 503, 410, 503, 579, 582 and 593	16,045	8,239

C. Land Use

Table D represents the breakdown of land use in the Project Area by the number of parcels and by assessed value for fiscal year 2014-15. Unsecured values are connected with parcels that are already accounted for in other categories. It should be noted that the Exempt category includes parcels exempt from property taxes such as those owned by the City, the Successor Agency, the State or other governmental agencies. Values shown in Table 3 (attached) for the Project Area projections do not include values for such exempt parcels. This information is based on County land use designations as provided by the County.

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Table D
Land Use Summary
Fiscal Year 2014-15

Category	Project 1			Project 1 Amendment		
	Parcel Count	2014-15 AV	%	Parcel Count	2014-15 AV	%
Residential	48	\$ 12,624,495	5.7%	33	\$3,698,556	87.2%
Commercial	112	139,610,304	63.4%	0	0	0.0%
Industrial	23	13,031,326	5.9%	0	0	0.0%
Government	2	0	0.0%	0	0	0.0%
Institutional	4	0	0.0%	0	0	0.0%
Recreational	2	14,718,871	6.7%	0	0	0.0%
Vacant land	52	15,475,079	7.0%	1	544,216	12.8%
Exempt	164	0	0.0%	10	0	0.0%
Subtotal	407	\$195,460,075	88.8%	44	\$4,242,772	100.0%
Possessory Int.		\$ 2,539,929	1.2%		\$ 0	0.0%
Unsecured		22,114,158	10.0%		0	0.0%
Subtotal		\$ 24,654,087	11.2%		\$ 0	0.0%
Total	407	\$220,114,162	100.0%	44	\$4,242,772	100.0%

Category	Project 2			Project 3		
	Parcel Count	2014-15 AV	%	Parcel Count	2014-15 AV	%
Residential	2,962	\$531,368,087	89.1%	11,520	\$1,996,674,489	66.7%
Commercial	76	43,773,279	7.3%	255	250,708,720	8.4%
Industrial	6	2,800,225	0.5%	68	71,236,547	2.4%
Government	0	0	0.0%	1	537,498	0.0%
Institutional	2	170,000	0.0%	11	8,033	0.0%
Recreational	1	147,786	0.0%	12	6,857,495	0.2%
Vacant land	239	7,465,156	1.3%	1,202	81,526,731	2.7%
Exempt	21	0	0.0%	2,976	0	0.0%
Subtotal	3,307	\$585,724,533	98.2%	16,045	\$2,407,549,513	80.4%
Possessory Int. ⁽¹⁾		\$ 3,996,000	0.7%		\$ 535,538,916	17.9%
Unsecured		6,379,835	1.1%		50,308,267	1.7%
		\$ 10,375,835	1.8%		\$ 585,847,183	19.6%
Total Value	3,307	\$596,100,368	100.0%	16,045	\$2,993,396,696	100.0%

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Category	Project Area Total		
	Parcel Count	2014-15 AV	%
Residential	14,563	\$2,544,365,627	66.7%
Commercial	443	434,092,303	11.4%
Industrial	97	87,068,098	2.3%
Government	3	537,498	0.0%
Institutional	17	178,033	0.0%
Recreational	15	21,724,152	0.6%
Vacant land	1,494	105,011,182	2.8%
Exempt	3,171	0	0.0%
Subtotal	19,803	\$3,192,976,893	83.7%
Possessory Int. ⁽¹⁾		\$ 542,074,845	14.2%
Unsecured		78,802,260	2.1%
		\$ 620,877,105	16.3%
Total Value	19,803	\$3,813,853,998	100.0%

⁽¹⁾ Includes time shares and mobile homes.

Source: Riverside County Assessor 2014-15 Combined Tax Rolls

D. Redevelopment Plan Limits

General Information

Chapter 942, Statutes of 1993 (See Section VI B below), as codified in Section 33333.6 of the Law, limits the life of redevelopment plans adopted prior to January 1, 1994 to 40 years from the date of adoption or January 1, 2009, whichever is later. It also limits the period within which a redevelopment project area may receive tax increment to the life of the redevelopment plan plus ten years beyond the termination of redevelopment activities except to accommodate certain specific low and moderate-income housing obligations or to pay debt service on bonds, indebtedness or other financial obligations authorized prior to January 1, 1994. Such redevelopment plans are further required to include a limitation on the number of tax increment dollars that may be allocated to the redevelopment agency; a time limit on the establishing of indebtedness to be repaid with tax increment; and a limit on the amount of bonded indebtedness to be repaid with tax increment that can be outstanding at one time. These limits can be extended only by an amendment of the redevelopment plan.

The City Council adopted the Project 1 Original Redevelopment Plan by Ordinance No. 39 on November 29, 1982. On February 6, 1991, The City Council adopted the first amendment to the Redevelopment Plan for Project 1 Original with Ordinance No. 311, which amended and restated the tax increment limit and the limit on outstanding bond debt, as well as the time limits. This first amendment states that the taxes shall not be divided and shall not be allocated to the Former Agency in excess of \$190,000,000 except by amendment of the Project 1 Original Plan. As the redevelopment plan was amended, tax increment funds diverted from the Former Agency by pass through agreements shall not be considered funds received by the Former Agency. The redevelopment plan as amended further stated that the limit on the total

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outstanding principal on bonded indebtedness shall not exceed \$60,000,000. It was also established that the last date to incur new debt is 25 years from the date of adoption of the first amendment (February 5, 2016). The City Council adopted Ordinance No. 408 on December 14, 1994, to conform the time limits of Project 1 Original to the provisions of Chapter 942. In accordance with Ordinance No. 408, the plan expires on November 28, 2022, the time limit for the incurrence of debt is November 28, 2002 (which may under certain circumstances be extended to November 28, 2012) and the last date to repay debt with tax increment is November 28, 2032. On July 9, 2003 with the adoption of Ordinance No. 578, Project 1 Original was amended for the fourth time. This fourth amendment added territory to Project 1 Original. In accordance to Chapter 942, the effectiveness of the Project 1 Amendment redevelopment plan expires on July 9, 2033, its time limit for the incurrence of debt is July 9, 2023 and the last date to repay debt with tax increment is July 9, 2048.

The City Council adopted the Project 2 redevelopment plan by Ordinance No. 61 on November 28, 1983. The plan declares that taxes shall not be divided and shall not be allocated to the Former Agency from Project 2 in excess of \$2,500,000 during any one fiscal year except by amendment; and that the cumulative amount of taxes which may be divided and allocated to the Former Agency from Project 2 shall not exceed \$51 million dollars. The plan states that the total outstanding principal of any bonds, so issued and repayable from said tax increments, shall not exceed \$17,000,000 at any one time except by amendment. The last date to incur new debt is established by the plan to be 15 years from the date of adoption (November 28, 1998). In accordance with Ordinance No. 61, the plan expires 40 years from the date of adoption (November 28, 2023). No time limitation was established with regard to the last date to repay debt with tax increment. The City Council adopted Ordinance No. 409 on December 14, 1994, to conform the time limits of Project 2 to the provisions of Chapter 942. In accordance with Ordinance No. 409, the plan expires on November 28, 2023, the time limit for the incurrence of debt is November 28, 1998 (which may under certain circumstances be extended to November 28, 2008) and the last date to repay debt with tax increment is November 28, 2033.

On January 28, 1998, the City Council adopted amendments to the redevelopment plans for Project 1 and Project 2 by Ordinance Nos. 472 and 473, respectively, and established the Merged Project 1 & 2. The plan amendments establish that taxes received from the Merged Project 1 & 2 shall not exceed a cumulative total of \$328,000,000 except by amendment. Such limitation is exclusive of: (1) any payments to taxing agencies made by the Former Agency pursuant to Section 33607.5 and (2) any payments to taxing agencies made by the Former Agency pursuant to agreements with the taxing agency adopted prior to January 1, 1994. The plan amendments stipulate that the limit on outstanding bond debt within the Merged Project 1 & 2 shall not exceed \$126,000,000 in principal amount at any one time, except by amendment. Such limitation is exclusive of: (1) any principal payments to taxing agencies made by the Former Agency pursuant to Section 33607.5 and (2) any principal payments to taxing agencies made by the Former Agency pursuant to agreements with the taxing agency adopted prior to January 1, 1994. The Merged Project 1 & 2 redevelopment plan contains a January 1, 2014 time limit on the incurrence of new debt, limits the effectiveness of the plan to November 28, 2022 for Project 1 and November 28, 2023 for Project. 2. The Merged Project 1 & 2 redevelopment plan forbids the Former Agency to receive property taxes and repay indebtedness beyond November 28, 2032 for Project 1 and November 28, 2033 for Project 2.

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The City Council adopted the Project 3 redevelopment plan by Ordinance No. 91 on November 30, 1984. The plan declares that taxes collected for the benefit of the County of Riverside, County Free Library, County Fire Protection District, City of Cathedral City, Palm Springs Public Cemetery District, Cathedral City Community Services District, Cathedral City Community Service Zone B, Desert Hospital District, Coachella Valley Mosquito Abatement District, Coachella Valley County Water District, Coachella Valley Resource Conservation District, Coachella Valley County Water Storm Water Unit, Riverside County Flood Control District, Desert Water Agency and Coachella Valley County Water Improvement District 80 shall not be divided and shall not be allocated to the Former Agency. According to the terms of the plan only those taxes collected for the benefit of the Palm Springs Unified School District, the Coachella Valley Community College District and the Riverside County Superintendent of Schools shall be divided and allocated to the Former Agency. According to the Riverside County Auditor Controller's Office (the "Auditor"), the redevelopment agencies are not considered to be entities separate from the cities and therefore, the Auditor has allocated the taxes collected for the benefit of the City of Cathedral City, Cathedral City Community Services District and the Cathedral City Community Service Zone B to the Former Agency in addition to the school district shares. The plan establishes that taxes derived from Project 3 shall not be divided and shall not be allocated to the Former Agency in excess of \$45,000,000 during any one fiscal year except by amendment. In accordance with the plan, the total outstanding principal of any bonds so issued and repayable from Project 3 tax increments shall not exceed \$400,000,000 at any one time, except by amendment. The plan states that the last date to incur new debt is 30 years from the date of adoption (November 29, 2014). The City Council adopted Ordinance No. 410 on December 14, 1994, to conform the time limits of Project 3 to the provisions of Chapter 942. In accordance with Ordinance No. 410, the limit on incurrence of debt was changed to November 29, 2004 (which may under certain circumstances be extended to November 29, 2014) and the limit on repayment of debt with tax increment was changed to November 29, 2024. On April 28, 1999, Ordinance No. 503 was adopted to extend the Project 3 plan effectiveness to 10 years beyond the expiration date of the redevelopment plan thereby extending the last date to repay debt with tax increment to November 29, 2034.

In 2001 the Legislature enacted SB 211 (Chapter 741, Statutes of 2001) allowing redevelopment agencies to eliminate a redevelopment plans time limit for incurring indebtedness required by Chapter 942 for redevelopment plans adopted prior to 1994 (see Section VI below). The limit may be eliminated by an ordinance of the agency's legislative body and without going through a formal redevelopment plan amendment process. Redevelopment agencies that eliminate the time limit for incurring indebtedness are subject to statutory tax sharing pursuant to Section 33607.7 of the Law (see Section VII.C below). Pursuant to SB 211, the City Council adopted Ordinance No. 582 on November 25, 2003 and eliminated the deadline for incurrence of new debt for Project 3. On April 26, 2006, the City Council adopted Ordinance No. 621 to eliminate the time limits on incurring debt under SB211 for Projects 1 and 2.

On July 28, 2004 and pursuant to Senate Bill 1045 (see Section VI), the City Council adopted Ordinance No. 591 for Project 1, Ordinance No. 592 for Project 2 and Ordinance No. 593 for Project 3 on July 28, 2004. By its approval of these ordinances, the effective lives and the periods within which indebtedness may be repaid in the respective redevelopment plans were extended by one year. The redevelopment plan limits shown in Table E below reflect these extensions.

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Pursuant to Senate Bill 1096 (see Section VI), on August 10, 2005, the City Council adopted Ordinance No. 605 for Project 1 and Ordinance No. 606 for Project 2 extending the term of the respective redevelopment plans and the periods within which the Former Agency may repay indebtedness by one year. On February 8, 2006, the City Council adopted Ordinance Nos. 613, 614 and 615 extending the term of the redevelopment plans and the periods that the Former Agency may repay indebtedness by one additional year for Project 1, Project 2 and Project 3.

The redevelopment plan limits, as modified to conform to Chapter 942, Chapter 741, SB1045 and SB1096 (see Section VI Legislation) are summarized below.

**Table E
 Project Area Plan Limits**

Project Area	Plan Expiration	Last Date to Incur New Debt	Last Date to Repay Debt with Tax Increment	Tax Increment Limit	Limit on Total Outstanding Bond Debt
Project 1	11/28/2025	Eliminated	11/28/2035		
Project 1 - Amendment	7/09/2033	7/09/2023	7/09/2048		
Project 2	11/28/2026	Eliminated	11/28/2036		
Merged Project 1 & 2				\$328,000,000 *	\$126,000,000 *
Project 3	11/29/2026	Eliminated	11/29/2036	\$45 million/FY	\$400,000,000

* The tax increment limitations exclude of any tax sharing payments to taxing agencies.

According to the records of the Riverside County Auditor-Controller, through 2013-14, the Former Agency has received a cumulative total of \$134,279,255 in tax increment revenue from the Merged Project 1 & 2. Based on the projected tax increment revenues to be received by the Successor Agency, the tax increment limit of \$328 million will not be exceeded within the life of the Merged Project 1 & 2 unless growth from new development and/or resale of property can be maintained at something in excess of 3.5% per year. Based on the projection of Tax Revenue to be received by the Former Agency within Project 3 the annual limit of \$45 million will not be achieved in any fiscal year.

III. Project Area Assessed Values

A. Assessed Values

Taxable values are prepared and reported by the Auditor-Controller each fiscal year and represent the aggregation of all locally assessed properties that are part of the Project Area. The assessments are assigned to Tax Rate Areas (“TRA”) that are coterminous with the boundaries of the Project Area. The historic reported taxable values for the Project Area were reviewed in order to ascertain the rate of taxable property valuation growth over the ten most recent fiscal years beginning with 2005-06.

From 2005-06 through 2008-09, the Project Area steadily added assessed value. Assessed values grew during this period by \$1.2 billion (37.91%). The 2009-10 values were down by \$506.8 million (-11.36%)

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relative to 2008-09. Assessed values for 2010-11 reflected a reduction of \$273.8 million (-6.92%) relative to 2009-10. The 2011-12 values were down by \$150.6 million (-4.09%) relative to 2010-11. Assessed values fell somewhat more in 2012-13 by dropping another \$75.2 million (-2.13%). Over this four year period, values declined by a total of \$1 billion (-22.55%). Assessed values for 2013-14 were up by \$165.5 million (4.79%). Assessed values for 2014-15 are up by \$191.2 million (5.28%) despite an unsecured value decrease. Secured values for 2014-15 increased by \$194.1 million (5.48%) and unsecured values for 2014-15 are down relative to 2013-14 by \$2.8 million (-3.47%). Despite the declines that were experienced from 2009-10 through 2012-13, values over the past 10 years have grown by \$577.3 million (17.84%). The information outlined above is based on the lien date tax rolls as provided by the Riverside County Assessor.

As a result of the economic downturn and decline in market values of residential property, the Assessor began to reduce assessed values pursuant to Section 51 of the Revenue and Taxation Code. Reductions in value made under this section are also known as Prop 8 reductions. After such reductions in value are implemented, the Assessor is required to review the property's market value as of each subsequent lien date and adjust the value of real property to the lesser of its base year value as adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions took place in most counties beginning in 2008-09 due to declining real estate values. Reductions made under this code section to residential properties are normally initiated by the assessor but may also be requested by the property owner. Reductions of value for commercial, industrial and other land use types under this code section are normally initiated by the property owner as an assessment appeal.

Since the property is reviewed on an annual basis to determine the full cash value of the property and the valuation is adjusted accordingly, further reductions or increases in value may result. Such increases shall be consistent with the full cash value of the property and, as a result, increases may exceed the 2 percent maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution (see Section IV.A.). Once the property has regained its prior value, adjusted for inflation, it is again subject to the annual inflationary factor growth rate allowed under Article XIII A. If a property that has been reduced in value pursuant to Prop 8 is sold, the value for that parcel is enrolled in accordance with a new base value established by the assessor and the property is removed from the pool of properties that are annually reviewed.

Within the Project Area for 2014-15, there are 4,489 residential parcels that have been reduced in value under Prop 8. This represents 30.8% of all residential parcels in the Project Area. The enrolled values for these parcels are \$432.2 million below the inflation adjusted base values for these parcels. This amount represents the assessed value that may be recaptured by the reassessment of the parcels reduced in value under Prop 8 if none of these parcels is resold.

Possessory Interest Taxes; Bureau of Indian Affairs Regulations

Established in 1876, the Agua Caliente reservation now contains more than 32,000 acres in a checkerboard pattern spanning parts of the City, Palm Springs, Rancho Mirage and the San Jacinto and

Santa Rosa mountains. As a result of this checkerboard pattern, the reservation is deeply connected to the local communities and infrastructure of the City.

Certain residents of and businesses in Cathedral City currently lease property within the reservation lands. When a person or entity leases, rents or uses real estate owned by a government agency for its exclusive use, a taxable possessory interest occurs. The County collects possessory interest taxes pursuant to, among other authority, Section 61, 107-107.9 of the Revenue and Taxation Code of the State of California from non-tribal members who lease property on reservation land. For fiscal year 2012/13, the County collected approximately \$29 million in such possessory interest taxes, County-wide. The County then redistributes portions of such taxes to cities, school districts and other local governments, including the City and the Successor Agency.

On December 5, 2012, the Department of the Interior, Bureau of Indian Affairs, promulgated final federal regulation that became effective on January 4, 2013, governing the applicability of state and local taxes on surface property interests in leased tribal land. The regulation (25 CFR 162.017) (the "Property Taxation Regulations") provided that –

- (a) Subject only to applicable Federal law, permanent improvements on the leased land, without regard to ownership of those improvements, are not subject to any fee, tax, assessment, levy, or other charge imposed by any State or political subdivision of a State. Improvements may be subject to taxation by the Indian tribe with jurisdiction.
- (b) Subject only to applicable Federal law, activities under a lease conducted on the leased premises are not subject to any fee, tax, assessment, levy, or other charge (e.g., business use, privilege, public utility, excise, gross revenue taxes) imposed by any State or political subdivision of a State. Activities may be subject to taxation by the Indian tribe with jurisdiction.
- (c) Subject only to applicable Federal law, the leasehold or possessory interest is not subject to any fee, tax, assessment, levy, or other charge imposed by any State or political subdivision of a State. Leasehold or possessory interests may be subject to taxation by the Indian tribe with jurisdiction.

In light of the Property Taxation regulations, the Aqua Caliente Band of Cahuilla Indians has sued the County and various related County defendants (Aqua Caliente Band of Cahuilla Indians v. Riverside County, et al.; Case No. 14-00007JGB) in U.S. District Court for the Central District of California, Eastern Division to prevent the assessment of possessory interest taxes on tribal land, including land located in the City. In the complaint, the tribe argues that the possessory interest tax increases the economic burden on the tribe and its members by devaluing Indian land leases. According to the complaint, the tax also limits the tribe's income, since it has agreed to forgo its own tax to avoid the double taxation of leaseholders. The litigation was filed in January 2014 and is in the early stages. If the tribe ultimately prevails leaseholders may potentially be entitled to refunds of possessory interest taxes collected by the County during the four year period prior to commencement of the litigation. The City and the Successor Agency cannot predict the outcome of this or any other litigation relating to possessory interest taxes or any other taxes imposed on leased tribal property.

Two of the four component areas of the Project Area have assessed value derived from possessory interest on tribal land. If the tribe prevails with respect to their claims, the loss of Tax Revenue net of tax sharing amounts, have been estimated as follows:

Table F					
Estimated Potential Loss of Tax Revenue Due to Possessory Interest Taxes for 2014-15					
	Possessory Interest Value	Related Base Year Value	Net Impact on Incremental Value	General Levy	Tax Revenue Net of Tax Sharing
Project 1	\$ 31,509,648	\$ 7,165,599	\$ 24,344,049	\$ 243,441	\$ 169,688
Project 3	<u>516,009,314</u>	<u>98,923,684</u>	<u>417,085,630</u>	<u>4,170,856</u>	<u>1,627,355</u>
Project Area	\$547,518,962	\$106,089,283	\$441,429,679	\$4,414,297	\$1,797,043
Percent of Project Area Tax Revenues					10.67%

B. Top Ten Taxable Property Owners

Within the Project Area, the top ten taxpayers own parcels with values that total \$171,101,612. This represents 4.49 percent of the total Project Area value and 5.12 percent of the Project Area incremental value. The Project Area's top ten taxpayers represent 4.55 percent of all secured value in the Project Area and 1.53 percent of all the unsecured value in the Project Area. A list of the top ten property taxpayers in the Project Area as of June 30, 2014 is shown on Table G, the composition of value and the number of parcels attributed to each owner is found in Table 4 of the Project Area projection.

Table G
Project Area Top Ten Taxpayers
 As of June 30, 2014

Property Owner	Combined Value	% of Project Area Value	% of Project Area Incremental Value	Property Use
Welk Park North ⁽²⁾	\$26,741,001	0.70%	0.80%	Possessory Interest
MHC Date Palm LLC ⁽²⁾	\$26,686,725	0.70%	0.80%	Possessory Interest
Robertas Limited Partnership	\$23,182,785	0.61%	0.69%	Commercial
BRE Throne Plaza Rio Vista ⁽¹⁾	\$15,210,367	0.40%	0.46%	Commercial
Meristar Sub 1C ⁽¹⁾	\$14,290,000	0.37%	0.43%	Possessory Interest
Rolling Hills Silver Spur Pickford Theatre	\$14,251,015	0.37%	0.43%	Recreational
Goble Investment	\$13,669,312	0.36%	0.41%	Industrial
Palm Springs Motors Inc. ⁽²⁾	\$13,211,180	0.35%	0.40%	Commercial
Forest Lawn Mortuary	\$11,968,491	0.31%	0.36%	Commercial, Industrial
34251 Date Palm Drive Holdings ⁽¹⁾	\$11,890,736	0.31%	0.36%	Commercial
Top Property Owner Total Value	\$171,101,612			
Project Area Assessed Value	\$3,813,853,998	4.49%		
Project Area Incremental Value	\$3,340,868,001		5.12%	

⁽¹⁾ This taxpayer has a pending assessment appeal on parcels owned (see Section IV F).

⁽²⁾ Includes Unsecured Values (see Table 4 – Project Area).

IV. Tax Allocation and Disbursement

A. Property Taxes

The taxable values of property are established each year on the January 1 property tax lien date. Real property values reflect the reported assessed values for secured and unsecured land and improvements. The base year value of a parcel is the value established as the full market value upon a parcel's sale, improvement or other reassessment. Article XIII A of the California Constitution (Proposition 13) provides that a parcel's base year value is established when locally assessed real property undergoes a change in ownership or when new construction occurs. Following the year a parcel's base year value is first enrolled, the parcel's value is factored annually for inflation. The term base year value does not, in this instance, refer to the base year value of the Project Area. Pursuant to Article XIII A, Section 2(b) of the State Constitution and California Revenue and Taxation Code Section 51, the percentage increase in the parcel's value cannot exceed 2% of the prior year's value.

Secured property includes property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value for tenant improvements, fixtures, inventory and

personal property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate. Utility property assessed by the State Board of Equalization (the "SBE") may be revalued annually and such assessments are not subject to the inflation limitations established by Proposition 13. The taxable value of Personal Property is also established on the lien dates and is not subject to the annual 2% limit of locally assessed real property.

Each year the SBE announces the applicable adjustment factor. Since the adoption of Proposition 13, inflation has, in most years, exceeded 2% and the announced factor has reflected the 2% cap. Through 2010-11 there were six occasions when the inflation factor has been less than 2%. Until 2010-11 the annual adjustment never resulted in a reduction to the base year values of individual parcels, however, the factor that was applied to real property assessed values for the January 1, 2010 lien date was -0.237% and this resulted in a reduction to the adjusted base year value of parcels. The changes in the California Consumer Price Index (CCPI) from October of one year and October of the next year are used to determine the adjustment factor for the January assessment date. The table below reflects the inflation adjustment factors for the current fiscal year, ten prior fiscal years and the adjustment factor for fiscal year 2014-15.

Table H	
Historical Inflation Adjustment Factors	
<u>Fiscal Year</u>	<u>Inflation Adj. Factor</u>
2003-04	2.000%
2004-05	1.867%
2005-06	2.000%
2006-07	2.000%
2007-08	2.000%
2008-09	2.000%
2009-10	2.000%
2010-11	-0.237%
2011-12	0.753%
2012-13	2.000%
2013-14	2.000%
2014-15	0.454%

On December 11, 2013, the SBE determined that the inflationary adjustment for 2014-15 would be 0.454%. For purposes of the projection we have assumed that the inflation adjustment factor for fiscal years beyond 2014-15 will be 2.00%. This assumption is based on the fact that the inflation adjustment factor has been at the maximum allowed amount of 2.00% in 31 of the 39 years since the adoption of Proposition 13. We believe that assuming the resumption of a 2.00% inflation adjustment factor is justified by historical experience.

B. Supplemental Assessment Revenues

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of the increase or decrease in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against Real Property.

Since 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The receipt of Supplemental Assessment Revenues by taxing entities typically follows the change of ownership by a year or more. We have **not** included revenues resulting from Supplemental Assessments in the projections.

C. Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the general levy rate of \$1.00 per \$100 of taxable value and the over-ride tax rate. The over-ride rate is that portion of the tax rate that exceeds the general levy tax rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition 13.

A Constitutional amendment approved in June 1983 allows the levy of over-ride tax rates to repay indebtedness for the acquisition and improvement of real property, upon approval by a two-thirds vote. A subsequent amendment of the Constitution prohibits the allocation to redevelopment agencies of tax revenues derived from over-ride tax rates levied for repayment of indebtedness approved by the voters after December 31, 1988. Tax rates that were levied to support any debt approved by voters after December 31, 1988 were not allocated to redevelopment agencies. The over-ride tax rates typically decline each year as a result of (1) increasing property values (which would reduce the over-ride rate that must be levied to meet debt service) and (2) the eventual retirement of debt over time. There are five debt service over-ride tax rates levied within the Project Area and two received voter approval prior to December 31, 1988. These tax rates are levied by the Palm Springs Unified School District, Desert Sands Unified School District, the Desert Community College District, the Coachella Valley Water District and Desert Water Agency. The tax rate levied by the Coachella Valley Water District received voter approval prior to December 31, 1988 but the District was able to secure special legislation that causes the revenue from this tax rate to be treated as if it received voter approval after January 1, 1989.

ABx1 26 was adopted in late June, 2011 (see Legislation, Section VI). Section 34183(a)(1) of that legislation requires the Auditor Controller to allocate all revenues attributable to tax rates levied to make annual repayments of the principal and interest on any bonded indebtedness for the acquisition or improvement of real property to the taxing entity levying the tax rate. This was initially interpreted by Riverside County to include all revenues resulting from the override tax rates that are being levied by any

taxing entity within the County. These debt service tax rates are being allocated to the levying taxing entity but are shown on the County RPTTF documents as 100% pass through amounts to the levying taxing entity.

As a result, the tax increment revenues used in this projection are derived only from the general levy tax rate.

D. Allocation of Taxes

Taxes on secured property values paid by property owners are due in two equal installments on November 1 and on February 1 and become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. Prior to February 1, 2012, the County utilized a method for the distribution of tax revenue to redevelopment agencies that provided them with tax increment revenue and was effectively like a Teeter Plan. Under this method redevelopment agencies in Riverside County received 100 percent of the taxes levied on the extended tax roll subject to correction, cancellation and refunds. The tax revenues of the Former Agency were not subject to revenue loss due to delinquencies or gains due to redemption of unpaid taxes. The County of Riverside does not publish delinquency data for redevelopment project areas or agencies and they do not publish such information on a city level either. The property tax collection rate within the County as a whole, however, was 98% for 2012-13 and was 97.5% for 2011-12.

As of February 1, 2012, the apportionment of tax increment revenue was dictated by the legislation adopted as ABx1 26 (See Legislation Affecting Tax Revenues Available to RPTTF, Section VI). Tax increment revenue is now apportioned to successor agencies on January 2 and June 1 of each fiscal year. All tax increment revenue is accumulated by the County Auditor-Controller in the RPTTF for allocation on these two dates. The tax increment revenue available for allocation on January 2 consists of revenues collected after June 1 of the previous fiscal year and for collections in November and December of the current fiscal year. The tax increment revenues available for allocation on June 1 include revenues collected from January 1 to June 1 of the current fiscal year.

From the amounts accumulated in the RPTTF for each allocation date, the County Auditor-Controller is to deduct its own County administrative charges and is to calculate and deduct amounts owed, if any, to taxing entities for tax sharing agreements entered into pursuant to Section 33401 of the Law and for statutory tax sharing obligations required by Sections 33607.5 and 33607.7 of the Law. The amount remaining after these reductions, if any, is what is available for payment by the Successor Agency of debt obligations of the Former Agency.

Prior to receiving revenues on January 2 and June 1, the Successor Agency must adopt a Recognized Obligation Payment Schedule ("ROPS") that lists the debt obligations of the Former Agency that must be paid during the upcoming six month periods of January 1 through June 30 and July 1 through December 31. There is a provision in the legislation for a Successor Agency to request additional amounts in one ROPS payment to allow it to make payments that may be beyond the revenues available in the upcoming allocation cycle. The ROPS must be submitted at least 90 days prior to each RPTTF allocation date and approved by the Successor Agency's Oversight Board that is established in the legislation with membership consisting of representatives from various taxing entities. The ROPS must also receive

approval from the State Department of Finance (the “DOF”). Filing ROPS statements is mandated by statute and penalties are incurred if they are filed late or if they are not filed at all.

The Successor Agency is entitled to receive an amount to cover the administrative costs of winding down the business of the Former Agency. This amount is set by ABx1 26 at the greater of \$250,000 per year or a maximum of 3% of the amount allocated from the RPTTF. AB 1484 added language that allowed the Oversight Board to reduce the amount of the minimum administrative allowance. To the extent that revenues are insufficient to pay all of the approved ROPS obligations, the Successor Agency's administrative allowance will be reduced or eliminated. Successor Agency administrative allowance amounts that have been approved but cannot be paid due to a lack of RPTTF revenue will be carried over to the next RPTTF allocation for payment as funds become available.

If there are RPTTF amounts remaining after reductions for County administrative charges, amount owed, if any, to taxing entities for tax sharing agreements entered into pursuant to Section 33401 of the Law, enforceable obligations and Successor Agency administrative allowance, these remainder amounts are referred to as “Residual Revenue”. Residual Revenue for each allocation cycle is proportionately allocated to the taxing entities and to the Educational Revenue and Augmentation Fund (ERAF). The legislation stipulates that the combination of tax sharing payments and Residual Revenue payments to tax entities may not exceed that taxing entity's full share of tax increment revenue. In circumstances where a taxing entity receives all or most of its share of tax increment revenue as a result of its tax sharing agreement, that taxing entity's share of the Residual Revenue distribution may be reduced and the portions of Residual Revenue allocated to the other taxing entities will be proportionately increased.

The forms and procedures used by a successor agency to submit its ROPS to its Oversight Board and to the DOF are dictated by the legislation as interpreted by DOF.

E. Annual Tax Receipts to Tax Levy

As indicated in the section above, the County Auditor Controller allocates tax revenue to the Successor Agency at 100 percent of the calculated revenue and does not allocate based on collections. The Successor Agency receives 100 percent of the amount levied for any particular year.

F. Assessment Appeals

Assessment appeals data from the County has been reviewed to determine the potential impact that pending appeals may have on the projected Tax Revenues Available to RPTTF. We have determined there are 310 pending appeals on 279 parcels within the Project Area. In order to estimate the potential reduction in assessed value that may occur as a result of these pending appeals, we have reviewed the historical averages over the past six years for the number of appeals allowed and the amount of assessed value removed. Several taxpayers have pending assessment appeals for multiple fiscal years. Since the loss of value that could result from the owners successfully having their values reduced for the same parcel is not cumulative, we have factored into the calculation only the most current pending appeals where there are multiple year appeals pending. We have then applied those averages to the currently pending appeals and estimated the number of pending appeals that may be allowed and the amount of

assessed value that may be removed as a result of these pending appeals. Table I summarizes the potential losses that are incorporated into the projections.

Table I
Estimated Value Loss on Pending Assessment Appeals

Project Sub Areas	Total No. of Appeals	No. of Resolved Appeals	No. of Successful Appeals	Average Reduction	No. of Appeals Pending ⁽¹⁾	Projected No. of Appeals Allowed	Estimated Reduction on Pending Appeals Allowed (2015-16 AV Adjustment)
Project 1	50	37	25	26.22%	13	9	\$ 4,919,636
Project 1 - Amendment	2	2	0	0.00%	0	0	0
Project 2	86	71	18	15.63%	15	4	319,237
Project 3	870	588	251	19.59%	<u>251</u>	<u>107</u>	<u>12,217,301</u>
				Total	279	120	\$17,456,173

⁽¹⁾ Does not reflect multiple year appeals on the same parcel.

Within the Project Area, one assessment appeal was recently allowed with a reduction in value of \$11,975. This reduction has been reflected in the values for 2014-15. Reductions in revenue for refunds resulting from these successful appeals have not been estimated.

The top taxpayers within the Project Area with pending assessment appeals are listed below with a tabulation of their appeals.

Table J
Top Taxpayer Pending Assessment Appeals

Taxpayer	Fiscal Year	No. Parcels	2014-15 Total Value Under Appeal	Owner's Opinion of Value	Maximum Potential Value Loss	Maximum Percentage Value Loss
BRE Throne Plaza	2010-11	6	\$15,210,367	\$ 5,600,000	\$ 9,610,367	63.18%
Rio Vista	2011-12	6	15,210,367	5,200,000	10,010,367	65.8%
	2013-14	1	7,785,185	4,294,360	3,490,825	44.8%
Meristar Sub 1C	2012-13	1	14,290,000	7,477,000	6,813,000	47.7%
34251 Date Palm Drive Holdings	2011-12	8	11,890,736	16,799,000	0	0.0%
	2012-13	8	11,890,736	14,801,000	0	0.0%
	2013-14	4	9,237,748	9,300,000	0	0.0%

G. County Collection Charges

Chapter 466 allows counties to recover charges for property tax administration in an amount equal to their 1989-90 property tax administration costs, as adjusted annually. The Project Area's Property Tax Collection Reimbursement charge for 2013-14 was \$394,594. This amount is approximately 1.23% of the Project Area's 2013-14 Gross Tax Revenues that include tax revenues after reductions for the apportionment adjustments. The estimated charge for 2014-15 and future years is based on this same percentage of Gross Tax Revenue.

In addition to the amounts charged by the County for administration of property taxes under SB 2557, pursuant to ABx1 26, the County may charge an administrative fee for administration of the RPTTF. The amount charged to the Successor Agency for the January 2, 2014 and June 2, 2014 RPTTF allocations was a total of \$31,608. This nominal amount has not been factored into the projections.

H. Allocation of State Assessed Unitary Taxes

Legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter 921) provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization (SBE), other than railroads. Prior to the 1988-89 fiscal year, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area. Commencing in 1988-89, tax revenues derived from unitary property and assessed by the SBE are accumulated in a single Tax Rate Area for each county. Such tax revenues are then distributed to each taxing entity in the county in the following manner: (1) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to two percent; (2) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro-rata county wide; and (3) any increase in revenue above two percent would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the county.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of a project area; therefore, the base year values of project areas have been reduced by the amount of utility value that existed originally in the base years. The amount of unitary revenues to be allocated to the Successor Agency for 2013-14 is \$57,525 to Project 1, \$80,387 to Project 2 and \$355,171 to Project 3. For purposes of this projection, we have assumed the amount the Successor Agency will receive for the Project Area will remain constant for the life of the projection.

V. Low and Moderate Income Housing Set-Aside

Sections 33334.2 and 33334.3 of the Law required redevelopment agencies to set aside not less than 20 percent of all tax increment revenues from project areas adopted after December 31, 1976 into a low and moderate income housing fund (the "Housing Set-Aside Requirement"). Sections 33334.3, 33334.6 and 33334.7 of the Law extend this requirement to redevelopment projects adopted prior to January 1, 1977. With the adoption of ABx1 26, the Housing Set-Aside Requirement was eliminated. The housing fund into which these set-aside amounts were formerly deposited has been eliminated and any unencumbered amounts remaining in that fund have been identified through a mandated Due Diligence Review. The amounts found to be unencumbered through this Due Diligence Review have been paid to the County and these funds have been allocated to the taxing entities within the Project Area.

For Project 3, amounts deposited into the low and moderate income housing fund are calculated on the taxes which are allocated to the Successor Agency. For the purposes of the Project 3 projection, the calculations are based on 20 percent of the Adjusted Gross Revenues.

VI. Legislation Affecting Tax Revenues Available to RPTTF

SB 211 was signed into law as Chapter 741, Statutes of 2001. This legislation has two main impacts on the limits contained in an agency's redevelopment plan. First, the City Council may eliminate the time limit to establish indebtedness in Project Areas adopted prior to January 1, 1994 by ordinance. If the Plan is so amended, any existing tax sharing agreements will continue and certain statutory tax sharing for entities without tax sharing agreements will commence in the year the eliminated limit would have taken effect. Second, the City Council may extend the time limit for plan effectiveness and repayment of debt for up to ten years if it can make certain specified findings. On April 26, 2006 the City Council adopted Ordinance No. 621 eliminating the limitation on incurrence of new indebtedness in the Project 1 and Project 2 redevelopment plans. The City Council adopted Ordinance No. 582 on November 25, 2003 and thereby amended the redevelopment plan for Project 3 to eliminate the limitation on the incurrence of new indebtedness.

In order to address State Budget deficits, the Legislature enacted SB 614, SB 844 and SB 1135 that required payments from redevelopment agencies for the 1992-93, 1993-94 and 1994-95 fiscal years into a county-wide ERAF. The Former Agency could have used any funds legally available and not legally obligated for other uses, including agency reserve funds, bond proceeds, earned income, and proceeds of land sales, but not moneys in the Low and Moderate Income Housing Fund (the "Housing Fund") to satisfy this payment obligation. From 1995-96 to 2001-02, State Budgets were adopted with no additional shifting of tax increment revenues from redevelopment agencies, however, the 2002-03 State Budget required a shift of \$75 million of tax increment revenues statewide from redevelopment agencies to ERAF to meet the state budget shortfall. AB 1768 (Chapter 1127, Statutes of 2002) was enacted by the Legislature and signed by the Governor and based upon the methodology provided in the 2002-03 State Budget, the shift requirement for the former redevelopment agencies to make payments into the ERAF was limited to fiscal year 2002-03 only.

As part of the State's 2003-04 budget legislation, SB 1045 (Chapter 260, Statutes of 2003) required redevelopment agencies statewide to contribute \$135 million to local county ERAF which reduced the amount of State funding for schools. This transfer of funds was limited to fiscal year 2003-04 only. Under the Law as amended by SB 1045, the redevelopment agencies were authorized to use a simplified methodology to amend the individual redevelopment plans to extend by one year the effectiveness of the plan and the time during which the agencies could repay debt with tax increment revenues. In addition, the amount of this payment and the ERAF payments made in prior years were to be deducted from the cumulative tax increment amounts applied to a project area's cumulative tax increment revenue limit. On July 28, 2004, the City Council adopted Ordinance Nos. 591, 592 and 593 for Project 1; Ordinance No. 592 for Project 2; and Ordinance No. 593 for Project. 3. By its approval of these ordinances, the effectiveness of the redevelopment plans for Projects 1, 2 and 3 were extended by one year. In addition the period within which indebtedness may be repaid from tax increment revenue was extended by the same one year period for Projects 1, 2 and 3. The redevelopment plan limits shown in Table E (see Section II.D. Redevelopment Plan Limits) above reflect these extensions.

**Successor Agency to the Cathedral City Redevelopment Agency
Fiscal Consultant's Report – Tax Allocation Refunding Bonds
September 9, 2014**

After the State's budget for 2004-05 was approved by the legislature and signed by the Governor, Senate Bill 1096 was adopted. Pursuant to SB 1096, redevelopment agencies within the State were required to pay a total of \$250 million to ERAF for fiscal year 2004-05 and for 2005-06. The payments were due on May 10 of each fiscal year. As in previous years, payments were permitted to be made from any available funds other than the Housing Fund. If an agency was unable to make a payment, it was allowed to borrow up to 50% of the current year Housing Tax Set-aside Requirement, however, the borrowed amount was required to be repaid to the Housing Fund within 10 years of the last ERAF payment (May 10, 2006). Under SB 1096, redevelopment plans with less than ten years of effectiveness remaining from June 30, 2005, could be extended by one year for each year that an ERAF payment is made. For redevelopment plans with 10 to 20 years of effectiveness remaining after June 30, 2005, the plans may be extended by one year for each year that an ERAF payment is made if the city council could find that the former redevelopment agency was in compliance with specified state housing requirements. These requirements are: 1) that the agency is setting aside 20% of gross tax increment revenues; 2) that housing implementation plans are in place; 3) that replacement housing and inclusionary housing requirements are being met; and, 4) that no excess surplus exists.

Pursuant to Senate Bill 1096 the City Council adopted an amendment to the Project 1 redevelopment plan on August 10, 2005 by Ordinance No. 605 that extended the plan's period of effectiveness and the period during which it may repay indebtedness by one year. On the same date the City Council adopted Ordinance 606 which amended the redevelopment plan for Project 2 and extended the plan's period of effectiveness and the period during which it may repay indebtedness by one year. On February 8, 2006 the City Council amended the redevelopment plans of Project 1 and Project 2 to add an additional year to their redevelopment plan effectiveness and their period to repay indebtedness by adoption of Ordinances 613 and 614 respectively. On the same date the City Council also adopted Ordinance 615 which added a single year to the Project 3 redevelopment plan limit on plan effectiveness and on the repayment of indebtedness.

In July, 2009, the Legislature adopted AB 26 4x as a means of implementing a package of 30 bills that were adopted in order to close the State's budget deficit. Under this legislation the former redevelopment agencies statewide were required to pay into their county's "Supplemental" ERAF (the "SERAF"), \$1.7 billion for fiscal year 2009-10 and were required to pay another \$350 million in fiscal year 2010-11. Based on a State Controller formula, the former redevelopment agencies were required to pay the required amounts by May 2010 and May 2011, respectively.

Under this legislation, the former redevelopment agencies could use any available funds to make the SERAF payments. If Housing Set-aside Requirement or Housing Fund amounts were borrowed to make the SERAF payment, the borrowed amounts were required to be repaid to the Housing Fund by June 30, 2015 and June 30, 2016 respectively. Under the requirements of Section 34191.4 of the Law, amended by AB 1484, however, redevelopment agencies that borrowed from the Housing Fund to make the required SERAF payments for 2010 and for 2011 may only repay the borrowed amounts from annual amounts that are 50% of the increase in annual Residual Revenues that are above the Residual Revenue for fiscal year 2012-13. Repayment amounts are, under current legislation, to be repaid to the Successor Housing Agency established pursuant to AB 1x 26 (see below). Because the repayment of amounts borrowed from the Housing Fund may only be repaid from growth in Residual Revenue, the repayment of these amounts will have no impact on the Successor Agency's ability to repay indebtedness.

**Successor Agency to the Cathedral City Redevelopment Agency
Fiscal Consultant's Report – Tax Allocation Refunding Bonds
September 9, 2014**

AB 1x 26 and AB 1x 27 were introduced in May 2011 as placeholder bills and were substantially amended on June 14, 2011. These bills proposed to dramatically modify the Law as part of the fiscal year 2011-12 State budget legislation. AB 1x 26 would dissolve redevelopment agencies statewide effective October 1, 2011 and suspend all redevelopment activities as of its effective date. AB 1x 27 would allow redevelopment agencies to avoid dissolution by opting into a voluntary program requiring them to make substantial annual contributions to local school and special districts. The bills were signed by the Governor in late June 2011 and were challenged by a suit filed before the California Supreme Court by the California Redevelopment Association. On December 29, 2012, the Supreme Court ruled that AB 1x 27 was unconstitutional and that AB 1x 26 was not unconstitutional. On June 27, 2012 the legislature passed and the Governor signed Assembly Bill 1484. This legislation made certain revisions to the language of AB 1x 26 based on experience after its implementation.

Once the obligations of the former redevelopment agencies have been recognized as Enforceable Obligations (as defined in AB 1x 26), the successor agency is obliged to manage the repayment of those Enforceable Obligations through the semiannual adoption of ROPS by the oversight board that is made up of representatives of taxing entities within the former redevelopment agency. Membership of the oversight board is dictated by Section 34179 of the Law. After 2016, there will be a single oversight board in each county that will be responsible for adoption of ROPS for all successor agencies in the county. The ROPS establishes the amounts that may be paid by the successor agency on the former redevelopment agency's debts during the six month periods following payments to the successor agency from the RPTTF by the county auditor-controller on January 2 and June 1 of each year.

Pursuant to Section 34187(b) of the Law, once the debts of the former redevelopment agency have been paid, the successor agency has one year to dispose of any remaining assets and terminate its existence. The enforceability of time and tax increment limits contained in the redevelopment plans is unclear. The covenants in many bond offerings, including those of the Successor Agency, require adjustments to the deposit of tax increment revenues with the Trustee if the receipt of tax increment approaches the tax increment or time limits within the redevelopment plan. The County Auditor-Controller has indicated that it intends to abide by tax increment and time limits contained in the redevelopment plans. DOF has informally indicated that it believes the legislation intends for all enforceable obligations to be repaid notwithstanding redevelopment plan limits. If DOF's understanding of the legislation is applied, the ongoing repayment of enforceable obligations may be allowed to continue beyond the time that a project area's cumulative tax increment limit is reached. For purposes of the projections, we have assumed that all revenue and time limits in the redevelopment plan will be applied. As a result, if either legislative changes or DOF policy changes relaxes any or all of these limits, the debts of the Successor Agency will be more secure than under the present assumptions.

As mentioned above, issues involved in the dissolution of redevelopment agencies have yet to be resolved including the continuation of plan limits, override revenues and the treatment of ERAF. Additionally approximately 159 suits have been filed on various aspects of AB 1x 26 and AB 1484 which could impact the dissolution of redevelopment agencies. Our projections could be impacted as a result of future court decisions.

VII. Tax Sharing Agreements and Other Obligations

As required by the Law as modified by AB 1x 26 and AB 1484, the County Auditor-Controller is responsible for administering all pass through payment calculations and payments. AB 1484 further requires that the calculation of pass through amounts be done as it was done prior to January 1, 2011. This means that where the payments are based on revenue reduced for the former 20% Housing Set-Aside Requirement, this reduction is to continue despite the fact that the Housing Set-Aside is no longer required. The pass through payment obligations that are required within the Project Area are described below.

A. Disposition and Development Agreement

On December 29, 1986, the Former Agency issued a promissory note (the "1986 Note") in the amount of \$2,788,423 for the disposition and development by Alexander Haagen Properties, Inc. of approximately eleven acres of real property located within Project 3 (the "Site"). The 1986 Note is payable from tax increment from the Site and other available sources of revenue of the Former Agency in amounts equal to seventy percent (70%) of the sales and use tax revenues generated from business activities conducted upon the Site. Interest on the 1986 Note accrues upon the opening of the facility and is a floating rate equal to two percent (2%) per annum over the Wells Fargo Bank prime rate. Principal and related interest is payable six months after the opening of the facility (October, 1987) and every six months thereafter, until the 1986 Note is paid in full. The 1986 Note has been accruing interest in a greater amount than the Agency's obligation to pay such interest, which is limited to seventy percent of sales tax generated at the Site. On November 22, 2027 any unpaid principal and interest owed by the Former Agency under the 1986 Note is forgiven.

The 1986 Note provides that all legally available tax increment funds attributable to increases in the assessed value of the Site following the date of the 1986 Note shall be used to make debt service payments on the 1986 Note. In addition, prior to payment of the 1986 Note, the Former Agency has covenanted not to pledge or encumber any such tax increment so as to impair the 1986 Note holders' rights, and any subsequent pledge of such tax increment is subject and subordinate to the 1986 Note holders' rights under the 1986 Note. Payments made pursuant to the 1986 Note have a lien on tax revenue that is superior to debt service on the Bonds.

Sam's Club, which was utilizing the site, has vacated the premises. We have not calculated an obligation pursuant to the note as there is no sales tax generator currently on the site.

B. Tax Sharing Obligations

The Former Agency has entered into a number of tax sharing agreements within the Project Area. On Tables 1 and 2 of the projection of Tax Revenue for each of the component project areas, we indicate our calculation of the impact of the agreements identified by the Successor Agency and deduct the amounts estimated to be shared with other entities from the tax increment revenue. The tax sharing agreements for each of the component project areas is outlined below.

Project 1

1. Riverside County

On December 8, 1992, the Former Agency and City entered into an agreement with the County of Riverside that calls for a pass through of 50 percent of the County's share (28.18%) of the general levy portion of Gross Tax Increment Revenue. Once the Former Agency has received a cumulative amount of \$8 million in tax increment from the County, from the following fiscal year thereafter, the County will receive 100 percent of its share. The Agreement is an amended and restated version of an earlier agreement that all three parties entered into on February 16, 1983. The agreement has no provision for subordination of the payments to other obligations of Project 1. By June 30, 2014, the Former Agency has retained \$4,291,298 from the County's Share. It is anticipated that the \$8 million cap will be reached in Fiscal Year 2027-28.

2. Riverside County Flood Control and Water Conservation District

The Former Agency and the City entered into an agreement with the District that calls for a pass through of the lesser of: (1) 50 percent of the District's share (4.04%) of the general levy tax revenue net of housing set aside or (2) a sum determined by multiplying the total amount of general purpose taxes allocated to the Former Agency net of housing set aside by the growth rate percentage for the preceding fiscal year plus taxes attributable to the City multiplied by the District's share (4.04%). In addition, the District reserves the right to allocate all debt service override tax rates levied by the District and received by the Former Agency for maintenance of District facilities.

3. Coachella Valley Community College District

The Former Agency and the City entered into an agreement with the District that calls for a pass through of the lesser of: (1) 50 percent of the District's share (8.43%) of the general levy tax revenue net of housing set aside or (2) a sum determined by multiplying the total amount of general purpose taxes allocated to the Former Agency net of housing set aside by the growth rate percentage for the preceding fiscal year plus taxes attributable to the City multiplied by the District's share (8.43%).

4. Coachella Valley Mosquito Abatement District

The Former Agency and the City entered into an agreement with the District that calls for a pass through of the lesser of: (1) 50 percent of the District's share (1.53%) of the general levy tax revenue net of housing set aside or (2) a sum determined by multiplying the total amount of general purpose taxes allocated to the Former Agency net of housing set aside by the growth rate percentage for the preceding fiscal year plus taxes attributable to the City multiplied by the District's share (1.53%).

5. Desert Water Agency

The Former Agency and the City entered into an agreement with the District that calls for a pass through of the lesser of: (1) 50 percent of the District's share (2.11%) of the general levy tax revenue net of housing set aside or (2) a sum determined by multiplying the total amount of general purpose taxes allocated to the Former Agency net of housing set aside by the growth rate percentage for the preceding fiscal year plus taxes attributable to the City multiplied by the District's share (2.11%).

6. Palm Springs Cemetery

The Former Agency and the City entered into an agreement with the District that calls for a pass through of the lesser of: (1) 50 percent of the District's share (0.18%) of the general levy tax revenue net of housing set aside or (2) a sum determined by multiplying the total amount of general purpose taxes allocated to the Former Agency net of housing set aside by the growth rate percentage for the preceding fiscal year plus taxes attributable to the City multiplied by the District's share (0.18%).

7. Riverside County Superintendent of Schools

On July 20, 1995 the Former Agency and the City entered into an agreement with the County Superintendent that provides for a pass through of 1.8% of the Adjusted Gross Eligible Tax Increment. The Adjusted Gross Eligible Tax Increment is calculated based on the one percent levy once the Project has reached an Ending Accrued Operating Deficit (EAOD) of zero (-0-) or less. Pursuant to the Agreement, the EAOD at the end of fiscal year 1993-94 is \$1,779,383. In order to determine the annual offset of the EAOD, the Net Eligible Tax Increment (as defined in the Agreement) less the sum of the stated Annual Debt Service (\$560,000 from the fiscal years 1994-95 to 2019-20, then \$300,000 from fiscal year 2020-21 to the termination of the Plan) and Operating Expenses is to be subtracted from the immediately prior year's EAOD to obtain the current year EAOD. Based on this calculation, the EAOD is not anticipated to reach zero over the term of Project Area No. 1.

Project 2

1. Riverside County

On November 23, 1983, the County of Riverside (the County), the Former Agency, and the City entered into an Agreement for Cooperation (the "Agreement"), which involves the sharing of the tax increment revenue generated by Project 2. Several matters of interpretation and implementation have arisen about the Agreement in the course of preparing for the issuance of tax allocation bonds supported in part by the revenues of Project 2.

Under the Agreement tax sharing payments to the County are to be made in five levels. When the Former Agency's general levy revenue is less than \$250,000, the County will receive no tax sharing payment. In years where the Former Agency's general levy revenues are greater than \$250,000 but less than \$650,000, the County receives 5% of all general levy Tax Increment Revenue above \$250,000. In years where the Former Agency's general levy revenues are greater than \$650,000 but less than \$1.5 million, the County receives 10% of all general levy Tax Increment Revenue over \$650,000 plus an additional \$20,000. In years where the Former Agency's general levy revenues are greater than \$1.5 million, the County receives 20% of all general levy Tax Increment Revenue above \$1.5 million plus an additional \$105,000.

Within the Agreement, the following definitions are relevant to this discussion:

- "County" is defined as meaning "the County of Riverside, a political subdivision of the State of California, and shall include County's Free Library and County's Structural Fire, which are County governed special districts."
- "Tax Increment" is defined as that portion of ad valorem property taxes resulting from the increase in assessed valuation in the project area over the base year assessed valuations in the

project area, as defined in Section 33670 of the Health and Safety Code received by Former Agency. Tax Increment shall refer to those taxes collected as a result of the 1% levy allowed under Article XIII A of the Constitution of the State of California. Tax Increment shall not include those taxes levied in excess of the 1% general levy.

- “County Share” shall mean that portion of the “Tax Increment” attributable to that area within the territorial limits of County which would have otherwise been levied upon taxable property in the Project Area, had there not been an adopted redevelopment project, by or for the benefit of the County’s General Fund, County’s Structural Fire and the County’s Free Library, as computed the County Auditor-Controller in accordance with the applicable provisions of the Revenue and Taxation Code of the State of California after the effective date of the Project. In no event shall County’s share exceed 28.78% of the Tax Increment.

The Agreement further provides

- Section 3.3(e) For each year following the fiscal year in which Former Agency reaches its Redevelopment Plan limitation on the total amount of Tax Increment which may be allocated to the Former Agency pursuant to Section 33333.3, 100% of the County share shall be allocated to County, and the remainder shall be allocated to Former Agency unless the parties agree in a written amendment to this Agreement.
- Section 3.3(f) In no event shall County’s share of Tax Increment allocated and disbursed to the Former Agency exceed \$8.5 million.

A. County Share

In accordance with the Agreement, the County Share **shall not exceed 28.78%**. Apparently, at the time the Agreement was negotiated, the County was providing Project 2 with fire protection through the County Structural Fire District. The County Structural Fire District is no longer providing such services and has been removed as an affected taxing entity. Since 1993-94, the annual weighted average general levy share for the County General Fund has been approximately 14.74%. The annual weighted average general levy share for the Free Library has been approximately 1.81% during the same period. Under the definition, the “County share” should be the combination of these two share percentages and, in early years, the Structural Fire share. Our conclusion is that the County Share is approximately 16.55% of the one percent general levy.

B. The \$8.5 million limitation

This amount applies to the amount of tax revenue that would have gone to the County in the absence of the redevelopment project. At the point in time that the Successor Agency receives \$8.5 million that otherwise would have gone to the County, the County begins to receive its full share. According to the County Auditor-Controller’s office, through 2012-13, the Successor Agency will have retained \$1,644,242 that would have gone to the County. It appears that the Successor Agency will not retain the \$8.5 million during the period in which the Successor Agency may repay debt.

Agreement Implementation

Based on data provided by the Auditor-Controller, the amount of County share of tax increment revenue that has been retained by the Successor Agency through 2013-14 is \$1,644,242. The tax sharing payments under the agreement (\$105,000 plus 20% of the general levy Tax Increment Revenue) are actually greater than the amount that would be due if the County and Library were receiving their full shares of the revenue. Since under the law, a taxing entity is not entitled to receive more than it would have received absent the adoption of the project area, the Auditor Controller has been adjusting the limit of the tax sharing payment to no more than the County's full share.

The tax sharing payments calculated as part of our Project 2 tax increment projection are in accordance with the above analysis.

2. Coachella Valley Mosquito Abatement District

On November 23, 1983, the Former Agency and the City entered into an agreement with the District that provides for a pass through wherein the District receives 20% of its share (0.91%) of general levy tax revenue when annual revenues are over \$650,000 but less than \$1.5 million. The District receives 50% of its share of general levy tax revenue when the total annual tax revenue is in excess of \$1.5 million. The agreement has no provision for subordination of the payments to other obligations of Project 2.

3. Coachella Valley Water District

On November 23, 1983, the Former Agency and the City entered into an agreement with the District that provides for a pass through of 40 percent of its share (4.10%) of general levy tax revenue and its full share of debt service override. The agreement has no provision for subordination of the payments to other obligations of Project 2.

Project 3

1. Riverside County Superintendent of Schools

On February 20, 1985, the Former Agency and City entered into an agreement with the District that provides for a pass through of 50% of its share (4.44%) of the general levy tax revenue. The Agreement has no provision for subordination of the payments to other obligations of Project 3.

2. Coachella Valley Community College District

On February 20, 1985, the Former Agency and City entered into an agreement with the District that provides for a pass through of 50% of its share (8.16%) of the general levy tax revenue. The Agreement has no provision for subordination of the payments to other obligations of Project 3.

3. Palm Springs Unified School District

On February 13, 1985, the Former Agency and City entered into an agreement with the District that provides for a pass through of 50% of its share (28.54%) of the general levy tax revenue. The Agreement has no provision for subordination of the payments to other obligations of Project 3.

C. Statutory Tax Sharing

Merged Project 1 & 2 Area

Pursuant to section 33607.7 of the Law as added by Assembly Bill (AB) 1290, any amendment that increases the amount of tax increment to be received by a Project or extends any of the measure's required time limits triggers payments to taxing entities with which the agency does not have a tax sharing agreement. These statutory payments are to begin the fiscal year following the fiscal year that the project's original plan limitations would have taken effect and are calculated based on the revenue derived from the increase in project area current year assessed value above the amount of project area assessed value in the year that the former limit was reached. With the adoption of the Merged Project 1 & 2, the last date for the project areas within the Merged Project 1 & 2 to incur new debt was extended to January 1, 2014. The original time limit on incurring debt for Project 1 was November 28, 2016. The Ordinance No. 408 amended this date to November 28, 2002. The original time limit on incurring debt for Project 2 was November 28, 1998. The Ordinance No. 409 did not change this date. When the redevelopment plan for the Merged Project 1 & 2 eliminated the time limits for Projects 1 and 2 to incur new debt, it triggered the statutory tax sharing for the fiscal year following the expiration of the existing time limits to incur debt.

Commencing with the first year following the expiration of the existing time limits to incur debt (fiscal year 2003-04 for Project 1 and fiscal year 1999-2000 for Project 2), the Former Agency shall pay to the affected taxing entities that have not entered into tax sharing agreements with the Former Agency their prorated share of an amount that is 25 percent of all tax increment revenue derived from the difference in assessed value between the adjusted base year assessed value and the current year assessed value after deducting the 20 percent housing set-aside obligation. This first tier of tax sharing continues for the life of the Project 1 and Project 2 redevelopment plan effectiveness.

In addition, beginning in year eleven (fiscal year 2013-14 for Project 1 and fiscal year 2009-10 for Project 2), the Former Agency must pay to affected taxing entities that have not entered into tax sharing agreements with the Former Agency, after deducting the 20 percent housing set-aside obligation, an amount that is 21 percent of the revenue derived from the increase in current year assessed value above the project area assessed value in year ten. This second tier of tax sharing payment will also continue for the life of the Project 1 and Project 2 redevelopment plan effectiveness.

The Project 1 and Project 2 redevelopment plans will expire before a third tier of statutory tax sharing would be initiated. The City has subordinated its portion of the Project 1 and Project 2 statutory tax sharing payments to the payment of debt service on the Bonds.

The City has subordinated its portion of the Statutory Tax Sharing payments to the debt service on the Bonds. The City's share of the statutory pass-through is 17.95% for Project 1 and 51.60% for Project 2.

Project 1 - Amendment

The Project 1 - Amendment is subject to the terms of Chapter 942. As a result, statutory tax sharing payments to all taxing entities are required pursuant to Section 33607.5 of the Law. The statutory tax

sharing occurs in three tiers. The first tier pass through of 25% of Gross Tax Revenue net of housing set aside is required for the life of the redevelopment plan. Beginning in year eleven (2024-25) of the project's life and using the assessed value of the project area in year ten as an adjusted base year value for calculation of the second tier of incremental value, 21% of second tier tax increment revenue net of housing set aside is passed through to the taxing entities in addition to the initial pass through amount. Beginning in year 31 (2044-45) of the project's life the third tier of statutory tax sharing payments is initiated using the Project 1 – Amendment assessed values of year 30 as an adjusted base year value. Using the revenue derived from the difference between the assessed values of year 31 and the new adjusted base year value, 14% of derived increment revenue net of housing set aside is passed through to the taxing entities in addition to the tax sharing amounts required by tiers 1 and 2.

Project 3

Pursuant to the Agreement (see Section VI Legislation above), the City adopted Ordinance No. 582 eliminating the last date for the project area to issue new debt. The AB 1290 time limit on incurring debt for the Project Area was November 30, 2004. Commencing with the first year following the expiration of the existing time limits to incur debt (fiscal year 2005-06) and using the 2004-05 valuations as an adjusted base year value, the Former Agency shall pay to the affected taxing entities that had not entered into a tax sharing agreement with the Former Agency their prorated share of an amount that is 25 percent of all tax increment revenue derived from the incremental increase in assessed value above the adjusted base year value after deducting the 20 percent housing set-aside obligation. This first tier of tax sharing continues for the entire effective life of the Project 3 redevelopment plan.

In addition, beginning in year eleven (fiscal year 2015-16) and using the values for 2014-15 as an adjusted base year value, the Former Agency must pay to affected taxing entities without tax sharing agreements and after deducting the 20 percent housing set-aside obligation, an amount that is 21 percent of the revenue derived from the increase in assessed value above the new adjusted base year value (year 10 Project 3 values). This second tier of tax sharing payment will also continue for the life of the Project 3 plan effectiveness. A third tier of tax sharing payments will not be applicable because the plan terminates prior to the date that would initiate it.

The City has subordinated its portion of the Statutory Tax Sharing payments to the debt service on the Bonds. The City's share of the statutory pass-through is 19.85%.

VIII. Value Changes Due to Transfers of Ownership

A review of recent transfers of ownership has been conducted and a number of transfers were found to have occurred after the January 1, 2014 lien date for the current fiscal year. As a result, the sales values on these transfers of ownership are expected to be reflected in the tax rolls for 2015-16.

Within the Project No. 1, five transfers of ownership were found. These transfers of ownership are expected to result in an increase of value in the amount of \$456,578 to the 2015-16 tax roll for the Project No. 1. The impacts of these transfers are included in the Projections of Incremental Taxable Value and Tax Increment Revenue and shown in detail on Table 4 – Project No. 1 Original (New Development).

There were 93 transfers of ownership found within Project 2. These transfers of ownership are expected to result in an increase of value in the amount of \$5,472,213 to the 2015-16 tax roll. The impacts of these transfers are included in the Projections of Incremental Taxable Value and Tax Increment Revenue and shown in detail on Table 4 – Project 2 (New Development).

Within the Project No. 3, 350 transfers of ownership were found. These transfers of ownership are expected to result in an increase of value in the amount of \$15,715,666 to the 2015-16 tax roll for the Project No. 3. The impacts of these transfers are included in the Projections of Incremental Taxable Value and Tax Increment Revenue and shown in detail on Table 4 – Project No. 3 (New Development).

IX. Trended Taxable Value Growth

In accordance with Proposition 13, growth in real property land and improvement values may reflect the year-to-year inflationary rate not to exceed 2% for any given year. A 2% growth rate is the maximum inflationary growth rate permitted by law and this rate of growth has been realized in all but eight years since 1981. The years in which less than two percent growth was realized included fiscal years 1983-84 (1.0%), 1995-96 (1.19%), 1996-97 (1.11%), 1999-00 (1.85%), 2004-05 (1.867%), 2010-11 (-0.237%), 2011-12 (0.753%) and 2014-15 (0.454%). We have assumed a resumption of 2% annual inflationary growth in all subsequent fiscal years. Future values will also be impacted by changes of ownership and new construction not reflected in our projections. In addition, the values of property previously reduced in value due to Assessor actions or assessment appeals that are based on reduced market values pursuant to Prop 8 could increase by more than 2% when real estate values increase more than 2% (see Section IV A above). Seismic activity and environmental conditions such as hazardous substances that are not anticipated in this Report might also impact taxable assessed values and Gross Revenues. HdL Coren & Cone makes no representation that taxable assessed values will actually grow at the rate projected.

Anticipated revenues could be adjusted as a result of unidentified assessment appeal refunds, other Assessor corrections discussed previously, or unanticipated increases or decreases in property tax values. Estimated valuations from developments included in this analysis are based upon our understanding of the general practices of the County Assessor and County Auditor-Controller's Office. General assessment practices are subject to policy changes, legislative changes, and the judgment of individual appraisers. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

Cathedral City Successor Agency
Cathedral City Merged Redevelopment Project
Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)



9/9/2014

Table 1 - Project Area

Taxable Values	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Real Property (2)	3,736,807	3,815,383	3,891,690	3,969,524	4,048,915	4,129,893	4,212,491	4,296,740	4,382,675	4,470,329
Timeshare (3)	24,753	24,753	24,753	24,753	24,753	24,753	24,753	24,753	24,753	24,753
Personal Property (4)	52,294	52,294	52,294	52,294	52,294	52,294	52,294	52,294	52,294	52,294
Total Projected Value	3,813,854	3,892,429	3,968,737	4,046,571	4,125,961	4,206,940	4,289,537	4,373,787	4,459,722	4,547,376
Taxable Value over Base	472,986	3,340,868	3,419,443	3,495,751	3,573,585	3,652,975	3,733,954	3,816,551	3,900,801	4,074,390
Gross Tax Increment Revenue (5)	33,409	34,194	34,958	35,736	36,530	37,340	38,166	39,008	39,867	40,744
Unitary Tax Revenue	<u>493</u>	<u>493</u>	<u>493</u>	<u>493</u>	<u>493</u>	<u>493</u>	<u>493</u>	<u>493</u>	<u>493</u>	<u>493</u>
Gross Revenues	33,902	34,688	35,451	36,229	37,023	37,833	38,659	39,501	40,360	41,237
Less: Tax Increment Adjustment per Redevelopment Plan (6)										
Riverside County	27.12%	(7,156)	(7,324)	(7,486)	(7,652)	(7,821)	(7,994)	(8,170)	(8,350)	(8,533)
Coachella Valley MAD	1.48%	(392)	(401)	(410)	(419)	(428)	(438)	(447)	(457)	(467)
Desert Water Agency	0.23%	(79)	(81)	(82)	(84)	(86)	(88)	(90)	(92)	(94)
Palm Springs Cemetery	0.17%	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)
Riverside County Flood Control	0.52%	(182)	(187)	(191)	(195)	(199)	(204)	(208)	(213)	(218)
County Regional Park & Open Spaces	0.37%	(97)	(99)	(101)	(103)	(106)	(108)	(110)	(113)	(115)
Coachella Valley Water District	2.74%	(693)	(709)	(725)	(741)	(757)	(774)	(791)	(808)	(826)
Desert Hospital	2.16%	(571)	(585)	(598)	(611)	(624)	(638)	(652)	(667)	(681)
Coachella Vly Resource Conservancy	0.03%	(9)	(9)	(9)	(9)	(10)	(10)	(10)	(10)	(11)
Coachella Valley Water Dist. Storm Un	3.32%	<u>(845)</u>	<u>(865)</u>	<u>(884)</u>	<u>(904)</u>	<u>(924)</u>	<u>(944)</u>	<u>(965)</u>	<u>(986)</u>	<u>(1,008)</u>
Adjusted Gross Revenues		23,834	24,383	24,917	25,462	26,018	26,585	27,163	27,753	28,355
LESS:										
SB 2557 Admin. Fee (7)		(417)	(427)	(436)	(446)	(456)	(465)	(476)	(486)	(497)
Pass Throughs										
Riverside County Taxing Entities (8)		(1,197)	(1,224)	(1,250)	(1,276)	(1,303)	(1,331)	(1,359)	(1,388)	(1,417)
Riverside Co. Flood Control (8)		0	0	(2)	(2)	(2)	(2)	(2)	(2)	(3)
Riverside County Superintendent of Schools (8)		(500)	(511)	(522)	(534)	(546)	(558)	(570)	(583)	(609)
Palm Springs Cemetery District (8)		0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Coachella Valley Mosquito Abatement Dist. (8)		(36)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
Coachella Valley Community College Dist. (8)		(861)	(882)	(906)	(926)	(946)	(967)	(988)	(1,010)	(1,055)
Palm Springs Unified School District (8)		(3,011)	(3,081)	(3,150)	(3,220)	(3,291)	(3,363)	(3,437)	(3,513)	(3,669)
Desert Water Agency (8)		0	0	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Coachella Valley Water District (8)		(94)	(97)	(99)	(101)	(103)	(105)	(107)	(110)	(114)
SB 211 Statutory Tax Sharing (8)		(220)	(231)	(245)	(259)	(273)	(288)	(303)	(319)	(352)
AB 1290 Statutory Tax Sharing (8)		(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)
1986 Note (9)		0	0	0	0	0	0	0	0	0
Tax Revenues		17,495	17,891	18,265	18,655	19,053	19,459	19,873	20,295	21,165
Former Housing Set-Aside Amount (10)		4,767	4,877	4,983	5,092	5,204	5,317	5,433	5,551	5,794
Non-Housing Set-Aside Revenues		12,729	13,014	13,282	13,563	13,849	14,142	14,440	14,744	15,371
Subordinate Pass Throughs										
SB 211 Statutory Tax Sharing Tier 1 (8)		(658)	(700)	(737)	(776)	(815)	(856)	(897)	(938)	(981)
Net Tax Revenue		16,838	17,191	17,528	17,879	18,238	18,603	18,976	19,357	20,141
Former Housing Set-Aside Amount (10)		4,767	4,877	4,983	5,092	5,204	5,317	5,433	5,551	5,794
Non-Housing Set-Aside Net Tax Revenues		12,071	12,315	12,544	12,787	13,034	13,286	13,544	13,806	14,347

**Cathedral City Successor Agency
Cathedral City Merged Redevelopment Project**



9/9/2014

Footnotes

- (1) Taxable values as reported by Riverside County.
- (2) Real property consists of land and improvements. Increased for inflation at 2% annually.
Values for 2014-15 are reduced by \$11,975 for value loss due to 1 assessment appeal. Values for 2015-16 are decreased by \$17,456,173 for projected value loss due to pending assessment appeals and increased by \$21,644,457 due to 448 transfers of ownership after 1/1/2014.
- (3) Timeshares value is held constant at 2014-15 level.
- (4) Personal property is held constant at 2014-15 level.
- (5) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (6) The Project No. 3 Redevelopment Plan limits the amount of tax increment the Agency may received to only those taxes collected for the benefit of the Palm Springs Unified School District, the Coachella Valley Community College District and the Riverside County Superintendent of Schools.
- (7) County Administration fee is estimated at 1.23% of Gross Tax Revenue.
- (8) Explanation of pass through calculations shown on individual Project Area projections.
- (9) Pursuant to the 1986 Note, the Agency will pay to the Developer an amount equal to 70% of the sales and use tax generated on the Site. Increased by 6% annually for inflation in 2005-06 and remain constant thereafter.
- (10) The calculation of the Former Housing Set-Aside Amount is based on 20% of Adjusted Gross Tax Revenues.

Bond Services\Tax Allocation Bonds\Cathedral City 2014\Cathedral City 2014 TAB Refunding Projection v7 (cm)

Cathedral City Successor Agency
Cathedral City Merged Redevelopment Project
PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE
(000s Omitted)



9/9/2014

Table 2 - Project Area

	Total Taxable Value	Taxable Value Over Base (1) Various	Gross Tax Revenue	Tax Increment Adjustments per Redevelopment Plan	Adjusted Gross Tax Revenue	SB 2557		SB 211 Statutory Tax Sharing	1986 Note Payment	Tax Revenues	Tax Revenues Components		Subordinated SB 211 Tax Sharing	Net Tax Revenues	Tax Revenues Components	
						Charge	Pass-Throughs Agreements				Former Housing Set-Aside Amount	Non-Housing Set-Aside Revenues			Former Housing Set-Aside Amount	Non-Housing Set-Aside Revenues
1 2014-15	3,813,854	3,340,868	33,902	(10,068)	23,834	(417)	(5,699)	(222)	0	17,495	4,767	12,729	(658)	16,838	4,767	12,071
2 2015-16	3,892,429	3,419,443	34,688	(10,305)	24,383	(427)	(5,832)	(233)	0	17,891	4,877	13,014	(700)	17,191	4,877	12,315
3 2016-17	3,968,737	3,495,751	35,451	(10,533)	24,917	(436)	(5,969)	(247)	0	18,265	4,983	13,282	(737)	17,528	4,983	12,544
4 2017-18	4,046,571	3,573,585	36,229	(10,767)	25,462	(446)	(6,100)	(261)	0	18,655	5,092	13,563	(776)	17,879	5,092	12,787
5 2018-19	4,125,961	3,652,975	37,023	(11,005)	26,018	(456)	(6,234)	(276)	0	19,053	5,204	13,849	(815)	18,238	5,204	13,034
6 2019-20	4,206,940	3,733,954	37,833	(11,248)	26,585	(465)	(6,370)	(291)	0	19,459	5,317	14,142	(856)	18,603	5,317	13,286
7 2020-21	4,289,537	3,816,551	38,659	(11,495)	27,163	(476)	(6,509)	(306)	0	19,873	5,433	14,440	(897)	18,976	5,433	13,544
8 2021-22	4,373,787	3,900,801	39,501	(11,748)	27,753	(486)	(6,650)	(322)	0	20,295	5,551	14,744	(938)	19,357	5,551	13,806
9 2022-23	4,459,722	3,986,736	40,360	(12,006)	28,355	(497)	(6,795)	(337)	0	20,726	5,671	15,055	(981)	19,745	5,671	14,074
10 2023-24	4,547,376	4,074,390	41,237	(12,269)	28,968	(507)	(6,942)	(354)	0	21,165	5,794	15,371	(1,024)	20,141	5,794	14,347
11 2024-25	4,636,782	4,163,796	42,131	(12,537)	29,594	(518)	(7,093)	(370)	0	21,613	5,919	15,694	(1,069)	20,544	5,919	14,625
12 2025-26	4,727,977	4,254,991	43,043	(12,810)	30,233	(530)	(7,246)	(387)	0	22,070	6,047	16,023	(1,114)	20,956	6,047	14,909
13 2026-27	4,820,995	4,348,009	43,973	(13,089)	30,884	(541)	(7,402)	(405)	0	22,536	6,177	16,359	(1,160)	21,376	6,177	15,199
14 2027-28	4,915,874	4,442,888	44,922	(13,374)	31,548	(553)	(7,562)	(422)	0	23,011	6,310	16,702	(1,207)	21,804	6,310	15,494
15 2028-29	5,012,651	4,539,665	45,890	(13,664)	32,226	(565)	(8,056)	(440)	0	23,165	6,445	16,720	(1,255)	21,910	6,445	15,465
16 2029-30	5,111,363	4,638,377	46,877	(13,960)	32,917	(577)	(8,229)	(459)	0	23,652	6,583	17,069	(1,304)	22,348	6,583	15,765
17 2030-31	5,212,049	4,739,063	47,884	(14,262)	33,622	(589)	(8,406)	(478)	0	24,149	6,724	17,425	(1,354)	22,795	6,724	16,071
18 2031-32	5,314,749	4,841,763	48,911	(14,570)	34,341	(602)	(8,587)	(497)	0	24,656	6,868	17,788	(1,405)	23,251	6,868	16,383
19 2032-33	5,419,503	4,946,517	49,958	(14,884)	35,074	(615)	(8,771)	(516)	0	25,173	7,015	18,158	(1,457)	23,716	7,015	16,701
20 2033-34	5,526,353	5,053,367	51,027	(15,204)	35,822	(628)	(8,958)	(536)	0	25,700	7,164	18,536	(1,510)	24,190	7,164	17,026
21 2034-35	5,635,339	5,162,353	52,168	(15,531)	36,637	(642)	(9,166)	(556)	0	26,273	7,327	18,946	(1,564)	24,709	7,327	17,381
22 2035-36 (2)	5,427,476	5,004,890	50,484	(15,865)	34,620	(621)	(8,509)	(406)	0	25,083	6,924	18,159	(1,561)	23,523	6,924	16,599
23 2036-37 (3)	6,558	3,152	32	0	32	(0)	0	(9)	0	22	6	16	0	22	6	16
24 2037-38	6,689	3,283	33	0	33	(0)	0	(9)	0	23	7	17	0	23	7	17
25 2038-39	6,823	3,417	34	0	34	(0)	0	(10)	0	24	7	17	0	24	7	17
26 2039-40	6,959	3,553	36	0	36	(0)	0	(10)	0	25	7	18	0	25	7	18
27 2040-41	7,098	3,693	37	0	37	(0)	0	(11)	0	26	7	18	0	26	7	18
28 2041-42	7,240	3,834	38	0	38	(0)	0	(11)	0	27	8	19	0	27	8	19
29 2042-43	7,385	3,979	40	0	40	(0)	0	(12)	0	27	8	19	0	27	8	19
30 2043-44	7,533	4,127	41	0	41	(1)	0	(12)	0	28	8	20	0	28	8	20
			942,439	(281,193)	661,246	(11,596)	(161,086)	(8,404)	0	480,161	132,249	347,912	(24,343)	455,818	132,249	323,569

- (1) Base Year value is adjusted as Project 1 Amendment gains its ability to receive tax increment.
- (2) Final Year for Agency to receive tax increment from Redevelopment Project No. 1 original area.
- (3) Final Year for Agency to receive tax increment from Redevelopment Project No. 2 and Redevelopment Project No. 3.

Cathedral City Successor Agency
Cathedral City Merged Redevelopment Project
HISTORICAL VALUES (1)



9/9/2014

Table 3 - Project Area

Secured (2)	Revised 2004-05 BASE YEAR Various	2005-06 (4)	2006-07 (4)	2007-08 (4)	2008-09 (4)	2009-10 (4)	2010-11 (4)	2011-12 (4)	2012-13 (4)	Revised 2013-14 BASE YEAR Various	2013-14 (4)	RP1 w/Amend. w/RP1 - Amend. Various	2014-15
	Land	157,719,163	864,185,140	1,071,135,342	1,281,185,803	1,397,829,802	1,158,457,479	1,107,991,694	1,050,702,052	1,017,090,985	159,137,220	1,063,986,261	160,008,051
Improvement	286,869,494	2,338,522,511	2,720,586,987	3,111,562,976	3,050,445,210	2,785,887,500	2,584,698,191	2,493,461,157	2,462,320,888	290,643,267	2,575,896,746	293,178,335	2,717,492,909
Timeshare Property	0	24,752,952	24,752,952	24,752,952	24,752,952	24,763,956	24,752,952	24,752,952	24,752,952	0	24,752,952	0	24,752,952
Personal Prop	1,517,685	4,126,234	4,276,872	5,976,838	8,096,721	7,999,869	7,278,703	6,517,175	6,530,489	1,549,230	4,943,100	298,610	4,740,076
Exemptions	(2,709,511)	(85,140,101)	(86,370,314)	(106,977,060)	(120,933,479)	(111,448,972)	(122,653,240)	(122,946,568)	(127,834,386)	(3,445,942)	(128,637,639)	(2,518,903)	(126,383,459)
TOTAL SECURED	443,396,831	3,146,446,736	3,734,381,839	4,316,501,509	4,360,191,206	3,865,659,832	3,602,068,300	3,452,486,768	3,382,860,928	447,883,775	3,540,941,420	451,289,674	3,735,063,713
Unsecured													
Land	2,577	1,008,751	8,984	9,330	790,490	13,582	102,302	154,482	457,673	2,577	4,317	2,645,361	3,783
Improvements	8,513,021	37,995,914	38,133,311	37,858,934	39,469,930	36,642,737	35,131,642	34,956,066	32,072,637	8,570,703	33,554,231	8,931,156	31,244,798
Personal Prop	12,887,833	51,555,058	60,145,913	53,706,598	63,805,003	55,113,934	47,239,269	46,349,594	42,993,438	13,123,043	49,428,491	10,119,806	48,891,299
Exemptions	0	(446,622)	(489,011)	(514,257)	(596,958)	(651,615)	(1,595,350)	(1,667,514)	(1,382,678)	0	(1,353,932)	0	(1,337,620)
TOTAL UNSECURED	21,403,431	90,113,101	97,799,197	91,060,605	103,468,465	91,118,638	80,877,863	79,792,628	74,141,070	21,696,323	81,633,107	21,696,323	78,802,260
GRAND TOTAL	464,800,262	3,236,559,837	3,832,181,036	4,407,562,114	4,463,659,671	3,956,778,470	3,682,946,163	3,532,279,396	3,457,001,998	469,580,098	3,622,574,527	472,985,997	3,813,865,973
												Successful Appeals (5)	(11,975)
Totals												Grand Total:	3,813,853,998
Incremental Value:	2,771,759,575	3,367,380,774	3,942,761,852	3,998,859,409	3,491,978,208	3,218,145,901	3,067,479,134	2,992,201,736	3,152,994,429	3,340,868,001	3,340,868,001		5.96%
Annual Change:		21.49%	17.09%	1.42%	-12.68%	-7.84%	-4.68%	-2.45%	5.37%				

- (1) Source: County of Riverside County Lien Date Rolls
- (2) Secured values include state assessed non-unitary utility property.
- (3) Base year value for Project 1 Amendment is not used in the calculation until the time such that there is positive incremental value in that project area.
- (4) Project 1 Amendment did not produce a positive incremental value until 2014-15. Therefore, assessed values shown for 2005-06 through 20013-14 do not include Project 1 Amendment.
- (5) Adjusted for one successful appeal not reflected on the 2014-15 Lien Date Roll.

Cathedral City Successor Agency
Cathedral City Merged Redevelopment Project
 New Development (000s Omitted)



9/9/2014

Table 4 - Project Area

000's omitted													
REAL	SqFt/ Units	Value	Total Value	Less Existing	Total Value Added	Start Complete		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
						Start	Complete						
Commercial	-	\$0	\$0	0	0			0	0	0	0	0	0
	-	\$0	\$0	0	0			0	0	0	0	0	0
Residential	-	\$0	\$0	0	0			0	0	0	0	0	0
	-	\$0	\$0	0	0			0	0	0	0	0	0
Transfers of Ownership after 1/1/2014	448 Lump Sum		\$106,375,582	\$84,731,125	21,644			21,644	0	0	0	0	0
	0 Lump Sum		\$0	\$0	0			0	0	0	0	0	0
Total Real Property:			106,375,582	84,731,125	21,644			21,644	0	0	0	0	0
								Adj. Annually for Inflation @ 2.0%					
								0	0	0	0	0	0
PERSONAL													
	0	0	0	0	0			0	0	0	0	0	0
	0	0	0	0	0			0	0	0	0	0	0
	0	0	0	0	0			0	0	0	0	0	0
Total Personal Property:			0	0	0			0	0	0	0	0	0
Total Real and Personal Property:								21,644	0	0	0	0	0

Bond Services\Tax Allocation Bonds\Cathedral City 2014\Cathedral City 2014 TAB Refunding Projection v7 (cm)

**Cathedral City Successor Agency
Cathedral City Merged Redevelopment Project
TOP TEN TAXABLE PROPERTY OWNERS (1)**



Table 5 - Project Area

	Secured			Unsecured			Total		Use Code
	Value	Parcels	% of Sec. AV	Value	Parcels	% of Unsec. AV	Value	% of total Value	
1. Welk Park North	\$26,047,988	6	0.70%	\$693,013	1	0.88%	\$26,741,001	0.70%	Possessory Int. Project No. 3
2. MHC Date Palm	26,238,538	4	0.70%	448,187	1	0.57%	26,686,725	0.70%	Possessory Int. Project No. 3
3. Robertas Limited Partnership	23,182,785	7	0.62%	0	0	0.00%	23,182,785	0.61%	Commercial Project No. 1
4. BRE Throne Plaza Rio Vista (Pending Appeals)	15,210,367	6	0.41%	0	0	0.00%	15,210,367	0.40%	Commercial Project No. 3
5. Meristar Sub 1C (Pending Appeals)	14,290,000	1	0.38%	0	0	0.00%	14,290,000	0.37%	Possessory Int. Project No. 3
6. Rolling Hills Silver Spur Pickford Theater	14,251,015	1	0.38%	0	0	0.00%	14,251,015	0.37%	Recreational Project No. 1
7. Goble Investment	13,669,312	5	0.37%	0	0	0.00%	13,669,312	0.36%	Industrial Project No. 3
8. Palm Springs Motors Inc	13,143,265	4	0.35%	67,915	1	0.09%	13,211,180	0.35%	Commercial Project No. 3
9. Forest Lawn Mortuary	11,968,491	6	0.32%	0	0	0.00%	11,968,491	0.31%	Commercial, Industrial Project No. 3
10. 34251 Date Palm Drive Holdings (Pending Appeals)	<u>11,890,736</u>	<u>8</u>	<u>0.32%</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>11,890,736</u>	<u>0.31%</u>	Commercial Project No. 3
	\$169,892,497	48	4.55%	\$1,209,115	3	1.53%	\$171,101,612	4.49%	
Project Area Assessed Valuation Totals:	<u>\$3,735,051,738</u>			<u>\$78,802,260</u>			<u>\$3,813,853,998</u>		
Project Area Incremental Value Totals:	<u>\$3,283,762,064</u>		5.17%	<u>\$57,105,937</u>		2.12%	<u>\$3,340,868,001</u>	5.12%	

(1) 2014-15 top property owners current as of June 30, 2014.

Cathedral City Successor Agency
Merged Redevelopment Project Area
Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)



9/9/2014

Table 1 - Merged Project

Taxable Values (1)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Real Property (2)	801,850	818,472	834,842	851,539	868,570	885,941	903,660	921,733	940,168	958,971
Personal Property (3)	18,607	18,607	18,607	18,607	18,607	18,607	18,607	18,607	18,607	18,607
Total Projected Value	820,457	837,079	853,449	870,146	887,177	904,548	922,267	940,340	958,775	977,578
Taxable Value over Base	81,227	739,230	755,852	772,222	788,918	805,949	823,321	841,039	859,113	877,547
Gross Tax Increment Revenue (4)	7,392	7,559	7,722	7,889	8,059	8,233	8,410	8,591	8,775	8,964
Unitary Tax Revenue	138	138	138	138	138	138	138	138	138	138
Gross Revenues	7,530	7,696	7,860	8,027	8,197	8,371	8,548	8,729	8,913	9,101
Revenues In Excess of Plan Limitation (5)	0	0	0	0	0	0	0	0	0	0
Adjusted Gross Revenues	7,530	7,696	7,860	8,027	8,197	8,371	8,548	8,729	8,913	9,101
LESS:										
SB 2557 Admin. Fee (6)	(93)	(95)	(97)	(99)	(101)	(103)	(105)	(107)	(110)	(112)
Pass Throughs										
Riverside County Taxing Entities (7)	(1,197)	(1,224)	(1,250)	(1,276)	(1,303)	(1,331)	(1,359)	(1,388)	(1,417)	(1,447)
Coachella Valley Community College Dist. (7)	0	0	(4)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Palm Springs Cemetery District (7)	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Coachella Valley Mosquito Abatement Dist. (7)	(36)	(38)	(39)	(40)	(41)	(42)	(42)	(43)	(44)	(45)
Desert Water Agency (7)	0	0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Riverside Co. Flood Control (7)	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)
Riverside County Superintendent of Schools (7)	(32)	(32)	(32)	(33)	(34)	(35)	(35)	(36)	(37)	(38)
Coachella Valley Water District (7)	(94)	(97)	(99)	(101)	(103)	(105)	(107)	(110)	(112)	(114)
SB 211 Statutory Tax Sharing (7)	(207)	(216)	(227)	(240)	(252)	(265)	(277)	(291)	(304)	(320)
AB 1290 Statutory Tax Sharing (7)	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)
Tax Revenues	5,870	5,994	6,106	6,228	6,353	6,480	6,610	6,742	6,877	7,015
Former Housing Set-Aside Amount (8)	1,506	1,539	1,572	1,605	1,639	1,674	1,710	1,746	1,783	1,820
Non-Housing Set-Aside Revenues	4,364	4,455	4,534	4,623	4,713	4,806	4,900	4,997	5,095	5,195
Subordinate Pass Throughs										
SB 211 Statutory Tax Sharing (7)	(341)	(358)	(372)	(387)	(401)	(416)	(432)	(447)	(463)	(479)
Net Tax Revenues	5,529	5,636	5,733	5,841	5,951	6,064	6,178	6,295	6,415	6,536
Former Housing Set-Aside Amount (8)	1,506	1,539	1,572	1,605	1,639	1,674	1,710	1,746	1,783	1,820
Non-Housing Set-Aside Revenues	4,023	4,096	4,161	4,236	4,312	4,390	4,469	4,550	4,632	4,716

Bond Services\Tax Allocation Bonds\Cathedral City 2014\Cathedral City 2014 TAB Refunding Projection v7 (cm)

**Cathedral City Successor Agency
Merged Redevelopment Project Area**



9/9/2014

Notes

- (1) Taxable values as reported by Riverside County.
- (2) Real property consists of land and improvements. Increased for inflation at 2% annually.
Values for 2015-16 are decreased by \$5,238,873 for loss for projected value loss due to pending assessment appeals and increased by \$5,928,791 for 98 transfers of ownership after 1/1/2014.
- (3) Personal property is held constant at 2014-15 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) The Redevelopment Plan for Merged Area limits the Agency's tax increment to \$328 Million.
- (6) County Administration fee is estimated at 1.23% of Gross Tax Revenue.
- (7) Explanation of pass through calculations shown on individual Project Area projections.
- (8) The calculation of the Former Housing Set-Aside Amount is based on 20% of Adjusted Gross Tax Revenues.

Bond Services\Tax Allocation Bonds\Cathedral City 2014\Cathedral City 2014 TAB Refunding Projection v7 (cm)

**Cathedral City Successor Agency
Merged Redevelopment Project Area
PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE**
(000s Omitted)



9/9/2014

Table 2 - Merged Project

	Total	Taxable Value		Gross Tax Revenue	SB 2557 Charge	Pass-Throughs Agreements	AB 1290/SB 211 Tax Sharing	Net Tax Revenues	Tax Revenues Components			Subordinated SB 211 Tax Sharing	Net Tax Revenues	Tax Revenues Components		
		Taxable Value	Over Base (1)						Former Housing Set-Aside Amount	Non-Housing Set-Aside Revenues	Former Housing Set-Aside Amount			Non-Housing Set-Aside Revenues		
			Various													
1 2014-15	820,457	739,230		7,530	(93)	(1,359)	(209)	5,870	1,506	4,364	(341)	5,529	1,506	4,023		
2 2015-16	837,079	755,852		7,696	(95)	(1,390)	(217)	5,994	1,539	4,455	(358)	5,636	1,539	4,096		
3 2016-17	853,449	772,222		7,860	(97)	(1,428)	(230)	6,106	1,572	4,534	(372)	5,733	1,572	4,161		
4 2017-18	870,146	788,918		8,027	(99)	(1,458)	(242)	6,228	1,605	4,623	(387)	5,841	1,605	4,236		
5 2018-19	887,177	805,949		8,197	(101)	(1,489)	(254)	6,353	1,639	4,713	(401)	5,951	1,639	4,312		
6 2019-20	904,548	823,321		8,371	(103)	(1,521)	(267)	6,480	1,674	4,806	(416)	6,064	1,674	4,390		
7 2020-21	922,267	841,039		8,548	(105)	(1,553)	(280)	6,610	1,710	4,900	(432)	6,178	1,710	4,469		
8 2021-22	940,340	859,113		8,729	(107)	(1,586)	(294)	6,742	1,746	4,997	(447)	6,295	1,746	4,550		
9 2022-23	958,775	877,547		8,913	(110)	(1,619)	(307)	6,877	1,783	5,095	(463)	6,415	1,783	4,632		
10 2023-24	977,578	896,351		9,101	(112)	(1,653)	(321)	7,015	1,820	5,195	(479)	6,536	1,820	4,716		
11 2024-25	996,757	915,530		9,293	(114)	(1,688)	(335)	7,156	1,859	5,297	(496)	6,660	1,859	4,801		
12 2025-26	1,016,320	935,093		9,489	(117)	(1,723)	(350)	7,299	1,898	5,401	(512)	6,787	1,898	4,889		
13 2026-27	1,036,275	955,047		9,688	(119)	(1,760)	(365)	7,445	1,938	5,507	(529)	6,915	1,938	4,978		
14 2027-28	1,056,628	975,401		9,892	(122)	(1,796)	(380)	7,594	1,978	5,615	(547)	7,047	1,978	5,069		
15 2028-29	1,077,388	996,161		10,100	(124)	(2,165)	(395)	7,415	2,020	5,395	(565)	6,850	2,020	4,830		
16 2029-30	1,098,564	1,017,337		10,311	(127)	(2,211)	(411)	7,562	2,062	5,500	(583)	6,979	2,062	4,917		
17 2030-31	1,120,163	1,038,936		10,527	(130)	(2,258)	(427)	7,713	2,105	5,607	(601)	7,111	2,105	5,006		
18 2031-32	1,142,194	1,060,967		10,748	(132)	(2,305)	(444)	7,866	2,150	5,717	(620)	7,246	2,150	5,096		
19 2032-33	1,164,666	1,083,439		10,972	(135)	(2,354)	(461)	8,023	2,194	5,828	(640)	7,383	2,194	5,189		
20 2033-34	1,187,587	1,106,360		11,202	(138)	(2,404)	(478)	8,182	2,240	5,942	(659)	7,523	2,240	5,283		
21 2034-35	1,210,967	1,129,740		11,487	(141)	(2,470)	(495)	8,380	2,297	6,083	(679)	7,701	2,297	5,404		
22 2035-36 (2)	915,786	884,958		8,930	(110)	(1,670)	(342)	6,808	1,786	5,022	(641)	6,167	1,786	4,381		
23 2036-37 (3)	6,558	3,152		32	(0)	0	(9)	22	6	16	0	22	6	16		
24 2037-38	6,689	3,283		33	(0)	0	(9)	23	7	17	0	23	7	17		
25 2038-39	6,823	3,417		34	(0)	0	(10)	24	7	17	0	24	7	17		
26 2039-40	6,959	3,553		36	(0)	0	(10)	25	7	18	0	25	7	18		
27 2040-41	7,098	3,693		37	(0)	0	(11)	26	7	18	0	26	7	18		
28 2041-42	7,240	3,834		38	(0)	0	(11)	27	8	19	0	27	8	19		
29 2042-43	7,385	3,979		40	(0)	0	(12)	27	8	19	0	27	8	19		
30 2043-44	7,533	4,127		41	(1)	0	(12)	28	8	20	0	28	8	20		
				205,903	(2,533)	(39,861)	(7,588)	155,921	41,181	114,740	(11,171)	144,750	41,181	103,570		

- (1) Base Year value is adjusted as Project 1 Amendment gains its ability to receive tax increment.
- (2) Final Year for Agency to receive tax increment from Redevelopment Project No. 1 original area.
- (3) Final Year for Agency to receive tax increment from Redevelopment Project No. 2.

**Cathedral City Successor Agency
Merged Redevelopment Project Area
HISTORICAL VALUES (1)**

Table 3 - Merged Project

	Base Year Various (3)	2005-06 (4)	2006-07 (4)	2007-08 (4)	2008-09 (4)	2009-10 (4)	2010-11 (4)	2011-12 (4)	2012-13 (4)	2013-14 (4)	Base Year w/RP1 - Amend. Various	2014-15
Secured (2)												
Land	36,424,997	179,587,098	207,035,843	230,537,292	251,630,211	209,624,427	200,396,994	190,963,889	188,862,774	199,827,273	37,295,828	211,275,693
Improvements	36,353,794	539,290,181	619,933,613	688,976,231	663,893,416	607,128,558	564,588,706	542,968,758	533,565,656	561,286,162	38,888,862	596,900,019
Personal Prop	323,581	720,829	710,493	935,774	2,040,821	2,870,446	2,241,224	2,532,444	2,650,852	2,226,834	323,581	1,996,708
Exemptions	(927,039)	(11,351,759)	(11,581,959)	(12,002,237)	(24,887,466)	(11,746,414)	(19,871,275)	(19,893,971)	(16,848,481)	(17,337,296)	(927,039)	(18,209,111)
TOTAL SECURED	72,175,333	708,246,349	816,097,990	908,447,060	892,676,982	807,877,017	747,355,649	716,571,120	708,230,801	746,002,973	75,581,232	791,963,309
Unsecured												
Land	0	5,799	1,648	4,449	483,659	4,385	4,196	4,196	4,256	4,317	0	3,783
Improvements	2,642,784	18,748,385	18,161,060	17,856,891	17,963,629	14,302,518	13,156,718	11,791,397	10,998,325	13,131,350	2,642,784	11,879,949
Personal Prop	3,003,237	20,220,802	24,682,742	23,766,127	25,082,660	20,631,251	18,237,582	17,664,878	14,811,525	15,497,611	3,003,237	16,936,393
Exemptions	0	(386,622)	(439,011)	(413,816)	(399,575)	(362,346)	(463,145)	(600,545)	(369,866)	(335,054)	0	(326,132)
TOTAL UNSECURED	5,646,021	38,588,364	42,406,439	41,213,651	43,130,373	34,575,808	30,935,351	28,859,926	25,444,240	28,298,224	5,646,021	28,493,993
GRAND TOTAL	77,821,354	746,834,713	858,504,429	949,660,711	935,807,355	842,452,825	778,291,000	745,431,046	733,675,041	774,301,197	81,227,253	820,457,302
Incremental Value:		669,013,359	780,683,075	871,839,357	857,986,001	764,631,471	700,469,646	667,609,692	655,853,687	696,479,843		739,230,049
Annual Change:			16.69%	11.68%	-1.59%	-10.88%	-8.39%	-4.69%	-1.76%	6.19%		6.14%

- (1) Source: County of Riverside County Lien Date Rolls
- (2) Secured values include state assessed non-unitary utility property.
- (3) Base year value for Project 1 Amendment is not used in the calculation until the time such that there is positive incremental value in that project area.
- (4) Project 1 Amendment did not produce a positive incremental value until 2014-15. Therefore, assessed values shown for 2005-06 through 2013-14 do not include Project 1 Amendment.

**Cathedral City Successor Agency
Merged Redevelopment Project Area
New Development
Table 4 - Merged Project**

|000's omitted

REAL	SqFt/ Units	Value	Total Value	Less Existing	Total Value Added	Start Complete		2015-16	2016-17	2017-18	2018-19	2019-20
						Start	Complete					
Commercial												
	0	0	0	0	0			0	0	0	0	0
	0	0	0	0	0			0	0	0	0	0
Residential												
	0	0	0	0	0			0	0	0	0	0
	0	0	0	0	0			0	0	0	0	0
Transfers of Ownership after 1/1/2014		98 Lump Sum	\$24,529,000	18,600,209	5,929			5,929	0	0	0	0
		0 Lump Sum	\$0	0	0			0	0	0	0	0
Total Real Property:			24,529,000	18,600,209	5,929			5,929	0	0	0	0
					Adj. Annually for Inflation @	2.0%		0	0	0	0	0
PERSONAL												
	0	0	0	0	0			0	0	0	0	0
		0	0	0	0			0	0	0	0	0
		0	0	0	0			0	0	0	0	0
Total Personal Property:			0	0	0			0	0	0	0	0
Total Real and Personal Property:								5,929	0	0	0	0

Bond Services\Tax Allocation Bonds\Cathedral City 2014\Cathedral City 2014 TAB Refunding Projection v7 (cm)

**Cathedral City Successor Agency
Redevelopment Project Area No. 1 (Original & Amend. 4)**



Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

9/9/2014

Table 1 - Project 1

Taxable Values (1)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Real Property (2)	209,203	208,826	213,002	217,262	221,608	226,040	230,561	235,172	239,875	244,673
Personal Property (3)	15,154	15,154	15,154	15,154	15,154	15,154	15,154	15,154	15,154	15,154
Total Projected Value	224,357	223,980	228,156	232,416	236,761	241,194	245,714	250,326	255,029	259,826
Taxable Value over Base	53,806	170,551	170,174	174,351	178,611	182,956	187,388	191,909	196,520	201,223
Gross Tax Revenue (4)	1,706	1,702	1,744	1,786	1,830	1,874	1,919	1,965	2,012	2,060
Unitary Tax Revenue	58	58	58	58	58	58	58	58	58	58
Gross Revenues	1,763	1,759	1,801	1,844	1,887	1,931	1,977	2,023	2,070	2,118
Revenues In Excess of Plan Limitation (5)	0	0	0	0	0	0	0	0	0	0
Adjusted Gross Revenues	1,763	1,759	1,801	1,844	1,887	1,931	1,977	2,023	2,070	2,118
LESS:										
SB 2557 Admin. Fee (6)	(22)	(22)	(22)	(23)	(23)	(24)	(24)	(25)	(25)	(26)
Pass Throughs										
Riverside County Taxing Entities (7)	(247)	(247)	(252)	(258)	(264)	(270)	(277)	(283)	(289)	(296)
Coachella Valley Community College Dist. (7)	0	0	(4)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Palm Springs Cemetery District (7)	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Coachella Valley Mosquito Abatement Dist. (7)	0	0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Riverside Co. Flood Control (7)	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)
Riverside County Superintendent of Schools (7)	(32)	(32)	(32)	(33)	(34)	(35)	(35)	(36)	(37)	(38)
Desert Water Agency (7)	0	0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
SB 211 Statutory Tax Sharing (7)	(42)	(41)	(46)	(52)	(57)	(63)	(69)	(75)	(81)	(87)
AB 1290 Statutory Tax Sharing (8)	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)
Tax Revenues	1,419	1,417	1,437	1,467	1,497	1,528	1,559	1,591	1,624	1,657
Former Housing Set-Aside Amount (9)	353	352	360	369	377	386	395	405	414	424
Non-Housing Set-Aside Revenues	1,067	1,065	1,077	1,098	1,120	1,142	1,164	1,187	1,210	1,234
Subordinate Pass Throughs										
SB 211 Statutory Tax Sharing (7)	(23)	(23)	(24)	(26)	(27)	(29)	(30)	(32)	(34)	(35)
Net Tax Revenues	1,396	1,394	1,413	1,441	1,470	1,499	1,529	1,559	1,590	1,622
Former Housing Set-Aside Amount (9)	353	352	360	369	377	386	395	405	414	424
Non-Housing Set-Aside Revenues	1,044	1,042	1,053	1,072	1,092	1,113	1,134	1,155	1,176	1,198

Bond Services\Tax Allocation Bonds\Cathedral City 2014\Cathedral City 2014 TAB Refunding Projection v7 (cm)

**Cathedral City Successor Agency
Redevelopment Project Area No. 1 (Original & Amend. 4)**



Notes

9/9/2014

- (1) Taxable values as reported by Riverside County.
- (2) Real property consists of land and improvements. Increased for inflation at 2% annually. Values for 2015-16 are decreased by \$4,919,636 for loss for projected value loss due to pending assessment appeals and increased by \$456,578 for 5 transfers of ownership after 1/1/2014.
- (3) Personal property is held constant at 2014-15 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) The Redevelopment Plan for Merged Area limits the Agency's tax increment to \$328 million.
- (6) County Administration fee is estimated at 1.23% of Gross Tax Revenue.
- (7) Explanation of pass through calculations shown on individual Project 1 Original subarea projections.
- (8) Explanation of pass through calculations shown on individual Project 1 Amendment subarea projections.
- (9) The calculation of the Former Housing Set-Aside Amount is based on 20% of Adjusted Gross Revenues.

Bond Services\Tax Allocation Bonds\Cathedral City 2014\Cathedral City 2014 TAB Refunding Projection v7 (cm)

Cathedral City Successor Agency
Redevelopment Project Area No. 1 (Original & Amend. 4)
PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE
(000s Omitted)

Table 2 - Project 1

	Total Taxable Value	Taxable Value Over Base (1)	Adjusted Gross Tax Revenue	SB 2557 Charge	Pass-Throughs Agreements	SB 211 Tax Sharing	AB 1290 Statutory Tax Sharing			Tax Revenues	Tax Revenues Components		Subordinated SB 211 Tax Sharing	Net Tax Revenues	Tax Revenues Components	
		Varies					Tier 1	Tier 2	Tier 3		Former Housing Set-Aside Amount	Non-Housing Set-Aside Revenues			Former Housing Set-Aside Amount	Non-Housing Set-Aside Revenues
1 2014-15	224,357	170,551	1,763	(22)	(279)	(42)	(2)	0	0	1,419	353	1,067	(23)	1,396	353	1,044
2 2015-16	223,980	170,174	1,759	(22)	(278)	(41)	(2)	0	0	1,417	352	1,065	(23)	1,394	352	1,042
3 2016-17	228,156	174,351	1,801	(22)	(293)	(46)	(2)	0	0	1,437	360	1,077	(24)	1,413	360	1,053
4 2017-18	232,416	178,611	1,844	(23)	(300)	(52)	(2)	0	0	1,467	369	1,098	(26)	1,441	369	1,072
5 2018-19	236,761	182,956	1,887	(23)	(307)	(57)	(2)	0	0	1,497	377	1,120	(27)	1,470	377	1,092
6 2019-20	241,194	187,388	1,931	(24)	(314)	(63)	(3)	0	0	1,528	386	1,142	(29)	1,499	386	1,113
7 2020-21	245,714	191,909	1,977	(24)	(321)	(69)	(3)	0	0	1,559	395	1,164	(30)	1,529	395	1,134
8 2021-22	250,326	196,520	2,023	(25)	(329)	(75)	(3)	0	0	1,591	405	1,187	(32)	1,559	405	1,155
9 2022-23	255,029	201,223	2,070	(25)	(336)	(81)	(3)	0	0	1,624	414	1,210	(34)	1,590	414	1,176
10 2023-24	259,826	206,021	2,118	(26)	(344)	(87)	(3)	0	0	1,657	424	1,234	(35)	1,622	424	1,198
11 2024-25	264,720	210,914	2,167	(27)	(352)	(93)	(4)	(0)	0	1,691	433	1,258	(37)	1,654	433	1,221
12 2025-26	269,711	215,906	2,217	(27)	(360)	(100)	(4)	(0)	0	1,726	443	1,282	(39)	1,687	443	1,243
13 2026-27	274,802	220,997	2,267	(28)	(368)	(106)	(4)	(1)	0	1,761	453	1,307	(41)	1,720	453	1,267
14 2027-28	279,995	226,190	2,319	(29)	(376)	(113)	(4)	(1)	0	1,797	464	1,333	(42)	1,754	464	1,290
15 2028-29	285,292	231,487	2,372	(29)	(716)	(120)	(4)	(1)	0	1,502	474	1,028	(44)	1,458	474	983
16 2029-30	290,695	236,889	2,426	(30)	(732)	(126)	(5)	(1)	0	1,532	485	1,047	(46)	1,486	485	1,001
17 2030-31	296,206	242,400	2,482	(31)	(749)	(134)	(5)	(1)	0	1,563	496	1,066	(48)	1,514	496	1,018
18 2031-32	301,827	248,021	2,538	(31)	(766)	(141)	(5)	(1)	0	1,594	508	1,086	(50)	1,544	508	1,036
19 2032-33	307,560	253,755	2,595	(32)	(783)	(148)	(5)	(2)	0	1,625	519	1,106	(52)	1,573	519	1,054
20 2033-34	313,408	259,603	2,654	(33)	(800)	(156)	(6)	(2)	0	1,658	531	1,127	(54)	1,604	531	1,073
21 2034-35	319,374	265,568	2,764	(34)	(834)	(163)	(6)	(2)	0	1,726	553	1,173	(56)	1,670	553	1,117
22 2035-36	6,429	3,024	30	(0)	0	0	(6)	(2)	0	22	6	15	0	22	6	15
23 2036-37	6,558	3,152	32	(0)	0	0	(6)	(2)	0	22	6	16	0	22	6	16
24 2037-38	6,689	3,283	33	(0)	0	0	(7)	(3)	0	23	7	17	0	23	7	17
25 2038-39	6,823	3,417	34	(0)	0	0	(7)	(3)	0	24	7	17	0	24	7	17
26 2039-40	6,959	3,553	36	(0)	0	0	(7)	(3)	0	25	7	18	0	25	7	18
27 2040-41	7,098	3,693	37	(0)	0	0	(7)	(3)	0	26	7	18	0	26	7	18
28 2041-42	7,240	3,834	38	(0)	0	0	(8)	(4)	0	27	8	19	0	27	8	19
29 2042-43	7,385	3,979	40	(0)	0	0	(8)	(4)	0	27	8	19	0	27	8	19
30 2043-44	7,533	4,127	41	(1)	0	0	(8)	(4)	0	28	8	20	0	28	8	20
			46,294	(570)	(9,938)	(2,012)	(140)	(41)	0	33,595	9,259	24,336	(794)	32,801	9,259	23,542

(1) Base Year value is adjusted as Project 1 Amendment gains its ability to receive tax increment.

**Cathedral City Successor Agency
Redevelopment Project Area No. 1 (Original & Amend. 4)
HISTORICAL VALUES (1)**



Table 3 - Project 1

	BASE YEAR										2014-15	
	1982-83 (3)	2005-06 (4)	2006-07 (4)	2007-08 (4)	2008-09 (4)	2009-10 (4)	2010-11 (4)	2011-12 (4)	2012-13 (4)	2013-14 (4)		Base Year w/RP1 - Amend. Various
<u>Secured (2)</u>												
Land	23,767,768	49,603,318	50,053,891	56,245,738	62,448,493	69,166,910	68,387,728	64,136,494	64,372,149	68,001,851	24,638,599	68,253,621
Improvements	21,887,130	98,387,906	114,809,125	135,213,697	146,697,385	152,954,819	144,766,489	141,405,216	142,912,369	144,019,203	24,422,198	148,108,046
Personal Prop	314,686	492,488	504,525	674,813	1,948,736	2,676,649	2,092,142	2,384,221	2,481,961	2,030,138	314,686	1,939,733
Exemptions	(696,253)	(10,375,775)	(10,584,246)	(10,859,145)	(23,828,219)	(10,377,176)	(18,553,885)	(18,736,324)	(15,721,012)	(15,986,785)	(696,253)	(16,058,624)
TOTAL SECURED	45,273,331	138,107,937	154,783,295	181,275,103	187,266,395	214,421,202	196,692,474	189,189,607	194,045,467	198,064,407	48,679,230	202,242,776
<u>Unsecured</u>												
Land	0	5,799	1,648	1,449	480,659	1,385	1,196	1,196	1,196	1,196	0	662
Improvements	2,428,542	16,604,108	15,164,635	14,578,743	14,869,511	11,720,167	10,167,556	9,161,905	8,920,580	10,532,143	2,428,542	8,899,501
Personal Prop	2,697,756	15,938,831	19,268,400	18,656,611	20,770,946	16,572,033	13,757,960	13,461,348	11,685,219	12,083,486	2,697,756	13,540,127
Exemptions	0	(386,622)	(439,011)	(413,816)	(399,575)	(362,346)	(463,145)	(600,545)	(369,866)	(335,054)	0	(326,132)
TOTAL UNSECURED	5,126,298	32,162,116	33,995,672	32,822,987	35,721,541	27,931,239	23,463,567	22,023,904	20,237,129	22,281,771	5,126,298	22,114,158
GRAND TOTAL	50,399,629	170,270,053	188,778,967	214,098,090	222,987,936	242,352,441	220,156,041	211,213,511	214,282,596	220,346,178	53,805,528	224,356,934
Incremental Value:		119,870,424	138,379,338	163,698,461	172,588,307	191,952,812	169,756,412	160,813,882	163,882,967	169,946,549		170,551,406
Annual Change:			15.44%	18.30%	5.43%	11.22%	-11.56%	-5.27%	1.91%	3.70%		0.36%

- (1) Source: County of Riverside County Lien Date Rolls
- (2) Secured values include state assessed non-unitary utility property.
- (3) Base year value for Project 1 Amendment is not used in the calculation until the time such that there is positive incremental value in that project area.
- (4) Project 1 Amendment did not produce a positive incremental value until 2014-15. Therefore, assessed values shown for 2005-06 through 2013-14 do not include Project 1 Amendment.

**Cathedral City Successor Agency
Redevelopment Project Area No. 1 (Original & Amend. 4)
New Development**

Table 4 - Project 1

000's omitted												
REAL	SqFt/ Units	Value	Total Value	Less Existing	Total Value Added	Start Complete		2015-16	2016-17	2017-18	2018-19	2019-20
						Start	Complete					
Commercial	0	\$0	\$0	0	0			0	0	0	0	0
	0	\$0	\$0	0	0			0	0	0	0	0
Residential	0	\$0	\$0	0	0			0	0	0	0	0
	0	\$0	\$0	0	0			0	0	0	0	0
Transfers of Ownership after 1/1/2014	5 Lump Sum		2,109,000	1,652,422	457			457	0	0	0	0
	0 Lump Sum		0	0	0			0	0	0	0	0
Total Real Property:			2,109,000	1,652,422	457			457	0	0	0	0
						Adj. Annually for Inflation @	2.0%		0	0	0	0
PERSONAL												
	0	\$0	\$0	0	0			0	0	0	0	0
	0	\$0	\$0	0	0			0	0	0	0	0
Total Personal Property:			0	0	0			0	0	0	0	0
Total Real and Personal Property:								457	0	0	0	0

* Transfer Sales do not include those for Project 1 Amendment until that time in which it receives tax increment.

**Cathedral City Successor Agency
Redevelopment Project Area No. 1 (Original)**
Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)



9/9/2014

Table 1 - Project 1 Original

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	
Taxable Values (1)											
Real Property (2)	204,963	204,500	208,590	212,762	217,017	221,358	225,785	230,301	234,907	239,605	
Personal Property (3)	15,152	15,152	15,152	15,152	15,152	15,152	15,152	15,152	15,152	15,152	
Total Projected Value	220,114	219,652	223,742	227,914	232,169	236,509	240,937	245,452	250,058	254,756	
Taxable Value over Base	50,400	169,715	169,252	173,342	177,514	181,769	186,110	190,537	195,053	199,659	204,357
Gross Tax Revenue (4)	1,697	1,693	1,733	1,775	1,818	1,861	1,905	1,951	1,997	2,044	
Unitary Tax Revenue	58	58	58	58	58	58	58	58	58	58	
Gross Revenues	1,755	1,750	1,791	1,833	1,875	1,919	1,963	2,008	2,054	2,101	
Revenues In Excess of Plan Limitation (5)	0	0	0	0	0	0	0	0	0	0	
Adjusted Gross Tax Increment Revenues	1,755	1,750	1,791	1,833	1,875	1,919	1,963	2,008	2,054	2,101	
LESS:											
SB 2557 Admin. Fee (6)	(22)	(22)	(22)	(23)	(23)	(24)	(24)	(25)	(25)	(26)	
Pass Throughs											
Riverside County Taxing Entities (7)	(247)	(247)	(252)	(258)	(264)	(270)	(277)	(283)	(289)	(296)	
Coachella Valley Community College Dist. (8)	0	0	(4)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	
Palm Springs Cemetery District (8)	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	
Coachella Valley Mosquito Abatement Dist. (8)	0	0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	
Riverside Co. Flood Control (8)	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	
Riverside County Superintendent of Schools (9)	(32)	(32)	(32)	(33)	(34)	(35)	(35)	(36)	(37)	(38)	
Desert Water Agency (10)	0	0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	
SB 211 Statutory Tax Sharing Tier 1 (11)	(41)	(41)	(44)	(46)	(49)	(52)	(55)	(58)	(61)	(64)	
SB 211 Statutory Tax Sharing Tier 2 (11)	(0)	(0)	(3)	(6)	(8)	(11)	(14)	(17)	(20)	(23)	
Tax Revenues	1,413	1,409	1,429	1,458	1,488	1,518	1,548	1,580	1,612	1,644	
Former Housing Set-Aside Amount (12)	351	350	358	367	375	384	393	402	411	420	
Non-Housing Set-Aside Revenues	1,062	1,059	1,071	1,092	1,113	1,134	1,156	1,178	1,201	1,224	
Subordinate Pass Throughs											
SB 211 Statutory Tax Sharing Tier 1 (11)	(23)	(23)	(24)	(26)	(27)	(29)	(30)	(32)	(34)	(35)	
Net Tax Revenues	1,390	1,387	1,405	1,432	1,460	1,489	1,518	1,548	1,578	1,609	
Former Housing Set-Aside Amount (11)	351	350	358	367	375	384	393	402	411	420	
Non-Housing Set-Aside Revenues	1,039	1,037	1,047	1,066	1,085	1,105	1,125	1,146	1,167	1,189	

**Cathedral City Successor Agency
Redevelopment Project Area No. 1 (Original)**



9/9/2014

Footnotes

- (1) Taxable values as reported by Riverside County.
- (2) Real property consists of land and improvements. Increased for inflation at 2% annually. Values for 2015-16 are decreased by \$4,919,636 for loss for projected value loss due to pending assessment appeals and increased by \$456,578 for 5 transfers of ownership after 1/1/2014.
- (3) Personal property is held constant at 2014-15 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) The Redevelopment Plan for Merged Area limits the Agency's tax increment to \$328 million.
- (6) County Administration fee is estimated at 1.23% of Gross Tax Revenue.
- (7) Riverside County General Fund and Free Library receive 50% of their combined share (28.18%) of general levy tax increment. After the Agency has retained a cumulative total of \$8 million of the County share, County will receive 100% of its share. It is projected that this \$8 million cap will be reached in fiscal year 2027-28.
- (8) Coachella Valley Comm. College Dist. (8.43%), Palm Springs Cemetary Dist. (0.18%), Coachella Valley Mosquito Abatement District (1.53%), and Riverside County Flood Control (4.04%) receive the lesser of 50% of their shares of general levy tax increment net of housing set aside or their shares of a portion of the tax increment revenue equivalent to the percentage of assessed value growth over the prior year.
- (9) Riverside County Superintendent receives 1.8% of the Adjusted Gross Eligible Tax Increment, as defined in the agreement, once the Project has reached an Ending Accrued Operating Deficit (as defined in the agreement) of zero per the terms of the agreement. It is assumed that this threshold was reached in 2009-10.
- (10) Desert Water Agency (2.11%) receives the lesser of 50% of their shares of general levy tax increment net of housing set aside or their shares of a portion of the tax increment revenue equivalent to the percentage of assessed value growth over the prior year. In addition, the Desert Water Agency receives their debt service override (0.1%) from areas within the Water Agency (currently estimated to be 99.58% of the secured incremental value within the Project Area).
- (11) All Taxing Entities (50.25%) other than those that already have pass throughs receive their shares of 25% of tax revenue on incremental value above the year 1 value net of housing set aside. Payment of SB 211 statutory tax sharing should have begun in fiscal year 2003-04, the year after the date to incur indebtedness in the original plan (November 28, 2002) had lapsed. However, the amount of incremental value above the year 1 value was less than zero for 2003-04; therefore payments began in 2004-05. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside.
Statutory payments are projected through the last date to receive tax increment revenue.
The City Taxing Entities have agreed to subordinate their share (17.95%) of the SB 211 statutory tax sharing payment to the debt service on the Bonds.
- (12) The calculation of the Former Housing Set-Aside Amount is based on 20% of Adjusted Gross Revenues.

**Cathedral City Successor Agency
 Redevelopment Project Area No. 1 (Original)
 PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE**
 (000s Omitted)

Table 2 - Project 1 Original

	Total Taxable Value	Taxable Value Over Base 50,400	Adjusted Gross Tax Revenue	SB 2557 Charge	Pass-Throughs Agreements	SB 211 Tax Sharing	Tax Revenues	Tax Revenues Components		Subordinated SB 211 Tax Sharing	Net Tax Revenues	Tax Revenues Components	
								Former Housing Set-Aside Amount	Non-Housing Set-Aside Revenues			Former Housing Set-Aside Amount	Non-Housing Set-Aside Revenues
1 2014-15	220,114	169,715	1,755	(22)	(279)	(42)	1,413	351	1,062	(23)	1,390	351	1,039
2 2015-16	219,652	169,252	1,750	(22)	(278)	(41)	1,409	350	1,059	(23)	1,387	350	1,037
3 2016-17	223,742	173,342	1,791	(22)	(293)	(46)	1,429	358	1,071	(24)	1,405	358	1,047
4 2017-18	227,914	177,514	1,833	(23)	(300)	(52)	1,458	367	1,092	(26)	1,432	367	1,066
5 2018-19	232,169	181,769	1,875	(23)	(307)	(57)	1,488	375	1,113	(27)	1,460	375	1,085
6 2019-20	236,509	186,110	1,919	(24)	(314)	(63)	1,518	384	1,134	(29)	1,489	384	1,105
7 2020-21	240,937	190,537	1,963	(24)	(321)	(69)	1,548	393	1,156	(30)	1,518	393	1,125
8 2021-22	245,452	195,053	2,008	(25)	(329)	(75)	1,580	402	1,178	(32)	1,548	402	1,146
9 2022-23	250,058	199,659	2,054	(25)	(336)	(81)	1,612	411	1,201	(34)	1,578	411	1,167
10 2023-24	254,756	204,357	2,101	(26)	(344)	(87)	1,644	420	1,224	(35)	1,609	420	1,189
11 2024-25	259,548	209,149	2,149	(26)	(352)	(93)	1,677	430	1,248	(37)	1,640	430	1,211
12 2025-26	264,436	214,037	2,198	(27)	(360)	(100)	1,711	440	1,272	(39)	1,672	440	1,233
13 2026-27	269,422	219,022	2,248	(28)	(368)	(106)	1,746	450	1,296	(41)	1,705	450	1,256
14 2027-28	274,508	224,108	2,299	(28)	(376)	(113)	1,781	460	1,321	(42)	1,739	460	1,279
15 2028-29	279,695	229,295	2,350	(29)	(716)	(120)	1,486	470	1,016	(44)	1,442	470	971
16 2029-30	284,986	234,586	2,403	(30)	(732)	(126)	1,515	481	1,034	(46)	1,469	481	988
17 2030-31	290,382	239,983	2,457	(30)	(749)	(134)	1,545	491	1,053	(48)	1,497	491	1,005
18 2031-32	295,887	245,487	2,512	(31)	(766)	(141)	1,575	502	1,073	(50)	1,525	502	1,023
19 2032-33	301,502	251,102	2,569	(32)	(783)	(148)	1,606	514	1,093	(52)	1,554	514	1,040
20 2033-34	307,229	256,829	2,626	(32)	(800)	(156)	1,638	525	1,113	(54)	1,584	525	1,059
21 2034-35	313,070	262,670	2,735	(34)	(834)	(163)	1,705	547	1,158	(56)	1,649	547	1,102
22 2035-36	0	0	0	0	0	0	0	0	0	0	0	0	0
23 2036-37	0	0	0	0	0	0	0	0	0	0	0	0	0
24 2037-38	0	0	0	0	0	0	0	0	0	0	0	0	0
25 2037-38	0	0	0	0	0	0	0	0	0	0	0	0	0
26 2038-39	0	0	0	0	0	0	0	0	0	0	0	0	0
27 2039-40	0	0	0	0	0	0	0	0	0	0	0	0	0
28 2040-41	0	0	0	0	0	0	0	0	0	0	0	0	0
29 2041-42	0	0	0	0	0	0	0	0	0	0	0	0	0
30 2042-43	0	0	0	0	0	0	0	0	0	0	0	0	0
			45,595	(561)	(9,938)	(2,012)	33,085	9,119	23,966	(794)	32,291	9,119	23,172

**Cathedral City Successor Agency
Redevelopment Project Area No. 1 (Original)
HISTORICAL VALUES (1)**



Table 3 - Project 1 Original

	BASE YEAR 1982-83	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<u>Secured (2)</u>											
Land	23,767,768	49,603,318	50,053,891	56,245,738	62,448,493	69,166,910	68,387,728	64,136,494	64,372,149	68,001,851	66,773,715
Improvements	21,887,130	98,387,906	114,809,125	135,213,697	146,697,385	152,954,819	144,766,489	141,405,216	142,912,369	144,019,203	145,347,380
Personal Prop	314,686	492,488	504,525	674,813	1,948,736	2,676,649	2,092,142	2,384,221	2,481,961	2,030,138	1,937,533
Exemptions	<u>(696,253)</u>	<u>(10,375,775)</u>	<u>(10,584,246)</u>	<u>(10,859,145)</u>	<u>(23,828,219)</u>	<u>(10,377,176)</u>	<u>(18,553,885)</u>	<u>(18,736,324)</u>	<u>(15,721,012)</u>	<u>(15,986,785)</u>	<u>(16,058,624)</u>
TOTAL SECURED	45,273,331	138,107,937	154,783,295	181,275,103	187,266,395	214,421,202	196,692,474	189,189,607	194,045,467	198,064,407	198,000,004
<u>Unsecured</u>											
Land	0	5,799	1,648	1,449	480,659	1,385	1,196	1,196	1,196	1,196	662
Improvements	2,428,542	16,604,108	15,164,635	14,578,743	14,869,511	11,720,167	10,167,556	9,161,905	8,920,580	10,532,143	8,899,501
Personal Prop	2,697,756	15,938,831	19,268,400	18,656,611	20,770,946	16,572,033	13,757,960	13,461,348	11,685,219	12,083,486	13,540,127
Exemptions	0	<u>(386,622)</u>	<u>(439,011)</u>	<u>(413,816)</u>	<u>(399,575)</u>	<u>(362,346)</u>	<u>(463,145)</u>	<u>(600,545)</u>	<u>(369,866)</u>	<u>(335,054)</u>	<u>(326,132)</u>
TOTAL UNSECURE	5,126,298	32,162,116	33,995,672	32,822,987	35,721,541	27,931,239	23,463,567	22,023,904	20,237,129	22,281,771	22,114,158
GRAND TOTAL	50,399,629	170,270,053	188,778,967	214,098,090	222,987,936	242,352,441	220,156,041	211,213,511	214,282,596	220,346,178	220,114,162
Incremental Value:		119,870,424	138,379,338	163,698,461	172,588,307	191,952,812	169,756,412	160,813,882	163,882,967	169,946,549	169,714,533
Annual Change:			15.44%	18.30%	5.43%	11.22%	-11.56%	-5.27%	1.91%	3.70%	-0.14%

(1) Source: County of Riverside County Lien Date Rolls

(2) Secured values include state assessed non-unitary utility property.

**Cathedral City Successor Agency
Redevelopment Project Area No. 1 (Original)
New Development**



9/9/2014

Table 4 - Project 1 Original

000's omitted												
<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing</u>	<u>Total Value Added</u>	<u>Start</u>	<u>Complete</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Commercial			\$0		0			0	0	0	0	0
Residential												
Transfers of Ownership after 1/1/2014	5 Lump Sum		\$2,109,000	1,652,422	457			457	0	0	0	0
	0 Lump Sum		<u>\$0</u>	<u>0</u>	<u>0</u>			0	0	0	0	0
Total Real Property:			2,109,000	1,652,422	457			457	0	0	0	0
					Adj. Annually for Inflation @	2%		0	0	0	0	0
PERSONAL						<u>Start</u>	<u>Complete</u>					
	0	\$0	0	0	0			0	0	0	0	0
	0	\$0	<u>0</u>	<u>0</u>	<u>0</u>			0	0	0	0	0
Total Personal Property:			0	0	0			0	0	0	0	0
Total Real and Personal Property:								457	0	0	0	0

Bond Services\Tax Allocation Bonds\Cathedral City 2014\Cathedral City 2014 TAB Refunding Projection v7 (cm)

**Cathedral City Successor Agency
Redevelopment Project Area No. 1 - Amendment 4**



9/9/2014

Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

Table 2 - Project 1 Amendment

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Taxable Values (1)										
Real Property (2)	4,241	4,325	4,412	4,500	4,590	4,682	4,776	4,871	4,969	5,068
Personal Property (3)	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total Projected Value	4,243	4,328	4,414	4,502	4,592	4,684	4,778	4,873	4,971	5,070
Taxable Value over Base	3,406	837	922	1,008	1,096	1,186	1,278	1,372	1,467	1,664
Gross Tax Increment Revenue (4)	8	9	10	11	12	13	14	15	16	17
Unitary Tax Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Gross Revenues	8	9	10	11	12	13	14	15	16	17
LESS:										
SB 2557 Admin. Fee (5)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Statutory Tax Sharing Obligations										
AB 1290 Statutory Tax Sharing Tier 1 (6)	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)
AB 1290 Statutory Tax Sharing Tier 2 (6)	0	0	0	0	0	0	0	0	0	0
AB 1290 Statutory Tax Sharing Tier 3 (6)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Revenues	<u>7</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>12</u>	<u>13</u>
Former Housing Set-Aside Amount (7)	849	866	883	900	918	937	956	975	994	1,014
Non-Housing Set-Aside Revenues	(842)	(858)	(875)	(892)	(909)	(927)	(945)	(963)	(982)	(1,001)

- (1) Taxable values as reported by Riverside County.
- (2) Real property consists of land and improvements. Increased for inflation at 2% annually.
- (3) Personal property is held constant at 2014-15 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) County Administration fee is estimated at 1.23% of Gross Tax Revenue.
- (6) All Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside. After year 30, Taxing Entities also receive 14% of tax revenue on incremental value above the year 30 value net of housing set aside.
- (7) The calculation of the Former Housing Set-Aside Amount is based on 20% of Gross Revenues.

Cathedral City Successor Agency
Redevelopment Project Area No. 1 - Amendment 4
PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE
(000s Omitted)



9/9/2014

Table 2 - Project 1 Amendment

											Tax Revenues Components							
											Former Housing Set-Aside Amount	Non-Housing Set-Aside Revenues						
											Tax Revenues	Former Housing Set-Aside Amount	Non-Housing Set-Aside Revenues					
											AB 1290 Statutory Tax Sharing							
											Tier 1	Tier 2	Tier 3					
											Taxable Value	Taxable Value Over Base	Gross Tax Revenue	SB 2557 Charge	Housing Set-Aside			
											Total Taxable Value	3,406	Revenue	Charge	Set-Aside			
1	2014-15	4,243	837	8	(0)	0	(2)	0	0	7	2	5						
2	2015-16	4,328	922	9	(0)	0	(2)	0	0	7	2	5						
3	2016-17	4,414	1,008	10	(0)	0	(2)	0	0	8	2	6						
4	2017-18	4,502	1,096	11	(0)	0	(2)	0	0	9	2	6						
5	2018-19	4,592	1,186	12	(0)	0	(2)	0	0	9	2	7						
6	2019-20	4,684	1,278	13	(0)	0	(3)	0	0	10	3	8						
7	2020-21	4,778	1,372	14	(0)	0	(3)	0	0	11	3	8						
8	2021-22	4,873	1,467	15	(0)	0	(3)	0	0	12	3	9						
9	2022-23	4,971	1,565	16	(0)	0	(3)	0	0	12	3	9						
10	2023-24	5,070	1,664	17	(0)	0	(3)	0	0	13	3	10						
11	2024-25	5,171	1,766	18	(0)	0	(4)	(0)	0	14	4	10						
12	2025-26	5,275	1,869	19	(0)	0	(4)	(0)	0	14	4	11						
13	2026-27	5,380	1,974	20	(0)	0	(4)	(1)	0	15	4	11						
14	2027-28	5,488	2,082	21	(0)	0	(4)	(1)	0	16	4	12						
15	2028-29	5,598	2,192	22	(0)	0	(4)	(1)	0	16	4	12						
16	2029-30	5,709	2,304	23	(0)	0	(5)	(1)	0	17	5	12						
17	2030-31	5,824	2,418	24	(0)	0	(5)	(1)	0	18	5	13						
18	2031-32	5,940	2,534	25	(0)	0	(5)	(1)	0	18	5	13						
19	2032-33	6,059	2,653	27	(0)	0	(5)	(2)	0	19	5	14						
20	2033-34	6,180	2,774	28	(0)	0	(6)	(2)	0	20	6	14						
21	2034-35	6,303	2,898	29	(0)	0	(6)	(2)	0	21	6	15						
22	2035-36	6,429	3,024	30	(0)	0	(6)	(2)	0	22	6	15						
23	2036-37	6,558	3,152	32	(0)	0	(6)	(2)	0	22	6	16						
24	2037-38	6,689	3,283	33	(0)	0	(7)	(3)	0	23	7	17						
25	2038-39	6,823	3,417	34	(0)	0	(7)	(3)	0	24	7	17						
26	2039-40	6,959	3,553	36	(0)	0	(7)	(3)	0	25	7	18						
27	2040-41	7,098	3,693	37	(0)	0	(7)	(3)	0	26	7	18						
28	2041-42	7,240	3,834	38	(0)	0	(8)	(4)	0	27	8	19						
29	2042-43	7,385	3,979	40	(0)	0	(8)	(4)	0	27	8	19						
30	2043-44	7,533	4,127	41	(1)	0	(8)	(4)	0	28	8	20						
				699	(9)	0	(140)	(41)	0	510	140	370						

**Cathedral City Successor Agency
Redevelopment Project Area No. 1 - Amendment 4
HISTORICAL VALUES (1)**



Table 3 - Project 1 Amendment

	Base Year 2004-05	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<u>Secured (2)</u>							
Land	870,831	1,220,285	1,157,874	1,120,340	1,125,566	1,160,602	1,479,906
Impts	2,535,068	2,114,847	1,956,620	1,836,985	1,854,125	1,841,206	2,760,666
Pers Prop	0	2,200	2,200	2,200	2,200	2,200	2,200
Exemptions	0	0	0	0	0	0	0
Total Secured	3,405,899	3,337,332	3,116,694	2,959,525	2,981,891	3,004,008	4,242,772
<u>Unsecured</u>							
Land	0	0	0	0	0	0	0
Impts	0	0	0	0	0	0	0
Pers Prop	0	0	0	0	0	0	0
Exemptions	0	0	0	0	0	0	0
Total Unsecured	0	0	0	0	0	0	0
GRAND TOTAL	3,405,899	3,337,332	3,116,694	2,959,525	2,981,891	3,004,008	4,242,772
Incremental Value:					(424,008)	(401,891)	836,873
Annual Change:						0.74%	41.24%

(1) Source: County of Riverside.

(2) Secured values include state assessed non-unitary utility property.

**Cathedral City Successor Agency
Redevelopment Project Area No. 2**



9/9/2014

Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Taxable Values (1)										
Real Property (2)	592,647	609,647	621,840	634,276	646,962	659,901	673,099	686,561	700,292	714,298
Personal Property (3)	<u>3,453</u>	<u>3,453</u>	<u>3,453</u>	<u>3,453</u>	<u>3,453</u>	<u>3,453</u>	<u>3,453</u>	<u>3,453</u>	<u>3,453</u>	<u>3,453</u>
Total Projected Value	596,100	613,100	625,293	637,730	650,415	663,354	676,552	690,014	703,746	717,751
Taxable Value over Base	27,422	568,679	585,678	597,871	610,308	622,993	635,933	649,131	662,593	676,324
Gross Tax Increment Revenue (4)	5,687	5,857	5,979	6,103	6,230	6,359	6,491	6,626	6,763	6,903
Unitary Tax Revenue	<u>80</u>	<u>80</u>	<u>80</u>	<u>80</u>	<u>80</u>	<u>80</u>	<u>80</u>	<u>80</u>	<u>80</u>	<u>80</u>
Gross Revenues	5,767	5,937	6,059	6,183	6,310	6,440	6,572	6,706	6,844	6,984
Revenues In Excess of Plan Limitation (5)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Adjusted Gross Revenues	5,767	5,937	6,059	6,183	6,310	6,440	6,572	6,706	6,844	6,984
LESS:										
SB 2557 Admin. Fee (6)	(71)	(73)	(75)	(76)	(78)	(79)	(81)	(83)	(84)	(86)
Pass Throughs										
Riverside County Taxing Entities (7)	(949)	(978)	(998)	(1,018)	(1,039)	(1,061)	(1,083)	(1,105)	(1,128)	(1,151)
Coachella Valley Mosquito Abatement Dist. (8)	(36)	(38)	(38)	(39)	(40)	(41)	(42)	(42)	(43)	(44)
Coachella Valley Water District (9)	(42)	(43)	(44)	(45)	(46)	(46)	(47)	(48)	(49)	(50)
Coachella Valley Water Dist. Storm Unit (10)	(53)	(54)	(55)	(56)	(58)	(59)	(60)	(61)	(63)	(64)
SB 211 Statutory Tax Sharing Tier 1 (11)	(165)	(175)	(181)	(188)	(195)	(202)	(209)	(216)	(223)	(231)
SB 211 Statutory Tax Sharing Tier 2 (11)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	(2)
Tax Revenues	4,451	4,578	4,668	4,761	4,856	4,952	5,051	5,151	5,254	5,358
Former Housing Set-Aside Amount (12)	1,153	1,187	1,212	1,237	1,262	1,288	1,314	1,341	1,369	1,397
Non-Housing Set-Aside Revenues	3,297	3,390	3,457	3,525	3,594	3,664	3,736	3,810	3,885	3,961
Subordinate Pass Throughs										
SB 211 Statutory Tax Sharing Tier 1 (11)	(318)	(336)	(348)	(361)	(374)	(388)	(401)	(415)	(429)	(444)
Net Tax Revenues	4,133	4,242	4,320	4,400	4,482	4,565	4,650	4,736	4,824	4,914
Former Housing Set-Aside Amount (12)	1,153	1,187	1,212	1,237	1,262	1,288	1,314	1,341	1,369	1,397
Non-Housing Set-Aside Revenues	2,979	3,054	3,108	3,163	3,220	3,277	3,335	3,395	3,456	3,518

Bond Services\Tax Allocation Bonds\Cathedral City 2014\Cathedral City 2014 TAB Refunding Projection v7 (cm)

Cathedral City Successor Agency Redevelopment Project Area No. 2



9/9/2014

Notes

- (1) Taxable values as reported by Riverside County.
- (2) Real property consists of land and improvements. Increased for inflation at 2% annually. Values for 2015-16 are decreased by \$319,237 for loss for projected value loss due to pending assessment appeals and increased by \$5,472,213 for 93 transfers of ownership after 1/1/2014.
- (3) Personal property is held constant at 2014-15 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) The Redevelopment Plan for Merged Area limits the Agency's tax increment to \$238 million.
- (6) County Administration fee is estimated at 1.23% of Gross Tax Revenue.
- (7) Riverside County (including Library) currently receives their full share (15.95%) of the general levy Tax Increment Revenues.
- (8) Coachella Valley Mosquito Abatement District currently receives 50% of its share (0.91%) of general levy tax increment when annual revenues are over \$1.5 million.
- (9) Coachella Valley Water District receives 40% of its share (1.81%) of general levy tax increment and its full share of debt service override.
- (10) Coachella Valley Water District Storm Unit receives 40% of its share (2.29%) of general levy tax increment and its full share of debt service override.
- (11) Payment of SB 211 statutory tax sharing should have been initiated in fiscal year 1999-2000, the year after the date to incur indebtedness in the original plan (November 28, 1998) has lapsed. All Taxing Entities (78.44%) other than those that already have pass throughs receive their shares of 25% of tax revenue on incremental value above the year 1 value net of housing set aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside. The City Taxing Entities have agreed to subordinate their share (51.60%) of the SB 211 statutory tax sharing payment to the debt service on the Bonds. Statutory payments are projected through the last date to receive tax increment revenue.
- (12) The calculation of the Former Housing Set-Aside Amount is based on 20% of Adjusted Gross Tax Revenues.

Bond Services\Tax Allocation Bonds\Cathedral City 2014\Cathedral City 2014 TAB Refunding Projection v7 (cm)

**Cathedral City Successor Agency
Redevelopment Project Area No. 2**

PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE
(000s Omitted)



9/9/2014

Table 2 - Project 2

	Total Taxable Value	Taxable Value Over Base 27,422	Adjusted Gross Tax Revenue	SB 2557 Charge	Pass-Throughs Agreements	SB 211 Tax Sharing	Tax Revenues	Tax Revenues Components		Subordinated SB 211 Tax Sharing	Net Tax Revenues	Tax Revenues Components	
								Former Housing Set-Aside Amount	Non-Housing Set-Aside Revenues			Former Housing Set-Aside Amount	Non-Housing Set-Aside Revenues
1 2014-15	596,100	568,679	5,767	(71)	(1,080)	(165)	4,451	1,153	3,297	(318)	4,133	1,153	2,979
2 2015-16	613,100	585,678	5,937	(73)	(1,112)	(175)	4,578	1,187	3,390	(336)	4,242	1,187	3,054
3 2016-17	625,293	597,871	6,059	(75)	(1,135)	(181)	4,668	1,212	3,457	(348)	4,320	1,212	3,108
4 2017-18	637,730	610,308	6,183	(76)	(1,158)	(188)	4,761	1,237	3,525	(361)	4,400	1,237	3,163
5 2018-19	650,415	622,993	6,310	(78)	(1,182)	(195)	4,856	1,262	3,594	(374)	4,482	1,262	3,220
6 2019-20	663,354	635,933	6,440	(79)	(1,207)	(202)	4,952	1,288	3,664	(388)	4,565	1,288	3,277
7 2020-21	676,552	649,131	6,572	(81)	(1,232)	(209)	5,051	1,314	3,736	(401)	4,650	1,314	3,335
8 2021-22	690,014	662,593	6,706	(83)	(1,257)	(216)	5,151	1,341	3,810	(415)	4,736	1,341	3,395
9 2022-23	703,746	676,324	6,844	(84)	(1,283)	(223)	5,254	1,369	3,885	(429)	4,824	1,369	3,456
10 2023-24	717,751	690,330	6,984	(86)	(1,309)	(231)	5,358	1,397	3,961	(444)	4,914	1,397	3,518
11 2024-25	732,037	704,616	7,127	(88)	(1,336)	(238)	5,465	1,425	4,039	(458)	5,006	1,425	3,581
12 2025-26	746,609	719,187	7,272	(89)	(1,363)	(246)	5,573	1,454	4,119	(473)	5,100	1,454	3,645
13 2026-27	761,472	734,051	7,421	(91)	(1,391)	(254)	5,684	1,484	4,200	(489)	5,195	1,484	3,711
14 2027-28	776,633	749,211	7,572	(93)	(1,420)	(262)	5,797	1,514	4,283	(504)	5,293	1,514	3,778
15 2028-29	792,096	764,674	7,727	(95)	(1,449)	(271)	5,912	1,545	4,367	(520)	5,392	1,545	3,847
16 2029-30	807,869	780,447	7,885	(97)	(1,479)	(279)	6,030	1,577	4,453	(537)	5,493	1,577	3,916
17 2030-31	823,957	796,536	8,046	(99)	(1,509)	(288)	6,150	1,609	4,541	(553)	5,597	1,609	3,988
18 2031-32	840,367	812,946	8,210	(101)	(1,540)	(297)	6,272	1,642	4,630	(570)	5,702	1,642	4,060
19 2032-33	857,106	829,684	8,377	(103)	(1,571)	(305)	6,397	1,675	4,722	(588)	5,810	1,675	4,134
20 2033-34	874,179	846,757	8,548	(105)	(1,604)	(315)	6,525	1,710	4,815	(605)	5,919	1,710	4,210
21 2034-35	891,593	864,172	8,722	(107)	(1,636)	(324)	6,654	1,744	4,910	(623)	6,031	1,744	4,287
22 2035-36	909,356	881,934	8,900	(110)	(1,670)	(334)	6,787	1,780	5,007	(641)	6,145	1,780	4,366
23 2036-37	0	0	0	0	0	0	0	0	0	0	0	0	0
24 2037-38	0	0	0	0	0	0	0	0	0	0	0	0	0
25 2038-39	0	0	0	0	0	0	0	0	0	0	0	0	0
26 2039-40	0	0	0	0	0	0	0	0	0	0	0	0	0
27 2040-41	0	0	0	0	0	0	0	0	0	0	0	0	0
28 2041-42	0	0	0	0	0	0	0	0	0	0	0	0	0
29 2042-43	0	0	0	0	0	0	0	0	0	0	0	0	0
30 2043-44	0	0	0	0	0	0	0	0	0	0	0	0	0
			159,609	(1,964)	(29,923)	(5,396)	122,326	31,922	90,404	(10,377)	111,949	31,922	80,027

**Cathedral City Successor Agency
Redevelopment Project Area No. 2
HISTORICAL VALUES (1)**



9/9/2014

Table 3 - Project 2

	BASE YEAR 1983-84	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<u>Secured (2)</u>											
Land	12,657,229	129,983,780	156,981,952	174,291,554	189,181,718	140,457,517	132,009,266	126,827,395	124,490,625	131,825,422	143,022,072
Improvements	14,466,664	440,902,275	505,124,488	553,762,534	517,196,031	454,173,739	419,822,217	401,563,542	390,653,287	417,266,959	448,791,973
Personal Prop	8,895	228,341	205,968	260,961	92,085	193,797	149,082	148,223	168,891	196,696	56,975
Exemptions	<u>(230,786)</u>	<u>(975,984)</u>	<u>(997,713)</u>	<u>(1,143,092)</u>	<u>(1,059,247)</u>	<u>(1,369,238)</u>	<u>(1,317,390)</u>	<u>(1,157,647)</u>	<u>(1,127,469)</u>	<u>(1,350,511)</u>	<u>(2,150,487)</u>
TOTAL SECURED	26,902,002	570,138,412	661,314,695	727,171,957	705,410,587	593,455,815	550,663,175	527,381,513	514,185,334	547,938,566	589,720,533
<u>Unsecured</u>											
Land	0	0	0	3,000	3,000	3,000	3,000	3,000	3,060	3,121	3,121
Improvements	214,242	2,144,277	2,996,425	3,278,148	3,094,118	2,582,351	2,989,162	2,629,492	2,077,745	2,599,207	2,980,448
Personal Prop	305,481	4,281,971	5,414,342	5,109,516	4,311,714	4,059,218	4,479,622	4,203,530	3,126,306	3,414,125	3,396,266
Exemptions	0	0	0	0	0	0	0	0	0	0	0
TOTAL UNSECURE	519,723	6,426,248	8,410,767	8,390,664	7,408,832	6,644,569	7,471,784	6,836,022	5,207,111	6,016,453	6,379,835
GRAND TOTAL	27,421,725	576,564,660	669,725,462	735,562,621	712,819,419	600,100,384	558,134,959	534,217,535	519,392,445	553,955,019	596,100,368
Incremental Value:		549,142,935	642,303,737	708,140,896	685,397,694	572,678,659	530,713,234	506,795,810	491,970,720	526,533,294	568,678,643
Annual Change:			16.96%	10.25%	-3.21%	-16.45%	-7.33%	-4.51%	-2.93%	7.03%	8.00%

(1) Source: County of Riverside County Lien Date Rolls

(2) Secured values include state assessed non-unitary utility property.

**Cathedral City Successor Agency
Redevelopment Project Area No. 2
New Development**



9/9/2014

Table 4 - Project 2

000's omitted												
<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing</u>	<u>Total Value Added</u>	<u>Start Complete</u>		<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Commercial	0	\$0	\$0	0	0			0	0	0	0	0
	0	\$0	\$0	0	0			0	0	0	0	0
Residential	0	\$0	\$0	0	0			0	0	0	0	0
	0	\$0	\$0	0	0			0	0	0	0	0
Transfers of Ownership after 1/1/2014	93 Lump Sum		22,420,000	16,947,787	5,472			5,472	0	0	0	0
	0 Lump Sum		\$0	0	0			0	0	0	0	0
Total Real Property:			22,420,000	16,947,787	5,472			5,472	0	0	0	0
						Adj. Annually for Inflation @	2.0%		0	0	0	0
PERSONAL												
	0	0	0	0	0			0	0	0	0	0
	0	0	0	0	0			0	0	0	0	0
	0	0	0	0	0			0	0	0	0	0
Total Personal Property:			0	0	0			0	0	0	0	0
Total Real and Personal Property:								5,472	0	0	0	0

Bond Services\Tax Allocation Bonds\Cathedral City 2014\Cathedral City 2014 TAB Refunding Projection v7 (cm)

Cathedral City Successor Agency
Redevelopment Project Area No. 3
Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)



9/9/2014

Table 1- Project 3

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
Taxable Values										
Real Property (2)	2,934,957	2,996,910	3,056,848	3,117,985	3,180,345	3,243,952	3,308,831	3,375,008	3,442,508	3,511,358
Timeshare (3)	24,753	24,753	24,753	24,753	24,753	24,753	24,753	24,753	24,753	24,753
Personal Property (4)	<u>33,687</u>	<u>33,687</u>	<u>33,687</u>	<u>33,687</u>	<u>33,687</u>	<u>33,687</u>	<u>33,687</u>	<u>33,687</u>	<u>33,687</u>	<u>33,687</u>
Total Projected Value	2,993,397	3,055,350	3,115,288	3,176,425	3,238,785	3,302,392	3,367,271	3,433,447	3,500,947	3,569,798
Taxable Value over Base	391,759	2,601,638	2,663,591	2,723,529	2,784,666	2,847,026	2,910,633	2,975,512	3,041,689	3,109,189
Gross Tax Increment Revenue (5)	26,016	26,636	27,235	27,847	28,470	29,106	29,755	30,417	31,092	31,780
Unitary Tax Revenue	<u>355</u>	<u>355</u>	<u>355</u>	<u>355</u>	<u>355</u>	<u>355</u>	<u>355</u>	<u>355</u>	<u>355</u>	<u>355</u>
Gross Revenues	26,372	26,991	27,590	28,202	28,825	29,462	30,110	30,772	31,447	32,136
Less: Tax Increment Adjustment per Redevelopment Plan (6)										
Riverside County 27.13%	(7,156)	(7,324)	(7,486)	(7,652)	(7,821)	(7,994)	(8,170)	(8,350)	(8,533)	(8,720)
Coachella Valley MAD 1.49%	(392)	(401)	(410)	(419)	(428)	(438)	(447)	(457)	(467)	(477)
Desert Water Agency 0.30%	(79)	(81)	(82)	(84)	(86)	(88)	(90)	(92)	(94)	(96)
Palm Springs Cemetary 0.17%	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(55)
Riverside County Flood Control 0.69%	(182)	(187)	(191)	(195)	(199)	(204)	(208)	(213)	(218)	(222)
County Regional Park & Open Spac 0.37%	(97)	(99)	(101)	(103)	(106)	(108)	(110)	(113)	(115)	(118)
Coachella Valley Water District 2.63%	(693)	(709)	(725)	(741)	(757)	(774)	(791)	(808)	(826)	(844)
Desert Hospital 2.17%	(571)	(585)	(598)	(611)	(624)	(638)	(652)	(667)	(681)	(696)
Coachella Vly Resource Conservan 0.03%	(9)	(9)	(9)	(9)	(10)	(10)	(10)	(10)	(10)	(11)
Coachella Valley Water Dist. Storm 3.21%	(845)	(865)	(884)	(904)	(924)	(944)	(965)	(986)	(1,008)	(1,030)
Adjusted Gross Revenues	16,303	16,686	17,057	17,435	17,821	18,214	18,615	19,024	19,441	19,867
LESS:										
SB 2557 Admin. Fee (7)	(324)	(332)	(339)	(347)	(355)	(362)	(370)	(379)	(387)	(395)
Pass Throughs										
Riverside County Superintendent of Schools (8)	(469)	(480)	(490)	(501)	(512)	(523)	(535)	(547)	(559)	(571)
Coachella Valley Community College Dist. (9)	(861)	(882)	(901)	(921)	(941)	(962)	(983)	(1,005)	(1,027)	(1,050)
Palm Springs Unified School District (10)	(3,011)	(3,081)	(3,150)	(3,220)	(3,291)	(3,363)	(3,437)	(3,513)	(3,590)	(3,669)
SB 211 Statutory Tax Sharing Tier 1 (11)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(23)
SB 211 Statutory Tax Sharing Tier 2 (11)	0	(1)	(2)	(3)	(4)	(5)	(6)	(8)	(9)	(10)
1986 Note (12)	0	0	0	0	0	0	0	0	0	0
Tax Revenues	11,625	11,897	12,159	12,427	12,700	12,979	13,263	13,553	13,848	14,150
Former Housing Set-Aside Amount (13)	3,261	3,337	3,411	3,487	3,564	3,643	3,723	3,805	3,888	3,973
Non-Housing Set-Aside Revenues	8,365	8,559	8,748	8,940	9,136	9,336	9,540	9,748	9,960	10,176
Subordinate Pass Throughs										
SB 211 Statutory Tax Sharing Tier 1 (14)	(317)	(341)	(365)	(389)	(414)	(439)	(465)	(491)	(518)	(545)
Net Revenues	11,309	11,556	11,794	12,038	12,286	12,540	12,798	13,061	13,330	13,604
Former Housing Set-Aside Amount (13)	(94)	(96)	(98)	(100)	(102)	(105)	(107)	(109)	(112)	(114)
Non-Housing Set-Aside Revenues	11,403	11,652	11,892	12,138	12,389	12,644	12,905	13,171	13,442	13,719

**Cathedral City Successor Agency
Redevelopment Project Area No. 3**



Notes

- (1) Taxable values as reported by Riverside County.
- (2) Real property consists of land and improvements. Increased for inflation at 2% annually. Values for 2014-15 are reduced by \$11,975 for value loss due to 1 assessment appeal. Values for 2015-16 are decreased by \$12,217,301 for projected value loss due to pending assessment appeals and increased by \$15,715,666 due to 785 transfers of ownership after 1/1/2014.
- (3) Timeshares value is held constant at 2014-15 level.
- (4) Personal property is held constant at 2014-15 level.
- (5) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (6) The Redevelopment Plan limits the amount of tax increment the Agency may receive to only those taxes collected for the benefit of the Palm Springs Unified School District, the Coachella Valley Community College District and the Riverside County Superintendent of Schools.
- (7) County Administration fee is estimated at 1.23% of Gross Tax Revenue.
- (8) Riverside County Superintendent of Schools receives 50% of its share (4.44%) of general levy tax increment net of housing set aside.
- (9) Coachella Valley Community College receives 50% of its share (8.16%) of general levy tax increment net of housing set aside.
- (10) Palm Springs Unified School receives 50% of its share (28.54%) of general levy tax increment.
- (11) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency has eliminated the Plan's time limit for incurrence of new debt. By the elimination of this limit, the Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (November 29, 2004). Using the assessed values for 2004-05 as a base year and beginning in 2005-06, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of tax increment revenue net of housing set aside. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of tax revenue on incremental value above 10th year value net of housing set aside. Taxing entities that have entered into agreements do not participate in the tax sharing. Statutory payments are projected through the last date to receive tax increment revenue.
- (12) Pursuant to the 1986 Note, the Agency will pay to the Developer an amount equal to 70% of the sales and use tax generated on the Site. Sam's Club has vacated the premises, therefore the Agency is of the opinion that the obligation no longer exists.
- (13) The calculation of the Former Housing Set-Aside Amount is based on 20% of Adjusted Gross Tax Revenues.
- (14) The City Taxing Entities have agreed to subordinate their share (19.85%) of the SB 211 statutory tax share to the debt service on the bonds.
Funds will hereafter be secured by tax revenues allocable to the Successor Agency.

Bond Services\Tax Allocation Bonds\Cathedral City 2014\Cathedral City 2014 TAB Refunding Projection v7 (cm)

Cathedral City Successor Agency
Redevelopment Project Area No. 3
PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE
(000s Omitted)

Table 2- Project 3

	Total Taxable Value	Taxable Value Over Base	Gross Tax Revenue	Tax Increment	Adjusted Gross Tax Revenue	SB 2557 Charge	Pass-Throughs Agreements	SB 211 Statutory Tax Sharing	1986 Note Payment	Tax Revenues	Tax Revenues Components			Net Tax Revenues	Tax Revenues Components	
				Adjustments per Redevelopment Plan							Former Housing Set-Aside Amount	Non-Housing Set-Aside Revenues	Subordinated SB 211 Tax Sharing		Former Housing Set-Aside Amount	Non-Housing Set-Aside Revenues
1 2014-15	2,993,397	2,601,638	26,372	(10,068)	16,303	(324)	(4,340)	(13)	0	11,625	3,261	8,365	(317)	11,309	3,261	8,048
2 2015-16	3,055,350	2,663,591	26,991	(10,305)	16,686	(332)	(4,442)	(15)	0	11,897	3,337	8,559	(341)	11,556	3,337	8,218
3 2016-17	3,115,288	2,723,529	27,590	(10,533)	17,057	(339)	(4,541)	(17)	0	12,159	3,411	8,748	(365)	11,794	3,411	8,383
4 2017-18	3,176,425	2,784,666	28,202	(10,767)	17,435	(347)	(4,642)	(19)	0	12,427	3,487	8,940	(389)	12,038	3,487	8,551
5 2018-19	3,238,785	2,847,026	28,825	(11,005)	17,821	(355)	(4,744)	(21)	0	12,700	3,564	9,136	(414)	12,286	3,564	8,722
6 2019-20	3,302,392	2,910,633	29,462	(11,248)	18,214	(362)	(4,849)	(24)	0	12,979	3,643	9,336	(439)	12,540	3,643	8,897
7 2020-21	3,367,271	2,975,512	30,110	(11,495)	18,615	(370)	(4,956)	(26)	0	13,263	3,723	9,540	(465)	12,798	3,723	9,075
8 2021-22	3,433,447	3,041,689	30,772	(11,748)	19,024	(379)	(5,065)	(28)	0	13,553	3,805	9,748	(491)	13,061	3,805	9,257
9 2022-23	3,500,947	3,109,189	31,447	(12,006)	19,441	(387)	(5,176)	(30)	0	13,848	3,888	9,960	(518)	13,330	3,888	9,442
10 2023-24	3,569,798	3,178,039	32,136	(12,269)	19,867	(395)	(5,289)	(33)	0	14,150	3,973	10,176	(545)	13,604	3,973	9,631
11 2024-25	3,640,025	3,248,266	32,838	(12,537)	20,301	(404)	(5,405)	(35)	0	14,457	4,060	10,397	(573)	13,884	4,060	9,824
12 2025-26	3,711,656	3,319,898	33,554	(12,810)	20,744	(413)	(5,523)	(37)	0	14,771	4,149	10,622	(602)	14,169	4,149	10,021
13 2026-27	3,784,721	3,392,962	34,285	(13,089)	21,196	(422)	(5,643)	(40)	0	15,091	4,239	10,852	(631)	14,460	4,239	10,221
14 2027-28	3,859,246	3,467,488	35,030	(13,374)	21,656	(431)	(5,766)	(42)	0	15,418	4,331	11,086	(660)	14,757	4,331	10,426
15 2028-29	3,935,263	3,543,504	35,790	(13,664)	22,126	(440)	(5,891)	(45)	0	15,750	4,425	11,325	(690)	15,060	4,425	10,635
16 2029-30	4,012,799	3,621,040	36,566	(13,960)	22,606	(450)	(6,018)	(48)	0	16,090	4,521	11,569	(721)	15,369	4,521	10,848
17 2030-31	4,091,886	3,700,127	37,356	(14,262)	23,095	(460)	(6,148)	(50)	0	16,436	4,619	11,817	(753)	15,684	4,619	11,065
18 2031-32	4,172,555	3,780,796	38,163	(14,570)	23,593	(470)	(6,281)	(53)	0	16,790	4,719	12,071	(785)	16,005	4,719	11,286
19 2032-33	4,254,837	3,863,079	38,986	(14,884)	24,102	(480)	(6,417)	(56)	0	17,150	4,820	12,330	(817)	16,333	4,820	11,512
20 2033-34	4,338,765	3,947,007	39,825	(15,204)	24,621	(490)	(6,555)	(59)	0	17,518	4,924	12,593	(851)	16,667	4,924	11,743
21 2034-35	4,424,372	4,032,613	40,681	(15,531)	25,150	(501)	(6,696)	(61)	0	17,893	5,030	12,863	(885)	17,008	5,030	11,978
22 2035-36	4,511,691	4,119,932	41,554	(15,865)	25,690	(511)	(6,839)	(64)	0	18,275	5,138	13,137	(919)	17,356	5,138	12,218
23 2036-37	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24 2037-38	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 2038-39	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26 2039-40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27 2040-41	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28 2041-42	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29 2042-43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 2043-44	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			736,536	(281,193)	455,343	(9,062)	(121,225)	(816)	0	324,240	91,069	233,171	(13,172)	311,068	91,069	219,999

**Cathedral City Successor Agency
Redevelopment Project Area No. 3
HISTORICAL VALUES (1)**

Table 3- Project 3

	Revised 2004-05 BASE YEAR 1984-85	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Revised 2013-14 BASE YEAR 1984-85	2013-14	2014-15
Secured (2)												
Land	121,294,166	684,598,042	864,099,499	1,050,648,511	1,146,199,591	948,833,052	907,594,700	859,738,163	828,228,211	122,712,223	864,158,988	903,185,542
Improvement	250,515,700	1,799,232,330	2,100,653,374	2,422,586,745	2,386,551,794	2,178,758,942	2,020,109,485	1,950,492,399	1,928,755,232	254,289,473	2,014,610,584	2,120,592,890
Timeshare Property	0	24,752,952	24,752,952	24,752,952	24,752,952	24,763,956	24,752,952	24,752,952	24,752,952	0	24,752,952	24,752,952
Personal Prop	1,194,104	3,405,405	3,566,379	5,041,064	6,055,900	5,129,423	5,037,479	3,984,731	3,879,637	1,225,649	2,716,266	2,743,368
Exemptions	(1,782,472)	(73,788,342)	(74,788,355)	(94,974,823)	(96,046,013)	(99,702,558)	(102,781,965)	(103,052,597)	(110,985,905)	(2,518,903)	(111,300,343)	(108,174,348)
TOTAL SECURED	371,221,498	2,438,200,387	2,918,283,849	3,408,054,449	3,467,514,224	3,057,782,815	2,854,712,651	2,735,915,648	2,674,630,127	375,708,442	2,794,938,447	2,943,100,404
Unsecured												
Land	2,577	1,002,952	7,336	4,881	306,831	9,197	98,106	150,286	453,417	2,577	0	0
Improvements	5,870,237	19,247,529	19,972,251	20,002,043	21,506,301	22,340,219	21,974,924	23,164,669	21,074,312	5,927,919	20,422,881	19,364,849
Personal Prop	9,884,596	31,334,256	35,463,171	29,940,471	38,722,343	34,482,683	29,001,687	28,684,716	28,181,913	10,119,806	33,930,880	31,954,906
Exemptions	0	(60,000)	(50,000)	(100,441)	(197,383)	(289,269)	(1,132,205)	(1,066,969)	(1,012,812)	0	(1,018,878)	(1,011,488)
TOTAL UNSECURED	15,757,410	51,524,737	55,392,758	49,846,954	60,338,092	56,542,830	49,942,512	50,932,702	48,696,830	16,050,302	53,334,883	50,308,267
GRAND TOTAL	386,978,908	2,489,725,124	2,973,676,607	3,457,901,403	3,527,852,316	3,114,325,645	2,904,655,163	2,786,848,350	2,723,326,957	391,758,744	2,848,273,330	2,993,408,671
											Successful Appeals (3)	(11,975)
											Grand Total:	2,993,396,696
Incremental Value:	2,102,746,216	2,586,697,699	3,070,922,495	3,140,873,408	2,727,346,737	2,517,676,255	2,399,869,442	2,336,348,049	2,456,514,586	2,601,637,952		
Annual Change:		23.02%				-7.69%	-4.68%	-2.65%	5.14%	5.91%		

(1) Source: County of Riverside County Lien Date Rolls
(2) Secured values include state assessed non-unitary utility property.
(3) Adjusted for one successful appeal not reflected on the 2014-15 Lien Date Roll.

**Cathedral City Successor Agency
Redevelopment Project Area No. 3
New Development (000s Omitted)**



9/9/2014

Table 4- Project 3

000's omitted												
	SqFt/ Units	Value	Total Value	Less Existing	Total Value Added	Start	Complete	2015-16	2016-17	2017-18	2018-19	2019-20
REAL												
Commercial	-		0	0	0			0	0	0	0	0
	-		0	0	0			0	0	0	0	0
Residential												
	-		0	0	0			0	0	0	0	0
	-		0	0	0			0	0	0	0	0
Transfers of Ownership after 1/1/2014	350 Lump Sum		\$81,846,582	66,130,916	15,716			15,716	0	0	0	0
	0 Lump Sum		\$0	0	0			0	0	0	0	0
Total Real Property:			81,846,582	66,130,916	15,716			15,716	0	0	0	0
									Adj. Annually for Inflation @ 2.0%			
									0	0	0	0
PERSONAL												
	0	0	0	0	0			0	0	0	0	0
	0	0	0	0	0			0	0	0	0	0
	0	0	0	0	0			0	0	0	0	0
Total Personal Property:			0	0	0			0	0	0	0	0
Total Real and Personal Property:								15,716	0	0	0	0

Bond Services\Tax Allocation Bonds\Cathedral City 2014\Cathedral City 2014 TAB Refunding Projection v7 (cm)

APPENDIX I

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer



FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272