

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

Independent Accountants' Report on Applying Agreed-Upon Procedures
On the Palm Desert Redevelopment Agency's

And

The Successor Agency to the Palm Desert Redevelopment Agency's
All Other Funds

Pursuant to California Health and Safety Code Section 34179.5

**SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS**

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**Independent Accountants' Report on Applying
Agreed-Upon Procedures Related to All Other Funds**

Oversight Board of the Successor Agency
to the Palm Desert Redevelopment Agency
Palm Desert, California

We have performed the minimum required agreed-upon procedures (AUP) enumerated in Attachment A, which were agreed to by the California Department of Finance, the California State Controller's Office, the Riverside County Auditor-Controller, and the Successor Agency to the Palm Desert Redevelopment Agency (Successor Agency), (collectively, the Specified Parties), solely to assist you in meeting the statutory requirements of Health and Safety Code Section 34179.5 related to all other funds except for the Low and Moderate Income Housing Fund (All Other Funds) of the former Palm Desert Redevelopment Agency and the Successor Agency. Management of the Successor Agency is responsible for meeting the statutory requirements of Health and Safety Code Section 34179.5 related to All Other Funds. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachment A. Attachment A also identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on whether the Successor Agency has met the statutory requirements of Health and Safety Code Section 34179.5 related to All Other Funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Oversight Board and management of the Successor Agency to the Palm Desert Redevelopment Agency, the California Department of Finance, the California State Controller's Office, and the Riverside County Auditor-Controller, and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California

November 21, 2012, except for the information in Procedures 7 and 10, Schedules 6 and 8 and Exhibit 5 to which the date is December 19, 2012

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

1. **Procedure:**

Obtain from the Successor Agency a listing of all assets that were transferred from All Other Funds of the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

Finding:

We agreed the amounts listed on Schedule 1 to the Successor Agency's accounting records without exceptions. The former redevelopment agency transferred \$248,127,074 in assets from All Other Funds to the Successor Agency as detailed in Schedule 1.

2A. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the former redevelopment agency to the city that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

Transfers from All Other Funds of the former redevelopment agency other than payments for goods and services to the City of Palm Desert for the period January 1, 2011 through January 31, 2012 are shown in Schedule 2.

2B. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the Successor Agency to the city that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

Transfers from All Other Funds of the Successor Agency other than payments for goods and services to the City of Palm Desert for the period from February 1, 2012 through June 30, 2012 are shown in Schedule 2.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

2C. Procedure:

For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required the transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Finding:

Schedule 2 shows the details for the enforceable obligation or other legal requirement supporting the transfers.

3A. Procedure:

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the former redevelopment agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

This procedure is not applicable as the former redevelopment agency did not make any transfers to other public agencies or private parties other than payments for goods and services from All Other Funds during the period from January 1, 2011 through January 31, 2012.

3B. Procedure:

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from All Other Funds of the Successor Agency to any other public agency or to private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and described in what sense the transfer was required by one of the former redevelopment agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not make any transfers to other public agencies or private parties other than payments for goods and services from All Other Funds during the period from February 1, 2012 through June 30, 2012.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

3C. **Procedure:**

For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required the transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Finding:

This procedure is not applicable since no transfers were identified as a result of Procedures 3A and 3B.

4. **Procedure:**

Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency for the fiscal periods ended June 30, 2010, June 30, 2011, January 31, 2012 and June 30, 2012. Ascertain that for each period presented, the total of revenues, expenditures and transfers account fully for the changes in equity from the previous fiscal period. Compare amounts for the fiscal period ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period. Compare the amounts for the other fiscal periods presented to the account balances in the accounting records or other supporting schedules.

Finding:

A reconciliation of the financial transactions of the Redevelopment Agency and the Successor Agency for the fiscal periods ended June 30, 2010, June 30, 2011, January 31, 2012 and June 30, 2012 is presented in Schedule 3.

5. **Procedure:**

Obtain from the Successor Agency a listing of all assets of All Other Funds as of June 30, 2012. Agree the assets on the listing to the accounting records of the Successor Agency.

Finding:

As of June 30, 2012, the Successor Agency's total assets related to All Other Funds of the former redevelopment agency amounted to \$237,808,728 as shown in Schedule 4.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO ALL OTHER FUNDS

6. **Procedure:**

Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that were restricted for the following purposes:

- unspent bond proceeds,
- grant proceeds and program income restricted by third parties, and
- Other assets with legal restrictions.

6A. **Procedure - Unspent Bond Proceeds:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain the legal document that sets forth the restriction pertaining to these balances. We agreed the par amount of the bonds, the original issue premium, underwriter's discount, bond insurance premium, cost of issuance and deposits to the escrow fund to the Official Statement prepared on the issuance of the bonds. We agreed the date and amount of the bond draw to a request from the Palm Desert Redevelopment Agency to Wells Fargo Corporate Trust Services request reimbursements for expenditures paid by the Agency. We agreed the balances at June 30, 2012 to a Statement of Assets held by Wells Fargo Corporate Trust Services.

Finding:

As of June 30, 2012, the Successor Agency had \$86,019,993 in unspent bond proceeds as detailed in Schedule 5. Schedules 5a through 5d provide detail by bond series and project area.

6B. **Procedure - Grant Proceeds and Program Income Restricted by Third Parties:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain a copy of the grant agreement that sets forth the restriction pertaining to these balances.

Finding:

This procedure is not applicable as the Successor Agency's assets related to All Other Funds of the former redevelopment agency did not have grant proceeds and program income restricted by third parties as of June 30, 2012.

6C. **Procedure - Other Assets Considered to be Legally Restricted:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records or other supporting documentation. We obtained the legal document that sets forth the restriction pertaining to these balances.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

6C. **Finding:**

As of June 30, 2012, the Successor Agency had the following amounts that are restricted:

- (a) \$17,217,786 held by the bond trustee to pay for debt service payments due in July 2012 and September 2012 as detailed in Schedule 5.
- (b) \$8,290,079 in the reserve and redemptions funds as detailed in Schedule 5 are restricted by bond documents.
- (c) \$1,392,000 in cash received through June 30, 2012 as a repayment of principal of \$1,200,000 and interest of \$192,000 on a note receivable from the Regents of the University of California, dated April 21, 2003. The original note in the amount of \$2,000,000 was for capital improvement costs. The original disbursement for the capital improvements were drawn from Tax Allocation Bond Funds. In accordance with the bond documents, the funds allocated to this project are to be used for the purpose of capital improvements by the Agency or to acquire land related to certain capital improvements. Therefore, the loan repayments carry the same restrictions as the original bond proceeds and are required to be used in accordance with these restrictions. The balance of the note receivable in the amount of \$800,000 is reported as a nonliquid asset on Schedule 6. Attached to the report at Exhibit 1a is the repayment schedule through June 30, 2012, Exhibit 1b is the promissory note, Exhibit 1c is the detail use of the bond proceeds and Exhibit 1d is the certificate on the use of proceeds \$11,080,000 Series 1998 Tax Allocation Bonds.
- (d) There is an adjustment of \$140,195 on the general ledger at June 30, 2012 to record the cash held by the bond trustee to the fair market value. This amount is restricted as the cash held by the bond trustee is restricted.

7. **Procedure:**

Obtain from the Successor Agency a listing of assets of All Other Funds of the former redevelopment agency as of June 30, 2012 that are not liquid or otherwise available for distribution and ascertain if the values are listed at either purchase cost or market value as recently estimated by the Successor Agency. For assets listed at purchased cost, trace the amount to a previously audited financial statement or other accounting records of the Successor Agency and note any differences. For any differences noted, inspect evidence of asset disposal subsequent to January 31, 2012 and ascertain that the proceeds were deposited into the Successor Agency's trust fund. For assets listed at recently estimated market value, inspect evidence supporting the value and note the methodology used.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO ALL OTHER FUNDS

7. **Finding:**

As of June 30, 2012, the Successor Agency's total assets related to All Other Funds of the former redevelopment agency that are not liquid amounted to \$73,659,733 as shown in Schedule 6. The amounts have been recorded at cost or fair market value on the general ledger of the Successor Agency.

8A. **Procedure:**

If the Successor Agency identified that existing asset balances were needed to be retained to satisfy enforceable obligations, obtain an itemized schedule of asset balances (resources) as of June 30, 2012 that were dedicated or restricted for the funding of enforceable obligations. Compare the information on the schedule to the legal documents that formed the basis for the dedication or restriction of the resource balance in question. Compare all current balances which needed to be retained to satisfy enforceable obligations to the amounts reported in the accounting records of the Successor Agency or to an alternative computation. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule (ROPS) approved by the California Department of Finance. If applicable, identify any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

8A. **Finding:**

As of June 30, 2012, the Successor Agency had the following amounts that are to be retained to fund enforceable obligations:

- (a) The Successor Agency identified \$42,025 in accounts payable related to ROPS 1, as detailed in Schedule 6a, which was paid from available cash. These enforceable obligations were not listed in ROPS 2.
- (b) On September 30, 2005 the Redevelopment Agency acquired property located at 42-445 Washington Street in Palm Desert. Included in the purchase was a restaurant with an existing lease between Up a Creek, Inc. (business owner) and Santo Thomas Company (previous property owner) that was transferred upon purchase, to the Redevelopment Agency as the "successor in interest". The Successor Agency has a deposit payable on the lease in the amount of \$15,000 which is not available for distribution.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO ALL OTHER FUNDS

8B. Procedure:

If the Successor Agency identified that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that include a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements. Compare the enforceable obligations to those that were approved by the California Department of Finance for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012. Compare the forecasted annual spending requirements to the legal document supporting the enforceable obligation and obtain the Successor Agency's assumptions relating to the forecasted annual spending requirements. Obtain the Successor Agency's assumptions for the forecasted annual revenues. Disclose the major assumptions for the forecasted annual spending requirements and the forecasted annual revenues in this AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not identify any assets to be retained under this procedure.

8C. Procedure:

If the Successor Agency identified that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain a schedule demonstrating this insufficiency. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement. Obtain the assumptions for the forecasted property tax revenues and other general purpose revenues and disclose them in this AUP report.

Finding:

Project Area No. 1 provides a unique situation relative to its ability to repay debt prior to reaching the tax increment cap. Tax increment revenues coming from property within the Added Territory are subject to a maximum of \$500,000,000 (exclusive of certain amounts), thus tax revenues available to pay debt service on the loans will be substantially reduced after the limit is reached. The Agency expects this limitation will be reached prior to the final maturity date of the Bonds. Based on a 2% assessed valuation growth projection, the Added Territory will reach the limit in fiscal year 2021-22.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
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8C. Finding (Continued):

Pursuant to the bond documents, the Agency has agreed to annually submit a report to MBIA showing the total amount of Tax Revenues remaining available to be received by the Agency under this Plan's cumulative tax increment limitation, as well as future cumulative annual debt service with respect to the bonds. The Agency is required to set-aside all current and future tax revenues and use such amounts solely for the purpose of paying debt service on the loans. Consequently a portion of the cash on hand, as well as future available tax revenues from the Project Area are necessary to cover such debt service payments prior to reaching the cap.

The deficit for Project Area No. 1 is estimated to be \$15,032,326 as detailed in Exhibit 2a and is required to be retained for the debt service requirements of Project Area No. 1.

Attached to the report at Exhibit 2a is a summary cash flows by project areas which shows available revenues and estimated expenditures including bond debt service, Exhibit 2b shows the assumptions made for the cash flows, Exhibit 2c which is a detailed cash flow by year for each of the project areas and Exhibit 2d which are the loan agreements to repay the debt for Project Area No. 1.

8D. Procedure:

If Procedures 8A, 8B and 8C were performed, calculate the amount of unrestricted balances necessary for retention in order to meet enforceable obligations. Combine the amount identified as currently restricted balances and the forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations. Reduce the total resources available by the amount of forecasted annual spending requirements. Include the calculation in this AUP report.

8D. Finding:

For the amounts of \$57,025 in procedure 8A, the Successor Agency does not expect any additional funding to pay for these enforceable obligations.

Exhibit 2a, 2b and 2c provides the information on the forecasted revenues and spending requirements for the deficit amount of \$15,032,326 required to be retained from available cash to pay for debt service in Project Area No. 1.

The total amount required to be retained amounts to \$15,089,351.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO ALL OTHER FUNDS

9. **Procedure:**

If the Successor Agency identified that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should identify (a) any dollar amount of existing cash that was needed to satisfy the obligation, and (b) the Successor Agency's explanation as to why the Successor Agency believes that such balances were needed to satisfy the obligation. Include this schedule as an attachment to this AUP report.

Finding:

The Successor Agency has identified \$27,979,432 in cash balances be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS 2 and ROPS 3) for the period of July 1, 2012 to June 30, 2013. Schedule 7 shows a summary of the cash balances needed for fiscal year 2012-2013. Schedules 7a, 7b, and 7d provides the details on the cash balances required to be retained for ROPS 2 in the amount of \$24,491,809. The Successor Agency is requesting an additional \$3,487,623 cash for ROPS 3 for additional funding available as a result of changes made by the Department of Finance as a result of ROPS 3 review. The Successor Agency has had a meet and confer with the Department of Finance but a decision has not been made as of the date of the report. Exhibit 3 has the documents related to this request.

10. **Procedure:**

Present a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Agencies. Amounts included in the calculation should agree to the results of the procedures performed above. Agree any deductions for amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance to evidence of payment.

Finding:

The computation of the Balance Available for Allocation to Affected Taxing Agencies shows that the Successor Agency has \$8,020,159 to be remitted to the County for disbursement to affected taxing agencies as shown in Schedule 8.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO ALL OTHER FUNDS

11. **Procedure:**

Obtain a representation letter from management of the Successor Agency acknowledging their responsibility for the data provided and the data presented in the report or in any schedules or exhibits to the report. Included in the representations is an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in this AUP report and its related schedules or exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Finding:

No exceptions were noted as a result of this Procedure.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

LISTING OF ASSETS TRANSFERRED TO SUCCESSOR AGENCY

As of February 1, 2012

	Total Assets as of February 1, 2012
ASSETS	
Cash and investments	\$ 68,939,675
Cash with fiscal agent (Bond Trustee)	97,498,463
Accounts receivable	1,234,856
Interest receivable	194,508
Loans receivable	800,000
Prepaid costs	150,000
Due from the City of Palm Desert (Advance)	9,100,000
Due from the City of Palm Desert (Interest)	<u>229,935</u>
SUBTOTAL TOTAL ASSETS (MODIFIED ACCRUAL)	<u>178,147,437</u>
Capital assets	61,084,407
Deferred bond issue costs	<u>8,895,230</u>
TOTAL ASSETS	<u><u>\$ 248,127,074</u></u>

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

TRANSFERS TO THE CITY OF PALM DESERT

FOR THE PERIOD JANUARY 1, 2011 THROUGH JANUARY 31, 2012:

Date of Transfer	Description of Transfer	Purpose of Transfer	Amount	Enforceable Obligation/Other Legal Requirement Supporting Transfer
2/24/2011	Transfer of Property to the City of Palm Desert	Transfer of Property to the City to continue Redevelopment	<u>\$ 60,491,310</u>	(A) The transfer was made pursuant to the City adopting Resolution 581 Pursuant to the State Controllers Request to transfer the assets back to the Agency under H&S Code Section 34167.5, the City transferred the assets back to the Agency
2/28/2011	Transfer for repayment of advance	Repay the advance made by the City of Palm Desert to the Palm Desert Redevelopment Agency	<u>\$ 9,100,000</u>	(B) The transfer was made to repay the advance payable to the City. The advance was incurred after two years of the formation of the Redevelopment Agency and is not considered an enforceable obligation pursuant to California Health and Safety Code Section 34171(g)(2)
2/28/2011	Transfer for interest paid on advances payable of \$9,100,000 to the City	To pay interest on the advance payable by Palm Desert Redevelopment Agency to the City of Palm Desert	<u>\$ 240,443</u>	(C) The payment of interest on the advance prior to January 1, 2011 is not subject to Health and Safety Code Section 34171(g)(2). The interest was paid for the period July 1, 2010 to February 28, 2011. The payment of interest of \$60,509 for the period January 1, 2011 to February 28, 2011 is not considered an enforceable obligation pursuant to Health and Safety Code Section 34171 (g)(2)
6/30/2011	Transfer for interest paid on advances payable of \$13,555,000 to the City	To pay interest on the advance payable by Palm Desert Redevelopment Agency to the City of Palm Desert	<u>\$ 338,186</u>	(D) The payment of interest on the advance prior to January 1, 2011 is not subject to Health and Safety Code Section 34171(g)(2). The interest was paid for the period July 1, 2010 to June 30, 2011. The payment of interest of \$169,426 for the period January 1, 2011 to June 30, 2011 is not considered an enforceable obligation pursuant to Health and Safety Code Section 34171 (g)(2)
1/31/2012	Transfer of capital assets to the City	Transfer of public use property, which includes Aquatic Center and Street Improvements	<u>\$ 12,092,882</u>	The assets associated are owned by the City, however the capital improvements to the assets were funded pursuant to Resolution No.'s 08-48, 03-107, 07-60 and 542 and Health and Safety Code Section 33445 by the Redevelopment Agency. Therefore, upon dissolution of redevelopment, the value of the improvements were transferred to the owner.

(A) For accounting purposes, the City reversed this transfer on June 30, 2012 and the assets are included on Schedule 4. The City Council took action on November 15, 2012 to reverse the transfer of assets. A reconciliation of the transfers is shown below.

Capital assets transferred at February 24, 2011	\$ 60,491,310
Expenditures (Work in Progress) incorrectly capitalized written of	(1,173,861)
Capital assets transferred back to Agency	<u>\$ 59,317,449</u>

(B) For accounting purposes, the City reversed the transfer of \$9,100,000 and has reported a receivable from the City of Palm Desert as of June 30, 2012. This amount is included in the assets reported for the Successor Agency at June 30, 2012

(C) For accounting purposes, the City reversed \$60,509 of the interest paid on the \$9,100,000 advance for the period January 1, 2011 to February 28, 2011. This amount is included in the assets reported for the Successor Agency at June 30, 2012

(D) For accounting purposes, the City reversed \$169,426 of the interest paid on the \$13,555,000 advance for the period January 1, 2011 to June 30, 2011. This amount is included in the assets reported for the Successor Agency at June 30, 2012

(E) \$459,943 in work-in-progress that was deleted from the Redevelopment Agency due to lack of funding to complete projects as a result of RDA dissolution.

(F) The Redevelopment Agency restated it's financial statements at June 30, 2011 to remove capital assets in the amount of \$18,083,336 which are not reported above. These assets were transferred by the Governing Board in prior years but were not adjusted in the accounting records. Property includes public use parks, public use buildings, etc.

(G) Restatement as of July 1, 2012 to adjust for land that is not property of the Redevelopment Agency	\$ (1,243,031)
Restatement as of July 1, 2012 to reverse parking lot that is not property of the Redevelopment Agency	(115,098)
	<u>\$ (1,358,129)</u>

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

TRANSFERS TO THE CITY OF PALM DESERT

FOR THE PERIOD FEBRUARY 1, 2012 THROUGH JUNE 30, 2012:

<u>Date of Transfer</u>	<u>Description of Transfer</u>	<u>Purpose of Transfer</u>	<u>Amount</u>	<u>Enforceable Obligation/Other Legal Requirement Supporting Transfer</u>
6/30/2012	Transfer of capital assets to the City	Transfer of public use property, which includes retention basin to capture water run-off	<u>\$ 194,559</u>	The transfer was made pursuant to Health & Safety Code Section 34181(a)

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

RECONCILIATION OF FINANCIAL TRANSACTIONS FOR THE PERIODS ENDED
 JUNE 30, 2010, JUNE 30, 2011, JANUARY 31, 2012 AND JUNE 30, 2012

	(a) Redevelopment Agency 12 Months Ended 6/30/2010	(a) Redevelopment Agency 12 Months Ended 6/30/2011	(b) Redevelopment Agency 7 Months Ended 1/31/2012	(c) Successor Agency 5 Months Ended 6/30/2012
Assets (modified accrual basis)				
Cash and investments	\$ 143,055,348	\$ 110,557,650	\$ 82,628,518	\$ 56,794,263
Restricted cash with fiscal agent	147,287,068	127,588,762	120,893,163	135,637,866
Property tax receivable				416,841
Accounts receivable	421,198	231,162	1,258,852	1,309,911
Interest receivable	569,198	420,054	231,001	210,496
Note/loan receivable	8,928,010	8,524,592	7,587,629	800,000
Due from other funds	-	3,979,739	-	-
Advances to other funds	17,821,288	17,821,288	17,821,288	-
Due from the City of Palm Desert - Advances	-	-	9,100,000	9,100,000
Due from the City of Palm Desert - Interest	-	-	229,935	229,935
Property held for resale	855,224	2,685,387	3,671,674	-
Prepaid costs and deposits	26,813	177,320	150,129	157,448
Total Assets	\$ 318,964,147	\$ 271,985,954	\$ 243,572,189	\$ 204,656,760
Liabilities (modified accrual basis)				
Accounts payable	\$ 1,469,174	\$ 2,853,030	\$ 6,267,364	\$ 2,543,043
Accrued liabilities	80,299	85,773	-	-
Deposits payable	15,500	15,500	15,500	15,000
Advances from other funds	17,821,288	17,821,288	17,821,288	17,821,288
Due to the City of Palm Desert	-	-	9,100,000	9,100,000
Due to other funds (RDA)	-	3,979,739	-	-
Unearned revenue	6,796	6,796	6,796	-
Deferred revenue	36,493	36,493	36,494	-
Amounts due to pass-through agreements	60,678,180	44,341,716	12,576,364	135,936
Total Liabilities	80,107,730	69,140,335	45,823,806	29,615,267
Equity	238,856,417	202,845,619	197,748,383	175,041,493
Total Liabilities and Equity	\$ 318,964,147	\$ 271,985,954	\$ 243,572,189	\$ 204,656,760
Total Revenues	\$ 90,977,877	\$ 83,270,086	\$ 40,814,989	\$ 21,313,962
Total Expenditures	(107,340,283)	(111,564,389)	(43,730,284)	(15,471,841)
Transfer out to Housing Authority	-	(7,716,495)	(2,181,941)	-
Transfer of Capital Assets to City	-	-	-	(194,559)
Transfer out to Housing Authority	-	-	-	(28,297,421)
Net change in equity	(16,362,406)	(36,010,798)	(5,097,236)	(22,649,859)
Beginning Equity	255,218,823	238,856,417	202,845,619	197,748,383
Restatement of Equity	-	-	-	(57,031)
Ending Equity	\$ 238,856,417	\$ 202,845,619	\$ 197,748,383	\$ 175,041,493
Other Information (show year end balances for all three years presented):				
Capital assets as of end of year	\$ 157,525,805	\$ 84,418,599	\$ 132,031,683	\$ 60,687,360
Long-term debt as of end of year	\$ 389,217,570	\$ 368,384,074	\$ 360,564,284	\$ 354,527,797
Advances due to the City of Palm Desert	\$ 22,655,000	\$ 13,555,000	\$ 13,555,000	\$ 22,655,000
Unamortized bond premium	\$ 6,899,537	\$ 6,423,834	\$ 6,146,341	\$ 5,948,131
Deferred amount on refunding	\$ (1,360,820)	\$ (1,238,105)	\$ (1,166,521)	\$ (1,115,390)

(a) Agreed amounts to State Controller's Reports and audited financial statements for the fiscal years 2009-2010 and 2010-2011.

(b) Agreed amounts to accounting records.

(c) This schedule does not include the Housing Authority.

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

LISTING OF ASSETS

As of June 30, 2012

	Total Assets as of June 30, 2012
ASSETS	
Cash and investments	\$ 43,919,407
Cash with fiscal agent (Bond Trustee)	112,293,151
Property tax receivable	416,841
Due from other governments	1,309,911
Interest receivable	210,496
Loans	800,000
Prepaid costs	157,448
Due from the City of Palm Desert(Advance)	9,100,000
Due from the City of Palm Desert(Interest)	229,935
	<hr/>
SUBTOTAL TOTAL ASSETS (MODIFIED ACCRUAL)	168,437,189
	<hr/>
Capital assets	60,687,360
Deferred bond issue costs	8,684,179
	<hr/>
TOTAL ASSETS	<u><u>\$ 237,808,728</u></u>

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUMMARY OF RESTRICTED CASH

June 30, 2012

Bond Description	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Restriction
Unspent Bond Proceeds		
\$37,780,000 Tax Allocation Revenue Bonds (Project Area No. 1, as amended) 2006 Series A and \$24,540,000 Tax Allocation Refunding Revenue Bonds (Project Area No. 1, as amended) 2006 Series B (Taxable) (Grand Total = \$62,320,000)	\$ 15,559,922.52	Bond Documents
\$32,600,000 Tax Allocation Refunding Revenue Bonds (Project Area No. 1, as amended) 2007 Series A	797,395.91	Bond Documents
Project Area No. 2 \$41,340,000 Tax Allocation Refunding Revenue Bonds 2006 Series A, \$1,567,118 Tax Allocation Revenue Capital Appreciation Bonds 2006 Series B, \$7,775,000 Tax Allocation Revenue Bonds 2006 Series C and \$16,936,095 Subordinate Tax Allocation Revenue Capital Appreciation Bonds 2006 Series D (Grand Total = \$67,618,213)	15,339,777.90	Bond Documents
Project Area No. 2 \$41,340,000 Tax Allocation Refunding Revenue Bonds 2006 Series A, \$1,567,118 Tax Allocation Revenue Capital Appreciation Bonds 2006 Series B, \$7,775,000 Tax Allocation Revenue Bonds 2006 Series C and \$16,936,095 Subordinate Tax Allocation Revenue Capital Appreciation Bonds 2006 Series D (Grand Total = \$67,618,213)	16,592,960.49	Bond Documents
\$4,745,000 Tax Allocation Revenue Bonds (Project Area No. 3) 2003 Series	1,824,075.86	Bond Documents
Project Area No. 3 \$11,915,000 Tax Allocation Revenue Bonds 2006 Series A, \$383,660 Tax Allocation Revenue Capital Appreciation Bonds 2006 Series B and \$2,760,866 Subordinate Tax Allocation Revenue Capital Appreciation Bonds 2006 Series C (Grand Total = \$15,059,526)	11,240,337.19	Bond Documents
Project Area No. 3 \$11,915,000 Tax Allocation Revenue Bonds 2006 Series A, \$383,660 Tax Allocation Revenue Capital Appreciation Bonds 2006 Series B and \$2,760,866 Subordinate Tax Allocation Revenue Capital Appreciation Bonds 2006 Series C (Grand Total = \$15,059,526)	2,697,545.14	Bond Documents
\$15,695,000 Tax Allocation Revenue Bonds (Project Area No. 4) 2001 Series	5,155,682.43	Bond Documents
\$14,610,000 Tax Allocation Refunding Revenue Bonds (Project Area No. 4) 2006 Series A and \$4,663,089 Tax Allocation Revenue Capital Appreciation Bonds (Project Area No. 4) 2006 Series B (Grand Total = \$19,273,089)	16,812,295.26	Bond Documents
Total Unspent Bond Proceeds	86,019,992.70	

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUMMARY OF RESTRICTED CASH

June 30, 2012

Bond Description	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Restriction
Debt Service Payments Due in July and September 2012		
\$11,02,000 Tax Allocation Revenue Bonds (Project Area No.4) 1998 Series	\$ 348,765.00	Bond Documents
\$24,945,000 Tax Allocation Refunding Revenue Bonds (Project Area No. 1, as amended) 2004 Series A	414,481.26	Bond Documents
\$15,695,000 Tax Allocation Revenue Bonds (Project Area No. 4) 2001 Series	655,983.75	Bond Documents
\$22,070,000 Tax Allocation Refunding Revenue Bonds (Project Area No. 1, as amended) 2002 Series A	557,332.50	Bond Documents
\$12,100,000 Tax Allocation (Housing Set-Aside Revenue Bonds 2002 Series	537,224.38	Bond Documents
\$19,000,000 Tax Allocation Revenue Bonds (Project Area No. 1, as amended) 2003 Series	475,000.00	Bond Documents
\$4,745,000 Tax Allocation Revenue Bonds (Project Area No. 3) 2003 Series	91,132.51	Bond Documents
\$17,310,000 Tax Allocation Refunding Revenue Bonds (Project Area No. 2) 2002 Series A	1,059,818.75	Bond Documents
\$15,745,000 Tax Allocation Revenue Bonds (Project Area No. 2) 2003 Series	384,503.13	Bond Documents
\$37,780,000 Tax Allocation Revenue Bonds (Project Area No. 1, as amended) 2006 Series A and \$24,540,000 Tax Allocation Refunding Revenue Bonds (Project Area No. 1, as amended) 2006 Series B (Taxable) (Grand Total = \$62,320,000)	1,286,634.50	Bond Documents
Project Area No. 2 \$41,340,000 Tax Allocation Refunding Revenue Bonds 2006 Series A, \$1,567,118 Tax Allocation Revenue Capital Appreciation Bonds 2006 Series B, \$7,775,000 Tax Allocation Revenue Bonds 2006 Series C and \$16,936,095 Subordinate Tax Allocation Revenue Capital Appreciation Bonds 2006 Series D (Grand Total = \$67,618,213)	1,625,493.78	Bond Documents
Project Area No. 2 \$41,340,000 Tax Allocation Refunding Revenue Bonds 2006 Series A, \$1,567,118 Tax Allocation Revenue Capital Appreciation Bonds 2006 Series B, \$7,775,000 Tax Allocation Revenue Bonds 2006 Series C and \$16,936,095 Subordinate Tax Allocation Revenue Capital Appreciation Bonds 2006 Series D (Grand Total = \$67,618,213)	1,320,000.00	Bond Documents

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUMMARY OF RESTRICTED CASH

June 30, 2012

Bond Description	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Restriction
Debt Service Payments Due in July and September 2012 (Continued)		
Project Area No. 3 \$11,915,000 Tax Allocation Revenue Bonds 2006 Series A, \$383,660 Tax Allocation Revenue Capital Appreciation Bonds 2006 Series B and \$2,760,866 Subordinate Tax Allocation Revenue Capital Appreciation Bonds 2006 Series C (Grand Total = \$15,059,526)	\$ 274,437.51	Bond Documents
\$14,610,000 Tax Allocation Refunding Revenue Bonds (Project Area No. 4) 2006 Series A and \$4,663,089 Tax Allocation Revenue Capital Appreciation Bonds (Project Area No. 4) 2006 Series B (Grand Total = \$19,273,089)	1,005,410.00	Bond Documents
\$32,600,000 Tax Allocation Refunding Revenue Bonds (Project Area No. 1, as amended) 2007 Series A	470,000.00	Bond Documents
\$86,155,000 Tax Allocation (Housing Set-Aside) Refunding Revenue Bonds Series 2007	6,711,568.75	Bond Documents
Total Debt Service Payments July and September 2012	<u>17,217,785.82</u>	
Reserve and Redemption Funds		
\$22,070,000 Tax Allocation Refunding Revenue Bonds (Project Area No. 1, as amended) 2002 Series A	6,316,331.94	Bond Documents
Project Area No. 2 \$41,340,000 Tax Allocation Refunding Revenue Bonds 2006 Series A, \$1,567,118 Tax Allocation Revenue Capital Appreciation Bonds 2006 Series B, \$7,775,000 Tax Allocation Revenue Bonds 2006 Series C and \$16,936,095 Subordinate Tax Allocation Revenue Capital Appreciation Bonds 2006 Series D (Grand Total = \$67,618,213)	1,697,660.85	Bond Documents
Project Area No. 3 \$11,915,000 Tax Allocation Revenue Bonds 2006 Series A, \$383,660 Tax Allocation Revenue Capital Appreciation Bonds 2006 Series B and \$2,760,866 Subordinate Tax Allocation Revenue Capital Appreciation Bonds 2006 Series C (Grand Total = \$15,059,526)	<u>276,086.64</u>	Bond Documents
Total Reserve and Redemption Funds	<u>8,290,079.43</u>	
Cash and interest received on note to University of California - Riverside	<u>1,392,000.00</u>	Bond Documents
Fair market value change	<u>140,195.01</u>	Bond Documents
Grand Total	<u><u>\$ 113,060,052.96</u></u>	

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

UNSPENT BOND PROCEEDS
 2006 PROJECT AREA 1 TAX ALLOCATION BONDS

Par Amount of 2006 Project Area No. 1 TAB's		\$ 62,320,000.00
Plus: Original Issue Premium (Series A)		1,435,429.15
Less: Original Issue Discount (Series B)		(84,107.60)
Less: Underwriter's Discount		(312,071.40)
Bond Proceeds		63,359,250.15
Series 2006 Bond Proceeds per Transcript		63,359,250.15
Less: COI		(215,210.21)
Less: Bond Insurance Premium		(577,000.00)
Less: Surety Bond Premium		(66,000.00)
Less: Deposit to Escrow Fund (Refunding)		(24,110,965.40)
Net Project Funds		38,390,074.54
Deposit to Project Fund		38,390,074.54
Accumulated Interest		3,424,406.97
Reimbursement Requests:	Date	
Draw No. 1	10/31/2006	(584,189.00)
Draw No. 2	1/15/2007	(502,783.17)
Draw No. 3	3/15/2007	(2,066,686.94)
Draw No. 4	4/9/2007	(785,470.30)
Draw No. 5	4/30/2007	(848,446.94)
Draw No. 6	5/31/2007	(994,766.76)
Draw No. 7	5/31/2007	(2,114,473.60)
Draw No. 8	6/30/2007	(992,610.62)
Draw No. 9	7/31/2007	(8,420.72)
Draw No. 10	8/31/2007	(751,816.26)
Draw No. 11	9/19/2007	(1,039,012.23)
Draw No. 12	9/30/2007	(4,466.81)
Draw No. 13	10/31/2007	(188,919.60)
Draw No. 14	11/30/2007	(306,383.39)
Draw No. 15	12/31/2007	(773,269.69)
Draw No. 16	1/31/2008	(1,072,681.83)
Draw No. 17	2/29/2008	(734,563.82)
Draw No. 18	3/31/2008	(4,656.75)
Draw No. 19	4/30/2008	(1,412,010.52)
Draw No. 20	5/31/2008	(665,998.98)
Draw No. 21	6/20/2008	(1,523,099.49)
Draw No. 22	7/25/2008	(949,392.47)
Draw No. 23	8/31/2008	(721,054.58)
Draw No. 24	9/30/2008	(11,550.00)
Draw No. 25	10/31/2008	(55,549.22)
Draw No. 26	11/30/2008	(481,756.70)
Draw No. 27	12/31/2008	(612,554.12)
Draw No. 28	2/28/2009	(842,310.89)
Draw No. 29	3/31/2009	(26,536.81)
Draw No. 30	5/15/2009	(374,497.00)
Draw No. 31	6/19/2009	(228,673.89)
Draw No. 32	8/14/2009	(2,302,146.56)
Draw No. 33	10/16/2009	(36,230.25)
Draw No. 34	1/22/2010	(183,974.27)
Draw No. 35	6/18/2010	(292,249.59)
Draw No. 36	9/24/2010	(769,519.82)
Draw No. 37	12/31/2010	(651,874.01)
Draw No. 38	9/16/2011	(103,034.99)
Draw No. 39	Skipped	-
Draw No. 40	10/28/2011	(7,212.45)
Draw No. 41	1/31/2012	(229,713.95)
Actual Current Balance (including interest earned)		\$ 15,559,922.52

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

UNSPENT BOND PROCEEDS
 2007 PROJECT AREA 1 TAX ALLOCATION BONDS

Par Amount of 2007 Project Area No. 1 TAB's (Taxable)		\$ 32,600,000.00
Plus: Original Issue Premium		1,926,034.15
Less: Underwriter's Discount		(160,039.00)
Bond Proceeds		<u>34,365,995.15</u>
Series 2007 Bond Proceeds per Transcript		34,365,995.15
Less: COI		(210,000.00)
Less: Bond Insurance Premium		(248,000.00)
Less: Surety Bond Premium		(33,000.00)
Less: Deposit to Escrow Fund (Refunding)		(32,129,876.98)
Net Project Fuuds		<u>1,745,118.17</u>
Deposit to Project Fuud		1,745,118.17
Accumulated Interest		127,526.89
Reimbursement Requests:	Date	
Draw No. 1	8/14/2009	(508,186.41)
Draw No. 2	10/16/2009	(249,573.75)
Draw No. 3	1/22/2010	(161,024.84)
Draw No. 4	6/18/2010	(85,422.13)
Draw No. 5	9/24/2010	(71,042.02)
Actual Current Balance (including interest earned)		<u><u>\$ 797,395.91</u></u>

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

UNSPENT BOND PROCEEDS
 2006 PROJECT AREA 2 TAX ALLOCATION BONDS

Par Amount of 2006 Project Area No. 2 TAB's	\$ 67,618,212.55
Plus: Oriinal Issue Premium	226,918.35
Less: Underwriter's Discount	(405,171.83)
Bond Proceeds	<u>67,439,959.07</u>

Series 2006 Bond Proceeds per Transcript	67,439,959.07
Less: COI	(372,458.70)
Less: Bond Insurance Premium	(996,084.24)
Less: Surety Bond Premium	(139,375.82)
Less: Deposit to Reserve Fund	(1,693,609.46)
Less: Deposit to Escrow Interest Fund	(1,303,593.17)
Less: Deposit to Escrow Fund	(7,749,804.25)
Less: Deposit to Escrow Fund (Refunding)	(4,021,992.50)
Net Project Funds	<u>51,163,040.93</u>

Deposit to Project Fund		51,163,040.93
Accumulated Interest		5,543,867.69
Reimbursement Requests:	Date	
Draw No. 1	10/31/2006	(3,677,637.60)
Draw No. 2	5/31/2007	(2,344,732.61)
Draw No. 3	5/31/2007	(1,871,827.27)
Draw No. 4	6/30/2007	(733,943.56)
Draw No. 5	7/31/2007	(5,878.20)
Draw No. 6	9/19/2007	(5,073.76)
Draw No. 7	9/30/2007	(101,249.18)
Draw No. 8	10/31/2007	(10,599.91)
Draw No. 9	12/31/2007	(4,692.23)
Draw No. 10	1/31/2008	(1,639.94)
Draw No. 11	2/29/2008	(300,636.67)
Draw No. 12	6/20/2008	(5,407.50)
Draw No. 13	7/25/2008	(10,696.88)
Draw No. 14	9/30/2008	(32,876.19)
Draw No. 15	12/31/2008	(14,833.17)
Draw No. 16	8/14/2009	(598.27)
Draw No. 17	10/16/2009	(431,544.10)
Draw No. 18	9/24/2010	(320,870.52)
Draw No. 19	12/31/2010	(3,166,737.53)
Draw No. 20	1/28/2011	(1,472,653.73)
Draw No. 21	2/25/2011	(2,764,372.96)
Draw No. 22	4/1/2011	(1,728,904.67)
Draw No. 23	5/13/2011	(647,008.94)
Draw No. 24	8/12/2011	(3,337,909.11)
Draw No. 25	9/16/2011	(911,359.61)
Draw No. 26	10/28/2011	(343,023.19)
Draw No. 27	1/31/2012	(454,259.03)
Draw No. 28	5/11/2012	(73,203.90)

Actual Current Balance (<i>including interest earned</i>)	<u>\$ 31,932,738.39</u>
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SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

UNSPENT BOND PROCEEDS
 2003 PROJECT AREA 3 TAX ALLOCATION BONDS

Par Amount of 2003 Project Area No. 3 TAB's		\$ 4,745,000.00
Plus: Issue Premium		47,636.85
Less: Underwriter's Discount		(47,450.00)
Bond Proceeds		<u>4,745,186.85</u>
Series 2003 Bond Proceeds per Transcript		4,745,186.85
Less: COI		(109,100.00)
Less: Bond Insurance Premium		(12,000.00)
Less: Surety Bond Premium		(133,000.00)
Net Project Funds		<u>4,491,086.85</u>
Deposit to Project Fund		4,491,086.85
Accumulated Interest		504,349.03
Reimbursement Requests:	Date	
Draw No. 1	9/26/2003	(5,350.00)
Draw No. 2	10/31/2003	(61,642.17)
Draw No. 3	2/29/2004	(4,043.69)
Draw No. 4	6/30/2004	(195,844.78)
Draw No. 5	8/31/2004	(237,851.74)
Draw No. 6	9/30/2004	(353,153.16)
Draw No. 7	10/31/2004	(159,189.47)
Draw No. 8	12/31/2004	(37,327.16)
Draw No. 9	4/30/2005	(4,309.10)
Draw No. 10	5/31/2005	(112,440.96)
Draw No. 11	3/30/2005	(300,429.73)
Draw No. 12	6/30/2005	(131,383.74)
Draw No. 13	8/31/2005	(745.61)
Draw No. 14	7/31/2006	(12,945.45)
Draw No. 15	Skipped	-
Draw No. 16	9/19/2007	(203,436.29)
Draw No. 17	6/20/2008	(84,217.14)
Draw No. 18	9/30/2008	(17,716.42)
Draw No. 19	10/16/2009	(19,567.91)
Draw No. 20	12/31/2010	(53,921.04)
Draw No. 21	3/9/2012	(1,129,416.61)
Draw No. 22	5/11/2012	<u>(46,427.85)</u>
Actual Current Balance (including interest earned)		<u><u>\$ 1,824,075.86</u></u>

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

UNSPENT BOND PROCEEDS
 2006 PROJECT AREA 3 TAX ALLOCATION BONDS

Par Amount of 2006 Project Area No. 3 TAB's		\$ 15,059,526.10
Less: Original Issue Discount		(151,181.55)
Less: Underwriter's Discount		(103,694.97)
Bond Proceeds		<u>14,804,649.58</u>
Series 2006 Bond Proceeds per Transcript		14,804,649.58
Less: COI		(219,700.00)
Less: Bond Insurance Premium		(377,000.00)
Less: Surety Bond Premium		(28,000.00)
Less: Reserve Fund Deposit		(276,086.64)
Net Project Funds		<u>13,903,862.94</u>
Deposit to Project Fund		13,903,862.94
Accumulated Interest		1,594,267.68
Reimbursement Requests:	Date	
Draw No. 1	<u>9/16/2011</u>	(414,425.99)
Draw No. 2	10/28/2011	(477,233.96)
Draw No. 3	1/31/2011	<u>(668,588.34)</u>
Actual Current Balance (including interest earned)		<u><u>\$ 13,937,882.33</u></u>

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

UNSPENT BOND PROCEEDS
 2001 PROJECT AREA 4 TAX ALLOCATION BONDS

Par Amount of 2001 Project Area No. 4 TAB's		\$ 15,695,000.00
Less: Net Issue Discount		(86,649.35)
Less: Underwriter's Discount		(177,353.50)
Bond Proceeds		<u>15,430,997.15</u>
Series 2001 Bond Proceeds per Transcript		15,430,997.15
Less: COI		(172,500.00)
Less: Reserve Fund Deposit		(310,423.75)
Less: Bond Insurance Premium		(461,000.00)
Less: Surety Bonds Premium		(19,315.60)
Less: Special Escrow Account (Funds released 2005)		(5,191,415.26)
Net Project Funds		<u>9,276,342.54</u>
Deposit to Project Fund		9,276,342.54
Release of escrow in 2005		5,191,415.26
Accumulated Interest		2,002,083.11
Reimbursement Requests:	Date	
Draw No. 1	5/13/2005	(342,770.68)
Draw No. 2	2/28/2006	(1,205,887.49)
Draw No. 3	6/30/2006	(125,672.26)
Draw No. 4	7/31/2006	(120,062.82)
Draw No. 5	7/31/2006	(719,449.22)
Draw No. 6	8/31/2006	(324,428.91)
Draw No. 7	10/31/2006	(1,332,708.37)
Draw No. 8	1/15/2007	(3,032,605.75)
Draw No. 9	2/16/2007	(677,566.88)
Draw No. 10	3/31/2007	(357,202.93)
Draw No. 11	4/30/2007	(29,159.10)
Draw No. 12	5/31/2007	(526,921.63)
Draw No. 13	6/30/2007	(1,307,557.53)
Draw No. 14	7/31/2007	(22,113.00)
Draw No. 15	9/19/2007	(823,157.50)
Draw No. 16	9/30/2007	(5,649.00)
Draw No. 17	9/30/2008	(60,661.97)
Draw No. 18	10/16/2009	(26,250.00)
Draw No. 19	1/22/2010	(5,708.06)
Draw No. 20	6/18/2010	(172,309.24)
Draw No. 21	9/24/2010	(22,551.95)
Draw No. 22	12/31/2010	(6,282.63)
Draw No. 23	1/28/2011	(13,998.47)
Draw No. 24	2/25/2011	(12,766.81)
Draw No. 25	8/12/2011	(32,113.31)
Draw No. 26	9/16/2011	(1,603.09)
Draw No. 27	10/28/2011	(2,962.79)
Draw No. 28	1/31/2012	(4,037.09)
Actual Current Balance (including interest earned)		<u><u>\$ 5,155,682.43</u></u>

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

UNSPENT BOND PROCEEDS
 2006 PROJECT AREA 4 TAX ALLOCATION BONDS

Par Amount of 2006 Project Area No. 4 TAB's		\$ 19,273,089.30
Plus: Original Issue Premium		223,012.25
Less: Underwriter's Discount		(115,638.54)
Bond Proceeds		<u>19,380,463.01</u>
Series 2006 Bond Proceeds per Transcript		19,380,463.01
Less: COI		(195,000.00)
Less: Bond Insurance Premium		(271,000.00)
Less: Surety Bonds Premium		(48,000.00)
Less: Deposit to Escrow Fund (Refunding)		(1,536,835.15)
Net Project Funds		<u>17,329,627.86</u>
Deposit to Project Fund		17,329,627.86
Accumulated Interest		2,078,105.69
Reimbursement Requests:	Date	
Draw No. 1	<u>12/31/2007</u>	(355,017.29)
Draw No. 2	2/29/2008	(724,702.52)
Draw No. 3	3/31/2008	(630,000.00)
Draw No. 4	4/30/2008	(9,686.25)
Draw No. 5	6/20/2008	<u>(876,032.23)</u>
Actual Current Balance (including interest earned)		<u><u>\$ 16,812,295.26</u></u>

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

LISTING OF NONLIQUID ASSETS

As of June 30, 2012

Asset Description	Basis for Determining Value	Balance at June 30, 2012
Fair market value change in cash and investments (A)	Fair Market Value	\$ 54,096
Prepaid asset (B)	Cost	150,000
Cash held in escrow for construction project (C)	Cost	625,098
Loans funded from bond proceeds	Cost	800,000
Capital assets	Cost	60,687,360
Deferred bond issue costs	Cost	8,684,179
Investment in Energy Independence Program Limited Obligation Improvement Bond Series 2009A (D)	Cost	1,694,000
Investment in Energy Independence Program Limited Obligation Improvement Bond Series 2009B (D)	Cost	965,000
		<u>\$ 73,659,733</u>

- (A) The change in fair value of cash and investments was made at June 30, 2012. This is an accounting entry and the asset is not available for distribution.
- (B) This amount was prepaid to the Agency's attorneys as a deposit to fund future litigation. This asset is not available for distribution. (See Exhibit 4).
- (C) This amount is held in an escrow account to pay for retentions on a construction project. The amount is not available as the funds are in an escrow account to pay project costs which have been incurred through June 30, 2012.
- (D) The Successor Agency has a remaining total investment of \$2,659,000 in Limited Obligation Improvement Bonds Series 2009A and Series 2009B issued by the City of Palm Desert for its Energy Bond Program. The investments in the City's bonds are nonliquid as there are repayment schedules of the principal invested through September 2, 2029. The Agency invested \$2,500,000 and \$1,136,000 in the Limited Obligation Bonds Series 2009A and Series 2009B, respectively, of which \$1,694,000 Series 2009A and \$965,000 Series 2009B remain outstanding. Attached to the report at Exhibit 5 are the Series 2009A and Series 2009B bond purchase agreements and the remaining payment schedules on the investments.

SUCCESSION AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

CASH TO BE RETAINED TO SATISFY ENFORCEABLE OBLIGATIONS (ROPS 1)

Payee	Project/Description	Amount	Source	Enforceable Obligation
ASR Construction	Aquatic Facility	\$1,614,142.88	Bonds	PA 2, Line 16
American Fence	Alessandro (Agency Owned Properties)	320.00	Cash	PA 1, Line 43
Canyon Pools	Portola (Agency Owned Properties)	1,330.00	Cash	PA 1, Line 43
CVWD	DR/FC (Stipulation)	622.13	Cash	PA 1-4, Lines 32, 32, 13 &
Gas Co.	NSP (Stipulation)	21.33	Cash	PA 1-4, Lines 32, 32, 13 &
Killer Bee Pest Control	Alessandro (Agency Owned Properties)	185.00	Cash	PA 1, Line 43
New West Landscape	NSP/DR (Stipulation)	395.00	Cash	PA 1-4, Lines 32, 32, 13 &
Quality Landscape	Alessandro (Agency Owned Properties)	1,300.00	Cash	PA 1, Line 43
SCE	DR/FC (Stipulation)	98.71	Cash	PA 1-4, Lines 32, 32, 13 &
El Paseo LLC	VC Lease (Facilities Lease)	318.98	Cash	PA 1, Line 24
Interactive Design	COV Design Svc- (CLO Villas)	18,440.50	Bonds	PA 4, Line 18
New West Landscape	DR/FC (Stipulation)	695.00	Cash	PA 1-4, Lines 32, 32, 13 &
Ana Rosa's Painting & Cleaning	SR Cleaning-5/12 (Santa Rosa Apts)	150.00	Cash	PA 1, Line 52
BB & K	Legal Services 5/12 (Aquatic Facility)	3,633.50	Bonds	PA 2, Line 16
BB & K	Legal Services 5/12 (Gen Legal)	268.00	Cash	PA 1-4, Lines 18, 24, 21, 11
CVWD	SR Water Svc-6/12 (Santa Rosa Apts)	26.15	Cash	PA 1, Line 52
RPM Company	Management Svc 6/12 (Santa Rosa Apts)	400.00	Cash	PA 1, Line 52
SCE	SR Elect Svc-6/12 (Santa Rosa Apts)	163.89	Cash	PA 1, Line 52
Union Bank	Bank Fees-4/12 (Banking)	258.00	Cash	PA 1-4, Lines 22, 47, 28, 16
Liberty Landscape	SR Landscape Svc- (Santa Rosa Apts)	450.00	Cash	PA 1, Line 52
The Land Steward	Dust Control Svc-6/12 (Agency Owned Properties)	1,940.71	Cash	PA 1, Line 43
CVWD	NSP Water Svc-6/12 (Stipulation)	53.67	Cash	PA 1-4, Lines 32, 32, 13 &
SCE	NSP Elect Svc-6/12(Stipulation)	127.52	Cash	PA 1-4, Lines 32, 32, 13 &
Office Depot	Office Supplies (Admin)	93.18	Cash	PA 1-4, Lines 30, 30, 11, 19
RW&G	Legal Services 4/12(Gen Legal)	14,635.52	Cash	PA 1-4, Lines 17, 23, 20, 10
RPM Company	Management Svc 5/12 (Santa Rosa Apts)	400.00	Cash	PA 1, Line 52
Liberty Landscaping	SR Landscaping Svc-6/12 (Santa Rosa Apts)	935.00	Cash	PA 1, Line 52
Daniel's DKI	FC Emerg Abatement Svc-6/12 (Stipulation)	2,215.72	Cash	PA 1-4, Lines 32, 32, 13 & 21
El Paseo LLC	Lease Service-Retro Tax (Facilities Lease)	129.97	Cash	PA 1, Line 24
BB & K	Legal Services (Aquatic Facility)	649.25	Bonds	PA 2, Line 16
RW&G	Legal Services (Gen Legal)	14,221.54	Cash	PA 1-4, Lines 17, 23, 20, 10
VM Pool Service	NSP Pool Service-6/12	270.00	Cash	PA 1-4, Lines 32, 32, 13 &
		1,678,891.15		
	Less: Amounts to be paid from bonds proceeds	(1,636,866.13)		
	Amount to be restricted from Cash	<u>\$ 42,025.02</u>		

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

CASH BALANCES TO BE RETAINED FOR FISCAL YEAR 2012-2013 (ROPS 2 and ROPS 3)

	Project Area 1	Project Area 2	Project Area 3	Project Area 4	Totals
ROPS 2:					
ROP's 2 Original Request	\$ 38,705,093.43	\$ 11,708,165.42	\$ 3,789,369.10	\$ 8,459,833.36	\$ 62,662,461.31
ROP's Disallowed - (Schedule 7a)	(23,056.14)	(184,437.96)	-	(13,550.94)	(221,045.04)
Less: Use of Bond Proceeds Restricted in Procedure 6a - (Schedule 7b)	(387,478.29)	(3,162,337.43)	(1,596,213.72)	(1,053,637.42)	(6,199,666.86)
Adjustment for Pass-thru Trust Account Obligations amounts on ROPS 2	(8,667,301.11)	(250,168.83)	(532,294.71)	(2,990,664.20)	(12,440,428.85)
Actual Pass-thru Trust Account Obligations	85,392.11	4,305.09	20,734.80	25,503.59	135,935.59
Less: L/M Housing Fund Loan related to the 2009/10 SERAF loan repayment on ROPS 2	(1,304,766.40)	(469,450.66)	(121,289.12)	(332,154.83)	(2,227,661.01)
Less: Debt Service Payments Restricted in Procedure 6c - (Schedule 7c)	(10,452,241.39)	(4,389,815.66)	(365,570.02)	(2,010,158.75)	(17,217,785.82)
Subtotal ROPS 2 (Schedule 7d)	17,955,642.21	3,256,259.97	1,194,736.33	2,085,170.81	24,491,809.32
ROPS 3:					
Requested revision for ROPS 3 (See Exhibit 3)	2,175,370.00	628,192.00	174,664.00	509,397.00	3,487,623.00
Subtotal ROPS 3	2,175,370.00	628,192.00	174,664.00	509,397.00	3,487,623.00
Grand Total	<u>\$ 20,131,012.21</u>	<u>\$ 3,884,451.97</u>	<u>\$ 1,369,400.33</u>	<u>\$ 2,594,567.81</u>	<u>\$ 27,979,432.32</u>

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUPPORTING SCHEDULE - DISALLOWED ON ROPS 2

Line Number	Project Name	Description	Total July to Dec. 2012	Portion Disallowed
PROJECT AREA 1:				
51	NSP Rehabilitation	Payments on existing contract for Rehab/Resale of Single Family	\$ 16,115.00	\$ 8,056.14
52	Santa Rosa Apartments	Per contract dated 1/1/2000	30,000.00	15,000.00
TOTAL PROJECT AREA 1			<u>\$ 46,115.00</u>	<u>\$ 23,056.14</u>
PROJECT AREA 2:				
5	North Sphere Hotel land	Balance due Property Acquisition	\$ 90,000.00	\$ 90,000.00
6	North Sphere Property Acquisition	Loan for Property Acquisition	68,749.98	68,749.98
7	City Loan for formation of Project Area No. 2 - 1986	Formation of PA/Property Acquisition	<u>25,687.98</u>	<u>25,687.98</u>
TOTAL PROJECT AREA 2			<u>\$ 184,437.96</u>	<u>\$ 184,437.96</u>
PROJECT AREA 4:				
30	NSP Rehabilitation	Payments per existing contract related to Rehab/Resale of Single Family Dwelling	\$ 27,103.50	\$ 13,550.94
TOTAL PROJECT AREA 4			<u>\$ 27,103.50</u>	<u>\$ 13,550.94</u>
GRAND TOTAL			<u>\$ 257,656.46</u>	<u>\$ 221,045.04</u>

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUPPORTING SCHEDULE - USE OF BOND PROCEEDS ON ROPS 2

Line Number	Project Name	Description	Total July to Dec. 2012
PROJECT AREA 1:			
14	Alessandro Alleyway	Payments per existing contract for public parking improvements along commercial corridor	\$ 3,513.53
29	El Paseo Revitalization	Payments for existing contract for public improvements in the central	171,123.65
34, 35, 36 & 37	FW Drive Widening Improvements	Payments on existing contracts for street improvement along Fred	59,489.50
38	Portola Wall & Sidewalk Improvements	Payments on existing contract for public improvements relative to the	25,495.00
45	Bond Project Overhead Costs	Costs associated with administration of bond	127,856.61
TOTAL PROJECT AREA 1			\$ 387,478.29
PROJECT AREA 2:			
10	North Sphere Fire Station	Payments on existing contracts related to newly constructed fire station to serve the North Area	\$ 8,750.00
14, 15, 16 & 17	Aquatic Facility	Payments on existing contracts related to the Aquatic/Community Facility	2,020,764.78
28	Well Sites	Payments on existing contracts related to the North area required future well sites	667,246.00
37, 39, 40 & 41	Monterey @ I-10 Improvements	Payments on existing contracts for the street improvements related to arterial access inbound and outbound from Interstate 10 on Monterey	149,037.00
42	Portola @ I-10 Improvements	Payments on existing contract related to the alignment of Portola Avenue to connect with the proposed new interchange on I-10	18,636.93
48	Bond Project Overhead Costs	Costs associated with administration of bond funded projects	297,902.72
TOTAL PROJECT AREA 2			\$ 3,162,337.43

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUPPORTING SCHEDULE - USE OF BOND PROCEEDS ON ROPS 2

Line Number	Project Name	Description	Total July to Dec. 2012
PROJECT AREA 3:			
4, 5, 8 & 9	Cook Street Widening	Payments on existing contracts related to the infrastructure improvements on Cook Street	\$ 1,191,889.41
10	Public Safety Academy Reimbursement	Payments on existing contract related to the reimbursement of College of the Desert for the construction of the Public Safety Academy	300,000.00
29	Bond Project Overhead Costs	Costs associated with administration of bond funded projects	<u>104,324.31</u>
TOTAL PROJECT AREA 3			<u><u>\$ 1,596,213.72</u></u>
PROJECT AREA 4:			
5 & 6	PA 4 Public Improvements	Payments per existing contract related to the public improvements to develop and construct public facilities for emergency services, affordable housing, façade improvements to existing structures, and infrastructure improvements	\$ 17,274.00
7	PD Country Club Undergrounding	Payments per existing contract related to undergrounding of utilities in Project Area No. 4	15,058.15
18	Affordable Housing - Carlos Ortega Villas	Payments per existing contract for a 72 unit affordable senior complex	644,649.13
28	Public Safety Academy Reimbursement	Payments on existing contract related to the reimbursement of College of the Desert for the construction of the Public Safety Academy	100,000.00
31	Bond Project Overhead Costs	Costs associated with administration of bond funded projects	<u>276,656.14</u>
TOTAL PROJECT AREA 4			<u><u>\$ 1,053,637.42</u></u>
GRAND TOTAL			<u><u>\$ 6,199,666.86</u></u>

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUPPORTING SCHEDULE - RESTRICTED DEBT SERVICE PAYMENTS ON ROPS 2

Line Number	Project Name	Description	Payments Made July and Sept. 2012
PROJECT AREA 1:			
1	2002 Tax Allocation Refunding Bond Issue \$22,070,000	Semi-Annual Debt Service Payment	\$ 557,332.50
2	2003 Tax Allocation Bond Issue - \$19,000,000	Semi-Annual Debt Service Payment	475,000.00
3	2004 Tax Allocation Bond Issue - \$24,945,000	Semi-Annual Debt Service Payment	414,481.26
4	2006 Tax Allocation Bond Issue - \$62,320,000	Semi-Annual Debt Service Payment	1,286,634.50
5	2007 Tax Allocation Bond Issue - \$32,600,000	Semi-Annual Debt Service Payment	470,000.00
7	2002 Housing Tax Allocation Bond Issue - \$12,000,000	Semi-Annual Debt Service Payment	537,224.38
8	2007 Housing Tax Allocation Bond Issue - \$87,056,348	Semi-Annual Debt Service Payment	6,711,568.75
TOTAL PROJECT AREA 1			\$ 10,452,241.39
PROJECT AREA 2:			
1	2002 Tax Allocation Refunding Bond Issue \$17,310,000	Semi-Annual Debt Service Payment	\$ 1,059,818.75
2	2003 Tax Allocation Bond Issue - \$15,745,000	Semi-Annual Debt Service Payment	384,503.13
3	2006 Tax Allocation Bond Issue - \$67,618,273	Semi-Annual Debt Service Payment	2,945,493.78
TOTAL PROJECT AREA 2			\$ 4,389,815.66
PROJECT AREA 3:			
1	2003 Tax Allocation Bond Issue - \$4,745,000	Semi-Annual Debt Service Payment	\$ 91,132.51
2	2006 Tax Allocation Bond Issue - \$15,029,526	Semi-Annual Debt Service Payment	274,437.51
TOTAL PROJECT AREA 3			\$ 365,570.02
PROJECT AREA 4:			
1	1998 \$11,020,000 Tax Allocation Bond Issue	Semi-Annual Debt Service Payment	\$ 348,765.00
2	2001 \$15,695,000 Tax Allocation Bond Issue	Semi-Annual Debt Service Payment	655,983.75
3	2006 \$19,273,089 Tax Allocation Bond Issue	Semi-Annual Debt Service Payment	1,005,410.00
TOTAL PROJECT AREA 4			\$ 2,010,158.75
GRAND TOTAL			\$ 17,217,785.82

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUPPORTING SCHEDULE - CASH BALANCES FOR RETENTION TO MEET
 ENFORCEABLE OBLIGATIONS IN FISCAL YEAR 2012-2013 ON ROPS 2

Project Name/ Debt Obligation	Payee	Description	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Retention
PROJECT AREA 1:				
2002 Tax Allocation Refunding Bond Issue \$22,070,000	Wells Fargo Bank	December 2012 Debt Service Payment	\$ 557,332.50	ROPS 2, line 1
2003 Tax Allocation Bond Issue - \$19,000,000	Wells Fargo Bank	December 2012 Debt Service Payment	475,000.00	ROPS 2, line 2
2004 Tax Allocation Bond Issue - \$24,945,000	Wells Fargo Bank	December 2012 Debt Service Payment	1,569,481.25	ROPS 2, line 3
2006 Tax Allocation Bond Issue - \$62,320,000	Wells Fargo Bank	December 2012 Debt Service Payment	3,881,634.50	ROPS 2, line 4
2007 Tax Allocation Bond Issue - \$32,600,000	Wells Fargo Bank	December 2012 Debt Service Payment	3,425,000.00	ROPS 2, line 5
2002 Housing Tax Allocation Bond Issue - \$12,000,000	Wells Fargo Bank	December 2012 Debt Service Payment	226,124.38	ROPS 2, line 7
2007 Housing Tax Allocation Bond Issue - \$87,056,348	Wells Fargo Bank	December 2012 Debt Service Payment	1,606,468.75	ROPS 2, line 8
Indian Springs Stipulated Agreement	Indian Springs Mobilehome	Judgment related to ISMHP	69,834.00	ROPS 2, line 9
Trustee Services	Wells Fargo Bank	Payments per existing contract for professional services	1,419.00	ROPS 2, line 15
Disclosure Services	Willdan	Payments per existing contract for professional services	1,176.00	ROPS 2, line 16
Legal Services	Richards, Watson & Gershon	Payments per existing contract for professional services	7,878.00	ROPS 2, line 17

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUPPORTING SCHEDULE - CASH BALANCES FOR RETENTION TO MEET
 ENFORCEABLE OBLIGATIONS IN FISCAL YEAR 2012-2013 ON ROPS 2

Project Name/ Debt Obligation	Payee	Description	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Retention
Legal Services	Best, Best & Krieger	Payments per existing contract for professional services	\$ 660.00	ROPS 2, line 18
Professional Association	California Redevelopment Association	Payments per existing contract for professional services	2,580.00	ROPS 2, line 19
Auditing Services	Diehl, Evans & Co.	Payments per existing contract for professional services	2,167.00	ROPS 2, line 20
Reporting Services	Redevelopment Reporting Solutions	Payments per existing contract for professional services	430.00	ROPS 2, line 21
Banking Services	Union Bank	Payments per existing contract for professional services	102.00	ROPS 2, line 22
Liability Insurance	California JPIA	Payments per existing contract for professional services	1,158.00	ROPS 2, line 23
Facilities Lease	El Paseo LLC	Payments on existing contract providing a central location for	31,998.00	ROPS 2, line 24
Pass-thru Trust Account Obligations	Palm Desert Taxing Entities	Balances in trust per negotiated pass-thru agreements	85,392.11	ROPS 2, line 25, as adjusted for actual
Energy Independence Program	Lawyer's Title Ins Corp	Payments for existing contract related to title insurance services for	7,200.00	ROPS 2, line 26
Carrying Costs - Agency Property	Guzman Gardening	Payments for existing contract services related to Agency	1,944.00	ROPS 2, line 27
Carrying Costs - Agency Property	Overland Pacific & Cutler	Payments for existing contract services related to Agency	11,223.75	ROPS 2, line 28

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUPPORTING SCHEDULE - CASH BALANCES FOR RETENTION TO MEET
 ENFORCEABLE OBLIGATIONS IN FISCAL YEAR 2012-2013 ON ROPS 2

Project Name/ Debt Obligation	Payee	Description	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Retention
Project Area Administration	Various	Allowable Costs per Admin Plan - staff, utilities, professional services	\$ 660,815.88	ROPS 2, line 30
Vested Employee Benefit Obligation	RDA Assigned Employees	Obligation based on accrued leaves and current MOU	352,053.36	ROPS 2, line 31
Stipulated Judgment Case No. 51124	Desert Rose Affordable Housing Development	Duties required under said court order	2,833,632.90	ROPS 2, line 32
Replacement Reserve Fund	Palm Desert Housing Authority	1,100 Affordable Housing Apt Comp's	1,916,402.00	ROPS 2, line 33
PDHA Property Management	RPM Company	Payment on existing contract for Housing Authority property	123,708.00	ROPS 2, line 39
PDHA Properties	Andy's Landscape and Tree	Payment on existing contract for Housing Authority property	3,228.48	ROPS 2, line 40
PDHA Properties	West Coast Arborist	Payment on existing contract for Housing Authority property	5,603.51	ROPS 2, line 41
PDHA Property Maintenance	Utilities, Maint Services, HOA Dues, Etc.	Payment on existing contract for Housing Authority property	44,536.02	ROPS 2, line 42
Agency Owned Properties	Utilities, Maint Services, HOA Dues, Etc.	Agency owned properties monthly carrying costs prior to	24,999.96	ROPS 2, line 43
Additional Disclosures on TAB's	Willdan	Additional disclosures that will be required to report changes in the	1,400.00	ROPS 2, line 44
NSP Rehabilitation	Mostar Heavy Equipment Corp	Payments on existing contract for Rehab/Resale of Single Family - Allowable Portion	8,058.86	ROPS 2, line 51

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUPPORTING SCHEDULE - CASH BALANCES FOR RETENTION TO MEET
 ENFORCEABLE OBLIGATIONS IN FISCAL YEAR 2012-2013 ON ROPS 2

Project Name/ Debt Obligation	Payee	Description	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Retention
Santa Rosa Apartments	Utilities, Maint Services, Etc.	Per contract dated 1/1/00 - Allowable Portion	<u>\$ 15,000.00</u>	ROPS 2, line 52
PROJECT AREA 1 SUBTOTAL			<u>17,955,642.21</u>	
PROJECT AREA 2:				
2002 Tax Allocation Refunding Bond Issue \$17,310,000	Wells Fargo Bank	December 2012 Debt Service Payment	244,943.75	ROPS 2, line 1
2003 Tax Allocation Bond Issue - \$15,745,000	Wells Fargo Bank	December 2012 Debt Service Payment	384,503.13	ROPS 2, line 2
2006 Tax Allocation Bond Issue - \$67,618,273	Wells Fargo Bank	December 2012 Debt Service Payment	962,493.75	ROPS 2, line 3
Trustee Services	Wells Fargo Bank	Payments per existing contract for professional services	7,812.00	ROPS 2, line 21
Disclosure Services	Willdan	Payments per existing contract for professional services	6,468.00	ROPS 2, line 22
Legal Services	Richards, Watson & Gershon	Payments per existing contract for professional services	43,386.00	ROPS 2, line 23
Legal Services	Best, Best & Krieger	Payments per existing contract for professional services	3,642.00	ROPS 2, line 24
Professional Association	California Redevelopment Association	Payments per existing contract for professional services	14,208.00	ROPS 2, line 25
Auditing Services	Diehl, Evans & Co.	Payments per existing contract for professional services	5,968.00	ROPS 2, line 26

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUPPORTING SCHEDULE - CASH BALANCES FOR RETENTION TO MEET
 ENFORCEABLE OBLIGATIONS IN FISCAL YEAR 2012-2013 ON ROPS 2

<u>Project Name/ Debt Obligation</u>	<u>Payee</u>	<u>Description</u>	<u>Amount</u>	<u>Enforceable Obligation/ Other Legal Requirement Supporting Retention</u>
Project Area Administration		Allowable costs per Admin Plan - staff, utilities, professional services, etc.	\$ 205,827.90	ROPS 2, line 30
Vested Employee Benefit Obligation	RDA Assigned Employees	Obligation based on accrued leaves and current MOU	109,655.94	ROPS 2, line 31
Stipulated judgment Case No. 51124	Vineyards, Emerald Brook (aka Palm Desert 103) PDHA subsidy for 1,100 Affordable Units	Duties required under said court order	882,606.96	ROPS 2, line 32
PDHA Property Management	RPM Company	Payments on existing contract for the Housing Authority property management	12,366.00	ROPS 2, line 33
PDHA Properties	Andy's Landscape and Tree	Payments on existing contract for the Housing Authority property maintenance	322.50	ROPS 2, line 34
PDHA Properties	West Coast Arborist	Payments on existing contract for the Housing Authority property maintenance	559.95	ROPS 2, line 35
Replacement Reserve Fund	Palm Desert Housing Authority	1,100 Affordable Housing Apt Comp's	357,281.00	ROPS 2, line 36
Reporting Services	Redevelopment Reporting Solutions	Payments per existing contract for professional services	2,368.00	ROPS 2, line 43
Liability Insurance	California JPIA	Payments per existing contract for professional services	6,384.00	ROPS 2, line 44
Pass-thru Trust Account Obligations	Palm Desert Taxing Entities	Balances in trust per negotiated pass-thru agreements	4,305.09	ROPS 2, line 45, as adjusted for actual

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUPPORTING SCHEDULE - CASH BALANCES FOR RETENTION TO MEET
 ENFORCEABLE OBLIGATIONS IN FISCAL YEAR 2012-2013 ON ROPS 2

Project Name/ Debt Obligation	Payee	Description	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Retention
Additional Disclosures on TAB's	Willdan	Additional disclosures that will be required to report changes in the allocation of tax increment and the payment on tax allocation bonds due to AB26. These disclosures would not have been necessary without this legislative change	\$ 600.00	ROPS 2, line 46
Banking Services	Union Bank of California	Payments per existing contract for professional services	558.00	ROPS 2, line 47
PROJECT AREA 2 SUBTOTAL			<u>3,256,259.97</u>	
PROJECT AREA 3:				
2003 Tax Allocation Bond Issue - \$4,745,000	Wells Fargo Bank	December 2012 Debt Service Payment	206,132.50	ROPS 2, line 1
2006 Tax Allocation Bond Issue - \$15,029,526	Wells Fargo Bank	December 2012 Debt Service Payment	519,437.50	ROPS 2, line 2
Project Area Administration		Allowable costs per Admin Plan - staff, utilities, professional services, etc.	54,165.24	ROPS 2, line 11
Vested Employee Benefit Obligation	RDA Assigned Employees	Obligation based on accrued leaves and current MOU	28,856.82	ROPS 2, line 12
Stipulated Judgment Case No. 51124	Falcon Crest Affordable Housing Development - Homeowners at lots 1 thru 93, et al. PDHA Subsidy for 1,100 Affordable Units	Duties required under said court order	232,264.98	ROPS 2, line 13

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUPPORTING SCHEDULE - CASH BALANCES FOR RETENTION TO MEET
 ENFORCEABLE OBLIGATIONS IN FISCAL YEAR 2012-2013 ON ROPS 2

Project Name/ Debt Obligation	Payee	Description	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Retention
Replacement Reserve Fund	Palm Desert Housing Authority	1,100 Affordable Housing Apt Comp's	\$ 71,470.00	ROPS 2, line 14
PDHA Property Management	RPM Company	Payments on existing contract for Housing Authority property management	12,381.00	ROPS 2, line 15
PDHA Properties	Andy's Landscape and Tree	Payments on existing contract for Housing Authority property maintenance	322.50	ROPS 2, line 16
PDHA Properties	West Coast Arborist	Payments on existing contract for Housing Authority property maintenance	559.99	ROPS 2, line 17
Trustee Services	Wells Fargo Bank	Payments per existing contract for professional services	4,134.00	ROPS 2, line 18
Disclosure Services	Willdan	Payments per existing contract for professional services	3,420.00	ROPS 2, line 19
Legal Services	Richards, Watson & Gershon	Payments per existing contract for professional services	22,938.00	ROPS 2, line 20
Legal Services	Best, Best & Krieger	Payments per existing contract for professional services	1,926.00	ROPS 2, line 21
Professional Association	California Redevelopment Association	Payments per existing contract for professional services	7,513.00	ROPS 2, line 22
Auditing Services	Diehl, Evans & Co.	Payments per existing contract for professional services	3,156.00	ROPS 2, line 23
Reporting Services	Redevelopment Reporting Solutions	Payments per existing contract for professional services	1,252.00	ROPS 2, line 24

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUPPORTING SCHEDULE - CASH BALANCES FOR RETENTION TO MEET
 ENFORCEABLE OBLIGATIONS IN FISCAL YEAR 2012-2013 ON ROPS 2

<u>Project Name/ Debt Obligation</u>	<u>Payee</u>	<u>Description</u>	<u>Amount</u>	<u>Enforceable Obligation/ Other Legal Requirement Supporting Retention</u>
Pass-thru Trust Account Obligations	Palm Desert Taxing Entities	Balances in trust per negotiated pass-thru agreements	\$ 20,734.80	ROPS 2, line 25, as adjusted for actual
Additional Disclosures on TAB's	Willdan	Additional disclosures that will be required to report changes in the allocation of tax increment and the	400.00	ROPS 2, line 26
Liability Insurance	California JPIA	Payments per existing contract for professional services	3,378.00	ROPS 2, line 27
Banking Services	Union Bank of California	Payments per existing contract for professional services	<u>294.00</u>	ROPS 2, line 28
PROJECT AREA 3 SUBTOTAL			<u>1,194,736.33</u>	
PROJECT AREA 4:				
1998 \$11,020,000 Tax Allocation Bond Issue	Wells Fargo Bank	December 2012 Debt Service Payment	205,475.00	ROPS 2, line 1
2001 \$15,695,000 Tax Allocation Bond Issue	Wells Fargo Bank	December 2012 Debt Service Payment	303,821.25	ROPS 2, line 2
2006 \$19,273,089 Tax Allocation Bond Issue	Wells Fargo Bank	December 2012 Debt Service Payment	302,466.25	ROPS 2, line 3
Trustee Services	Wells Fargo Bank	Payments per existing contract for professional services	96.00	ROPS 2, line 8
Disclosure Services	Willdan	Payments per existing contract for professional services	84.00	ROPS 2, line 19
Legal Services	Richards, Watson & Gershon	Payments per existing contract for professional services	546.00	ROPS 2, line 10
Legal Services	Best, Best & Krieger	Payments per existing contract for professional services	48.00	ROPS 2, line 11

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUPPORTING SCHEDULE - CASH BALANCES FOR RETENTION TO MEET
 ENFORCEABLE OBLIGATIONS IN FISCAL YEAR 2012-2013 ON ROPS 2

Project Name/ Debt Obligation	Payee	Description	Amount	Enforceable Obligation/ Other Legal Requirement Supporting Retention
Professional Association	California Redevelopment Association	Payments per existing contract for professional services	\$ 179.00	ROPS 2, line 12
Auditing Services	Diehl, Evans & Co.	Payments per existing contract for professional services	150.00	ROPS 2, line 13
Reporting Services	Redevelopment Reporting Solutions	Payments per existing contract for professional services	30.00	ROPS 2, line 14
Liability Insurance	California JPIA	Payments per existing contract for professional services	13.00	ROPS 2, line 15
Banking Services	Union Bank of California	Payments per existing contract for professional services	7.50	ROPS 2, line 16
Project Area Administration		Allowable costs per Admin Plan - staff, utilities, professional services, etc.	162,495.72	ROPS 2, line 19
Vested Employee Benefit Obligation	RDA Assigned Employees	Obligation based on accrued leaves and current MOU	86,570.46	ROPS 2, line 20
Stipulated Judgment Case No. 51124	PDHA subsidy for 1,100 Affordable Units	Duties required under said court order	696,795.00	ROPS 2, line 21
Replacement Reserve Fund	Palm Desert Housing Authority	1,100 Affordable Housing Apt Comp's	273,489.00	ROPS 2, line 22
PDHA Property Management	RPM Company	Payments on existing contract for Housing Authority property management	12,366.00	ROPS 2, line 23
PDHA Properties	Andy's Landscape and Tree	Payments on existing contract for Housing Authority property maintenance	322.50	ROPS 2, line 24

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUPPORTING SCHEDULE - CASH BALANCES FOR RETENTION TO MEET
 ENFORCEABLE OBLIGATIONS IN FISCAL YEAR 2012-2013 ON ROPS 2

<u>Project Name/ Debt Obligation</u>	<u>Payee</u>	<u>Description</u>	<u>Amount</u>	<u>Enforceable Obligation/ Other Legal Requirement Supporting Retention</u>
PDHA Properties	West Coast Arborist	Payments on existing contract for Housing Authority property maintenance	\$ 559.98	ROPS 2, line 25
Additional Disclosures on TAB's	Willdan/RWG	Additional disclosures that will be required to report changes in the allocation of tax increment and the payment on tax allocation bonds due to AB26. These disclosures would not have been necessary without this legislative	600.00	ROPS 2, line 26
Pass-thru Trust Account Obligations	Palm Desert Taxing Entities	Balances in trust per negotiated pass-thru agreements	25,503.59	ROPS 2, line 27, as adjusted for actual
NSP Rehabilitation	AA Max	Payments per existing contract related to Rehab/Resale of Single Family Dwelling - Allowable Portion	13,552.56	ROPS 2, line 30
PROJECT AREA 4 SUBTOTAL			<u>2,085,170.81</u>	
GRAND TOTAL			<u>\$ 24,491,809.32</u>	

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

SUMMARY OF BALANCE AVAILABLE FOR ALLOCATION TO AFFECTED TAXING AGENCIES

As of June 30, 2012

Total amount of assets held by the Successor Agency as of June 30, 2012 - (Procedure 5)	\$ 237,808,728
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments - (Procedure 6)	(113,060,053)
Less assets that are not cash or cash equivalents (e.g., physical assets) - (Procedure 7)	(73,659,733)
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (Procedure 8)	(15,089,351)
Less balances needed to satisfy ROPS for the 2012-13 fiscal year - (Procedure 9)	(27,979,432)
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	-
Add the amount of any assets transferred to the City for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist - (Procedures 2 and 3)	-
Amount to be remitted to County for disbursement to affected taxing agencies	<u>\$ 8,020,159</u>

EXHIBIT 1

**RESTRICTED ASSETS FOR REPAYMENT OF LOANS
MADE WITH \$11,020,000 TAX ALLOCATION BONDS**

EXHIBIT 1a

**CASH RECEIVED ON LOAN TO
UNIVERSITY OF CALIFORNIA - RIVERSIDE
THROUGH JUNE 30, 2012**

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

Principal:

Original Principal Amount of Loan	\$ 2,000,000
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Less: Amount Restricted as Nonliquid Asset - Procedure 7 (Schedule 6)	<u>(800,000)</u>
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Total Principal	1,200,000
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Interest received on Loan:

07/15/2009	\$ 80,000
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07/15/2010	64,000
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07/15/2011	<u>48,000</u>
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Total Interest	<u>192,000</u>
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Total Restricted Due to Bond Documents	<u><u>\$ 1,392,000</u></u>
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EXHIBIT 1b

PROMISSORY NOTE

UNIVERSITY OF CALIFORNIA, RIVERSIDE

BERKELEY • DAVIS • IRVINE • LOS ANGELES • MERCED • RIVERSIDE • SAN DIEGO • SAN FRANCISCO



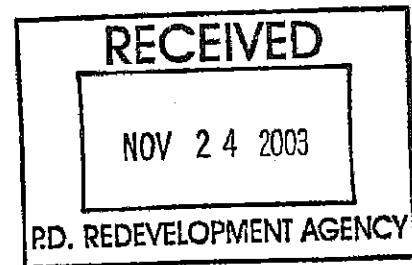
SANTA BARBARA • SANTA CRUZ

OFFICE OF ECONOMIC DEVELOPMENT
AND REAL ESTATE SERVICES
B-206 Highlander Hall
Riverside, California 92521
(909) 787-3388 fax: (909) 787-3299

November 21, 2003

VIA Federal Express

David Yrigoyen
Director of Redevelopment
City of Palm Desert
73-510 Fred Waring Drive
Palm Desert, CA 92260-2578



Re: Heckmann ICEM Promissory Note

Dear Dave,

Enclosed is the original Promissory Note, dated April 21, 2003, for \$2,000,000. This Note is given in accordance with the terms of the Disposition and Development Agreement between the Palm Desert Redevelopment Agency and The Regents of the University of California dated March 22, 2001, and amended December 12, 2002.

We are so pleased that construction is finally starting on the buildings. Thanks again for hanging in there with us through all the ups and downs. If I can be of any further assistance, please don't hesitate to call.

Happy Thanksgiving!

A handwritten signature in cursive script, appearing to read "Lisa".

Lisa Hjulberg
Real Estate Services Manager

LH:st
Enclosures

PROMISSORY NOTE

\$2,000,000.00

Palm Desert, California

Dated: April 21, 2003

FOR VALUE RECEIVED, the undersigned, THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California corporation, on behalf of its Riverside campus ("Maker"), hereby promises to pay to the order of the Palm Desert Redevelopment Agency, a public body, corporate and politic ("Holder"), at Palm Desert, California, without deduction or offset, the sum of Two Million Dollars (\$2,000,000.00) or such lesser amount, as may actually be disbursed to Maker (the "Loan"). This "Promissory Note" (this "Note") is issued pursuant to and arises out of the terms and conditions of the Disposition and Development Agreement between Maker and Holder, dated as of March 22, 2001, as amended by First Amendment to Disposition and Development Agreement, dated as of December 12, 2002 (the "DDA") regarding the construction of certain improvements to be owned by Maker (the "Development"). Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the DDA.

The outstanding principal balance of and interest on this Note shall be due and payable on the earlier of (a) the eighth anniversary of the Completion Date or (b) August 31, 2013 (the "Maturity Date"). No interest shall accrue nor interest or principal payments be due until the earlier of (a) the third anniversary of the Completion Date or (b) August 31, 2008 (the "Accrual Date"). Thereafter, interest shall accrue, and be paid annually in arrears, at the rate of 4% per annum simple interest on the declining balance of the Loan principal, if any. The Loan shall be repaid in five annual payments of equal principal amounts, and accrued interest thereon, beginning on the first anniversary of the Accrual Date. Provided, however, that upon any Event of Default by UCR, any unpaid principal and accrued interest shall bear interest until paid at an interest rate equivalent to the Local Agency Investment Fund ("LAIF") rate for the corresponding time period. If there is an Event of Default by UCR, then all sums outstanding on this Note shall become immediately due and payable at the option of Agency.

Repayment of the Note shall be only from gift funds dedicated to the Richard J. Heckmann International Center for Entrepreneurial Management or, if such gift funds are insufficient, from the UCR allocation of University Opportunity Funds.

Notwithstanding anything to the contrary contained herein, Maker shall not be required to make any payments hereunder to the extent that the outstanding principal balance of the Loan, and all accrued interest thereon, is paid in full. Any unpaid balance of interest and principal shall be due and payable on the Maturity Date. Maker may prepay, without penalty or premium, any amount of the interest on or principal of this Note prior to the Maturity Date. Prepayments shall be credited first against accrued interest, if any, and the balance shall be credited to principal.

This Note shall be governed by and construed in accordance with the laws of the State of California.

All parties who are obligated to pay any portion of the indebtedness represented by this Note, whether as principal, surety, guarantor, or endorser, hereby waive presentment for payment, demand, protest, notice of protest and notice of dishonor, and all other notices to which they might otherwise be entitled, and further waive all defenses based on release of security, extension of time, or other indulgence given in respect to payment of this Note, to whomsoever given, and further waive all defenses, generally, except the defense of actual payment of this Note according to its tenor.

Neither the failure of Holder to exercise its right to accelerate, nor reinstatement of this Note after such exercise, shall constitute a waiver of the right to exercise such rights at any other time.

This Note is to be construed so as to give effect to the intent of the parties to conform strictly to the law, and all interest payable on account of this Note shall be reduced, if necessary, to the highest amount allowable under the usury laws or other laws governing this transaction, should this transaction not be exempt from the same.


The undersigned hereby covenants and agrees to pay all costs and expenses of collection, whether by suit or otherwise, at any time or from time to time incurred, including without limitation attorney's fees and all costs and expenses actually incurred in connection with such collection efforts.

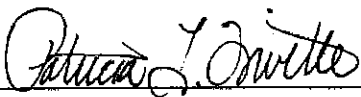
Subject to the foregoing, the terms of this Note shall be binding upon and inure to the benefit, as the case or context may require, of the respective heirs, successors in interest and assigns of the undersigned and the Holder.

Time is of the essence with respect to each and every provision hereof. If any provision hereof is found to be invalid or unenforceable by a court of competent jurisdiction, the invalidity thereof shall not affect the enforceability of the remaining provisions of this Note.

"Maker"

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,
a California corporation,
on behalf of its Riverside campus

By 
Title: CHAIRMAN

By 
Title SECRETARY

APPROVED AS TO FORM



JAMES D. AGATE
UNIVERSITY COUNSEL OF THE REGENTS
OF THE UNIVERSITY OF CALIFORNIA

EXHIBIT 1c

DETAIL USE OF BOND PROCEEDS TO FUND LOAN

SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO ALL OTHER FUNDS

BOND PROCEEDS USED FOR LOAN TO UNIVERSITY OF RIVERSIDE

<u>Date</u>	<u>Vendor</u>	<u>Project</u>	<u>Description</u>	<u>Amount</u>
2/13/2004	Regents of University of California	University of Riverside	URC - Infrastructure loan payment	\$ 202,680.00
3/31/2004	Regents of University of California	University of Riverside	URC - Infrastructure loan payment	41,847.75
4/30/2004	Regents of University of California	University of Riverside	URC - Infrastructure loan payment	48,500.00
4/30/2004	Regents of University of California	University of Riverside	URC - Infrastructure loan payment	53,651.25
6/4/2004	Regents of University of California	University of Riverside	URC - Infrastructure loan payment	161,044.20
6/4/2004	Regents of University of California	University of Riverside	URC - Infrastructure loan payment	195,426.00
6/4/2004	Regents of University of California	University of Riverside	URC - Infrastructure loan payment	1,000.00
6/25/2004	Regents of University of California	University of Riverside	URC - Infrastructure loan payment	52,123.50
6/25/2004	Regents of University of California	University of Riverside	URC - Infrastructure loan payment	85,140.00
6/25/2004	Regents of University of California	University of Riverside	URC - Infrastructure loan payment	30.00
8/31/2004	Regents of University of California	University of Riverside	URC - Infrastructure loan payment	554,784.00
11/24/2004	Regents of University of California	University of Riverside	URC - Infrastructure loan payment	603,773.30
				<u>\$ 2,000,000.00</u>

Bond Draw 06/18/04	G:\PD\Duane Barnhart\Excel Files\Bond Draw\projcostforbond\draws - O Inco.xls\Exhibit 'A' 98 x 012 lp										For the months ending 6/30/2004			
PROJECT COSTS FROM WARRANTS														
Date	WR #	Ck #	Vendor	Project	Description	Amount	Project #4 1998 \$11.02M	Loan Fund						
3/5/2004	186	115867	Willdan	854-4195-466-3092	Storm Drain Improvment	Engineering Services	9,793.03	9,783.03						
3/5/2004	186	116867	Willdan	854-4195-466-3092	Storm Drain Improvment	Engineering Services	31,467.34	31,467.34						
3/12/2004	191	117022	Willdan	854-4195-466-3092	Storm Drain Improvment	Engineering Services	80,672.78	80,672.78						
6/4/2004	244	118813	Willdan	854-4195-466-3092	Storm Drain Improvment	Engineering Services	1,804.86	1,804.86						
4/9/2004	206	117672	Willdan	854-4195-466-3092	Storm Drain Improvment	Engineering Services	29,089.06	29,089.06						
5/21/2004	235	118490	Coachella Valley Construction	854-4195-466-3092	Storm Drain Improvment	Construction RW	36,000.00	36,000.00						
2/13/2004	173	3054787	Regents of University of Calif	854-4431-433-4001	University of Riverside	UCR-Infrastructure loan pvt	202,680.00	202,680.00						
3/31/2004	201	3056022	Regents of University of Calif	854-4431-433-4001	University of Riverside	UCR-Infrastructure loan pvt	41,847.75	41,847.75						
4/30/2004	225C	3051387	Regents of University of Calif	854-4431-433-4001	University of Riverside	UCR-Infrastructure loan pvt	48,500.00	48,500.00						
4/30/2004	225C	3051387	Regents of University of Calif	854-4431-433-4001	University of Riverside	UCR-Infrastructure loan pvt	53,651.25	53,651.25						
6/4/2004	242	3059490	Regents of University of Calif	854-4431-433-4001	University of Riverside	UCR-Infrastructure loan pvt	161,044.20	161,044.20						
6/4/2004	242	3059490	Regents of University of Calif	854-4431-433-4001	University of Riverside	UCR-Infrastructure loan pvt	195,426.00	195,426.00						
1/14/2004	164	115721	State Water Resources Control	854-4670-454-4001	Freedom Park	Storm Water Fee	1,000.00	1,000.00						
1/28/2004	164	118033	Mayers & Associates	854-4670-454-4001	Freedom Park	Mass Grading	1,067.00	1,067.00						
1/28/2004	164	116025	David Evans & Associates	854-4670-454-4001	Freedom Park	Prelim Design/Const Docs	1,783.81	1,783.81						
1/2/2004	145	115390	David Evans & Associates	854-4670-454-4001	Freedom Park	Prelim Design/Const Docs	301.66	301.66						
12/16/2003	136	115132	David Evans & Associates	854-4670-454-4001	Freedom Park	Prelim Design/Const Docs	3,796.84	3,796.84						
3/19/2004	196	117180	David Evans & Assoc	854-4670-454-4001	Freedom Park	Prelim Design/Const Docs	11,639.75	11,639.75						
3/19/2004	196	117191	Southern Calif Edison	854-4670-454-4001	Freedom Park	Relocate Vault	1,491.59	1,491.59						
5/6/2004	227	118215	National Construction Rentals	854-4670-454-4001	Freedom Park	Temporary Fence	9,215.78	9,215.78						
5/21/2004	235	118491	Environmental Products	854-4670-454-4001	Freedom Park	Dust Control	3,531.24	3,531.24						
							5,500.00	5,500.00						
						Less Land Sale Proceeds	(804,000.00)	(804,000.00)						
						Sub-total Bond Draw	127,304.01	127,304.01						
						5% ADMIN COST DRAW	6,365.20	6,365.20						

Exhibit A

[illegible]

Exhibit A

G:\RD\Veronica Tapia\Excel Files\Bond Draws\proj\costs\bond\Draws - 2004 - 2005 revised.xls\Exhibit "A" 98 4 014										For the months ending 8/31/2004	
PROJECT COSTS FROM WARRANTS											
Date	WR #	CK #	Vendor	Project	Description	Amount	Project #4 1998 \$11.02M	Loan Fund			
8/12/2004	47	120304	David Evans & Associates	Freedom Park	Construction Documents	14,816.76		14,816.76			
8/31/2004	57	3057200	Regents of University of California	University of Riverside	UCR-Infrastructure loan p	554,784.00		554,784.00			
7/16/2004	20	119705	Willidan	WTSD	Engineering Services	2,880.55		2,880.55			
7/30/2004	36	120040	Willidan	WTSD	Storm Drain Engineering Se	1,660.00		1,660.00			
8/20/2004	51	120449	Richards, Watson & Gershon	WTSD	Legal Service	375.00		375.00			
						Sub-total Bond Draws		574,516.31			
						5% Admin Cost Draw		28,725.82			
						Total Draw/Disbursement		603,242.13			
Reviewed:											
Director of Redevelopment											
Approved for Disbursement:											
Director of Finance											
Assistant City Manager/Redevelopment											

PROJECT COSTS FROM WARRANTS

For the months ending
11/30/2004

Date	WR #	Ck #	Vendor	Account Number	Project	Description	Amount	Project #4 1998 \$11,02M Loan Fund
11/24/2004	114	4322967	David Evans & Associates	854-4670-454-4001	Freedom Park	Instruction Document \$	12,172.68	12,172.68
11/24/2004	114	3059979	Regents of University of California	854-4431-433-4001	University of Riverside	UCR-Infrastructure loan	603,773.30	603,773.30
						Sub-total Bond Draws	615,945.98	615,945.98
						5% Admin Cost Draw	30,797.30	30,797.30
						Total Draw/Disbursement	646,743.28	646,743.28
						Approved for Disbursement		98-4-017
						Director of Finance		

Reviewed: *[Signature]* 12-6-04
Director of Redevelopment

[Signature] 12/6/04
Miss Emily City Manager/Redevelopment

Reviewed:

Director of Redevelopment

Assistant City Manager/Redevelopment

EXHIBIT 1d

**CERTIFICATE - USE OF PROCEEDS,
\$11,020,000 SERIES 1998 TAX ALLOCATION BONDS**

Certificate Regarding Arbitrage, Use of
Proceeds and Related Matters

with reference to

\$11,020,000
Palm Desert Financing Authority
Tax Allocation Revenue Bonds
(Project Area No. 4)
Series 1998

The undersigned Deputy Secretary of the Financing Authority and Executive Director of the Agency, hereby certifies as follows:

1. Definitions. All terms not defined below will have the meanings ascribed thereto in that certain Indenture of Trust dated as of March 1, 1998, by and between the Palm Desert Financing Authority and First Trust of California, National Association, as Trustee (the "Indenture"). The terms below will have the meanings ascribed thereby, unless the context requires otherwise:

"Available Construction Proceeds" means the sum of (i) the Issue Price of the Construction Issue, (ii) earnings on such Issue Price, (iii) earnings on amounts in any reasonably required reserve or replacement fund not funded from the Construction Issue and earnings on all of the foregoing earnings, less the (iv) amount of such Issue Price in any reasonably required reserve or replacement fund (such as the Reserve Fund for the Construction Issue) and the costs of issuance financed by the Construction Issue and less amounts earned on the Reserve Fund for the Construction Issue after the earlier of the close of the two-year period after the Delivery Date or the date construction is substantially completed. (For purposes of this definition, earnings include earnings on any Tax-exempt Bond. For the first three spending periods of the two-year expenditure schedule described in Paragraph 5.B(4) hereof, Available Construction Proceeds include the amount of future earnings that the Financing Authority reasonably expects, as of the Delivery Date. For the fourth spending period described in Paragraph 5.B(4) hereof, and any subsequent date as of which computations are made, Available Construction Proceeds include the actual earnings received to that date and earnings expected as of that date to be earned in the future. Earnings on any reasonably required reserve or replacement fund (such as the Reserve Fund for the Construction Issue) are Available Construction Proceeds only if the Financing Authority does not elect to exclude such earnings pursuant to the election described in Paragraph 5.B(5)(a) hereof, and only to the extent that those earnings accrue before the earlier of (i) the date construction is substantially completed or (ii) the date that is two years after the Delivery Date.)

"Bond Year" means each one-year period that ends on the day selected by the Financing Authority. If no day is selected by the Financing Authority before the earlier of the final maturity date of the Bonds or the date that is five years after the Delivery Date, Bond Years end on each anniversary of the Delivery Date and the last Bond Year ends on the final maturity date.

"Bonds" means the Palm Desert Financing Authority, Tax Allocation Revenue Bonds (Project Area No. 4), Series 1998.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commingled Fund" means any fund or account containing both Gross Proceeds and amounts in excess of \$25,000 that are not Gross Proceeds if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of funds deposited in the fund or account.

"Computation Date" means each date that rebate on the Bonds is computed. A "Computation Date" may be any date provided such date is within five years of the Delivery Date. After the first payment of rebate, if any, is due, either the end of each Bond Year or the end of each fifth Bond Year shall be the Computation Date.

"Computation Date Credit" means a credit of \$1,000 against the rebatable arbitrage on (i) the last day of each Bond Year during which there are amounts allocated to Gross Proceeds of the Bonds that are subject to the Rebate Requirement; and (ii) the final maturity date of the Bonds.

"Computation Period" means the period between Computation Dates. The first Computation Period begins on the Delivery Date and ends on the first Computation Date. Each succeeding Computation Period begins on the date immediately following the Computation Date and ends on the next Computation Date.

"Construction Expenditures" means capital expenditures (as further defined in the Treasury Regulations) that are allocable to the cost of Real Property or Constructed Personal Property. Construction Expenditures do not include expenditures for acquisitions of interests in land or other existing Real Property.

"Construction Issue" means the portion of the Bonds specified in Paragraphs 2.A and 3 hereof. The Financing Authority reasonably expects, as of the Delivery Date, that at least 75 percent of the Available Construction Proceeds of the Construction Issue will be allocated to Construction Expenditures for property owned by a governmental unit or a 501(c)(3) organization.

"Constructed Personal Property" means Tangible Personal Property or Specially Developed Computer Software if (i) a substantial portion of the property is completed more than six months after the earlier of the date construction or rehabilitation commenced and the date the Financing Authority or the Agency entered into an acquisition contract; (ii) based on the reasonable expectations of the Financing Authority or the Agency, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the Financing Authority or the Agency) could not have occurred within that six-month period; and (iii) if the Financing Authority or the Agency itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Financing Authority or the Agency.

"Delivery Date" means the Issue Date of the Bonds which is March 10, 1998, the date on which there is a physical delivery of the Bonds in exchange for the Issue Price.

"Final Computation Date" means the date that the Bonds are discharged. If the Bonds are retired within three years of the Delivery Date, however, the Final Computation Date need not occur before the end of eight months after the Delivery Date or during the period the Financing Authority reasonably expects that any of the spending exceptions to the Rebate Requirement will apply to the Bonds.

"Financing Authority" means the Palm Desert Financing Authority.

"Fiscal Period" means any consistent time period within the fiscal year of the Financing Authority, but at least quarterly.

"Gross Proceeds" means any Proceeds and Replacement Proceeds.

"Higher Yielding Investments" means any Investment Property which produces a yield over the term of the Bonds which is Materially Higher than the yield on the Bonds.

"Investment" means any Investment Property and any other Tax-exempt bond.

"Investment Proceeds" means any amounts actually or constructively received from investing Proceeds of the Bonds.

"Investment Property" means any security (within the meaning of that term of Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, Investment-type Property or, in the case of a bond other than a private activity bond, any residential rental property for family units which is not located within the jurisdiction of the Financing Authority and which is

not acquired to implement a court ordered or approved housing desegregation plan. "Investment Property" does not include any Tax-exempt bond, except that with respect to an issue other than an issue a part of which is a specified private activity bond (as defined in Section 57(a)(5)(C) of the Code), "Investment Property" includes a specified private activity bond.

"Investment-type Property" means any property that is held principally as a passive vehicle for the production of income. A prepayment for property or services is "Investment-type Property" if a principal purpose for prepayment is receipt of an investment return from the time the prepayment is made until the time payment otherwise would be made. A prepayment is not "Investment-type Property" if (i) the prepayment is made for a substantial business purpose other than investment return and neither the Financing Authority nor the Agency has a commercially reasonable alternative to the prepayment, or (ii) prepayments on substantially the same terms are made by a substantial percentage of persons who are similarly situated to the Financing Authority or the Agency but who are not beneficiaries of tax-exempt financing. Investment-type Property also includes a contract that hedges the risk of the Financing Authority or the Agency of interest rate changes if such contract contains a significant investment element (i.e., an expected return), such as one that provides for non-periodic payments or payments that do not otherwise correspond closely in time.

"Issue Date" means the date on which there is a physical delivery of the Bonds in exchange for the Issue Price.

"Issue Price" means the issue price as defined in Sections 1273 and 1274 of the Code and which is, with respect to the Bonds, the first price at which a substantial amount of the Bonds was sold to the public. For purposes of this definition, "substantial amount" means ten percent or more.

"Materially Higher" means (i) with respect to Sales Proceeds and Investment Proceeds, more than one-eighth of one percent, and (ii) with respect to Replacement Proceeds, one-thousandth of one percent.

"Net Sale Proceeds" means Sale Proceeds, less the portion, if any, of the Sale Proceeds invested in the Reserve Fund, and less the minor portion of \$100,000.

"Nonpurpose Investment" means any Investment Property which is acquired with Gross Proceeds and which is not acquired in order to carry out the governmental purpose of the Bonds.

"Opinion of Counsel" means an approving written opinion of nationally recognized bond counsel.

"Payment" means, with respect to the calculation of rebate, (i) amounts actually or constructively paid to acquire a Nonpurpose Investment (or treated as paid to a Commingled Fund); (ii) for a Nonpurpose Investment that is first allocated to the Bonds on a date after it is actually acquired or that becomes subject to the rebate requirement on a date after it is actually acquired, the Value of that Nonpurpose Investment on that date; (iii) for a Nonpurpose Investment that was allocated to the Bonds at the end of the preceding Computation Period, the Value of that Nonpurpose Investment at the beginning of the Computation Period; and (iv) on the last day of each Bond Year during which there are amounts allocated to Gross Proceeds that are subject to the rebate requirement, and on the final maturity date, the Computation Date Credit.

"Plain Par" means, in connection with "bond" or "investment," a bond or an investment (i) issued, or, in the case of an investment acquired on a date other than the issue date, acquired, with not more than a de minimis amount (i.e., two percent of the stated principal amount) of discount or premium; (ii) issued for a price that does not include accrued interest, other than amounts representing interest that have accrued for a period of not greater than one year before its issue date but only if those amounts are paid within one year after the issue date; (iii) that bears interest from the date at a single, stated, fixed rate or that is a variable rate debt instrument under section 1275 of the Code, in each case with interest unconditionally payable at least annually; and (iv) that has a lowest stated redemption price that is not less than its outstanding stated principal amount. In addition, a Plain Par bond shall include a "qualified tender bond" as defined in Notice 88-130 of the Internal Revenue Service.

"Pledged Fund" means (i) any amount that is directly or indirectly pledged (a pledge provides reasonable assurance that the amount pledged will be available to pay principal or interest on the Bonds, even if the Agency encounters financial difficulties) to pay principal or interest on the Bonds, and (ii) an amount held under an agreement to maintain such amount at a particular level for the direct or indirect benefit of the Bondholders or a guarantor of the Bonds. An amount is not a Pledged Fund if (i) the Financing Authority or the Agency or a substantial beneficiary may grant rights in the amount that are superior to the rights of the Bondholders or a guarantor, or (ii) the amount does not exceed reasonable needs for which it is maintained, the required level is tested no more frequently than every six months, and the amount may be spent without any substantial restriction other than a requirement to replenish the amount by the next testing date.

"Pre-issuance Accrued Interest" means amounts representing interest that accrued on an obligation for a period not greater than one year before its issue date but only if those amounts are paid within one year after the issue date.

"Proceeds" means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Bonds.

"Purpose Investment" means an investment that is acquired to carry out the governmental purpose of the Bonds.

"Qualified Administrative Costs" means reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage and selling commissions that are comparable to those charged to nongovernmental entities in transactions not involving proceeds of Tax-exempt bonds, but not legal and accounting fees, recordkeeping, custody or similar costs. In addition, certain indirect administrative costs may be characterized as Qualified Administrative Costs with respect to Nonpurpose Investments in publicly offered regulated investment companies and certain "external commingled funds," within the meaning of that term under Section 1.148-5 of the Treasury Regulations. For a guaranteed investment contract, a broker's commission or similar fee paid on behalf of either the Authority or the provider is not a Qualified Administrative Cost to the extent that the present value (using the taxable rate applied by the parties to the contract in determining the commission or fee as the discount rate, or if that rate is not readily ascertainable then a reasonable taxable discount rate) of the commission or fee as of the date the contract is first allocated to the Bonds exceeds the present value of annual payments equal to .05 percent of the weighted average amount reasonably expected to be invested each year during the term of such contract.

"Qualified Guarantee" means a guarantee which satisfies each of the following requirements: (i) as of the date such guarantee is obtained, the Financing Authority reasonably expects that the present value of the fee for the guarantee will be less than the present value of the expected interest savings on the Bonds as a result of the guarantee; (ii) the guarantee is a guarantee in substance in that the guarantee imposes a secondary liability that unconditionally shifts substantially all of the credit risk for all or part of the payments of debt service on the Bonds; (iii) the fee for such guarantee does not exceed a reasonable, arm's-length charge for the transfer of credit risk; and (iv) all other applicable provisions of Section 1.148-4(f)(2), (3) and (4) of the Treasury Regulations.

"Real Property" means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property.

"Reasonable Retainage" means an amount, not to exceed five percent of (i) Available Construction Proceeds as of the end of the two-year expenditure schedule (in the case of the two-year exception to the rebate requirement) or (ii) Net Sale Proceeds as of the end of the 18-month expenditure schedule (in the case of the 18-month exception to the rebate requirement), that is retained for reasonable business purposes relating to the

property financed with the issue. For example, a Reasonable Retainage may include a retention to ensure or promote compliance with a construction contract in circumstances in which the retained amount is not yet payable, or in which the Financing Authority or the Agency reasonably determines that a dispute exists regarding completion or payment.

"Rebate Bond Yield" means the yield described in Paragraph 4 of this Certificate, unless either: (i) the Financing Authority or any conduit borrower enters into a hedge transaction (e.g., interest rate swap, interest rate cap or collar) which has not otherwise been taken into account in computing such yield; or (ii) the Authority or any conduit borrower, in a transaction that is separate and apart from the original sale of the Bonds, transfers, waives or modifies any right that is part of the terms of the Bonds.

"Rebate Expert" means a person or firm which has the experience and expertise to compute rebatable arbitrage in accordance with the Code and applicable Treasury Regulations.

"Rebate Requirement" means the obligation of the Financing Authority to pay rebatable arbitrage as described in Paragraph 5 of this Certificate.

"Receipt" means, with respect to the calculation of rebate, (i) amounts actually or constructively received from a Nonpurpose Investment (including amounts treated as received from a Commingled Fund), such as earnings and return of principal; (ii) for a Nonpurpose Investment that ceases to be allocated to the Bonds before its disposition or redemption date or that ceases to be subject to the rebate requirement on a date earlier than its disposition or redemption date, the Value of that Nonpurpose Investment on that date; and (iii) for a Nonpurpose Investment that is held at the end of a Computation Period, the Value of that Nonpurpose Investment at the end of that Computation Period.

"Replacement Proceeds" means amounts that have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds such that those amounts would have been used for that governmental purpose if the Proceeds of the Bonds were not used or to be used for that governmental purpose. "Replacement Proceeds" include Pledged Funds and Sinking Funds.

"Sale Proceeds" means any amounts actually or constructively received from the sale of the Bonds, including amounts used to pay underwriter's discount and accrued interest, if any, except Pre-issuance Accrued Interest.

"Sinking Fund" means and includes a debt service fund, redemption fund, reserve fund, replacement fund, or any similar fund, to the extent reasonably expected to be used directly or indirectly to pay principal or interest on the Bonds.

"Specially Developed Computer Software" means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to Real Property or other Constructed Personal Property.

"Tangible Personal Property" means any tangible personal property other than Real Property, including interests in Tangible Personal Property. For example, Tangible Personal Property includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

"Tax-exempt bond" means any obligation the interest on which is excluded from gross income under Section 103 of the Code. In the context of investments of Gross Proceeds in Tax-exempt bonds, such investments also include (i) an interest in a regulated investment company to the extent that at least 95 percent of the income to the holder is interest excludable from gross income under Section 103 of the Code or (ii) a United States Treasury State and Local Government Series-Demand Deposit Certificate of Indebtedness.

"Treasury Regulations" means the Treasury Regulations promulgated by the Department of the Treasury of the United States under Section 103 and Sections 141 through 150 of the Code.

"Universal Cap" means the Value of all then outstanding Bonds.

"Value" of a bond means, with respect to a Plain Par bond, the outstanding principal amount, plus accrued unpaid interest, and for any other bond, "Value" means its present value. "Value" of an investment means the following:

A. Subject to the rules in the following subparagraph B, the Value of an investment on a date may be determined by using one of the following valuation methods consistently applied for all purposes relating to arbitrage and rebate with respect to that investment on that date: (i) a debt obligation acquired with not more than a two percent discount or premium may be valued at its outstanding stated principal amount, plus accrued unpaid interest; (ii) a fixed rate investment may be valued at its present value; and (iii) an investment may be valued at its fair market value.

B. Yield restricted investments shall be valued at present value. Except as otherwise provided in the preceding sentence, an investment shall be valued at its fair market value when it is first allocated to the Bonds, when it is disposed of and when it is deemed acquired or deemed disposed of,

unless it is an investment either (i) that is allocated from one exclusively tax-exempt issue to another exclusively tax-exempt issue as a result of transferred proceeds or the application of the universal cap or (ii) that is an investment in a Commingled Fund (other than a bona fide debt service Commingled Fund) other than on its initial deposit to or withdrawal from a common reserve, replacement or sinking Commingled Fund.

2. Responsible Officer; Statement as to Facts, Estimates and Circumstances. The undersigned Deputy Secretary of the Financing Authority and Executive Director of the Agency is one of the officials charged with the responsibility of causing the issuance and delivery of the Bonds. The undersigned has made due inquiry with respect to the matters discussed in this Certificate and certifies in good faith and to the best of his knowledge as to the expectations of the Financing Authority and the Agency on the date of this Certificate, which is the Issue Date of the Bonds.

A. Construction Issue. The Financing Authority and the Agency expect that 75 percent of the Available Construction Proceeds will be spent on Construction Expenditures, as set forth in subparagraph C, below.

B. Amount and Purpose of Bonds. The Bonds are being issued by the Financing Authority for the purpose of providing moneys which, together with other available moneys of the Financing Authority and the Agency, will be sufficient to: (i) finance certain capital improvement projects, (ii) finance the acquisition of land and interests in land and other real property related to those capital improvement projects, and (iii) pay costs related to the issuance of the Bonds including premiums for bond insurance and a Reserve Fund surety bond.

C. Timing of Expenditures; Due Diligence. The Net Sale Proceeds of the Bonds together with investment earnings thereon and certain other funds of the Agency are expected to be sufficient to finance all of the capital improvement projects. As described more fully below, the Agency will incur a substantial binding obligation with third parties to expend at least five percent of the Net Sale Proceeds within six months of the Delivery Date. After such substantial binding obligation is incurred, the acquisition of the land and the construction of the improvements thereto and the construction of the other capital improvements and the allocation of Net Sale Proceeds to expenditures will proceed with due diligence to completion. The Financing Authority and the Agency expect that at least 85 percent of the Net Sale Proceeds of the Bonds will be allocated to expenditures on the capital improvement projects within three years of the Issue Date.

All of the Net Sale Proceeds of the Bonds will be used to finance the following governmentally owned and operated capital improvements:

(1) Landscaping and sidewalk improvements throughout the Project Area. Two landscaping and sidewalk improvement projects will be undertaken by the Agency. The design of the first landscaping and sidewalk improvement project is expected to be completed by September 1, 1998, at a total cost of \$134,000. The first landscaping and sidewalk improvement project is expected to be completed on April 1, 1999, at a total cost of \$632,000. The design of the second project is expected to be completed by September 1, 2000, at a cost of \$55,000. The construction of the improvements is expected to be completed by March 1, 2001, at a cost of \$220,000.

(2) Traffic signalization. There are nine different traffic signalization projects planned for the Project Area. The design of three of the traffic signalization projects is expected to be completed by September 1, 1998, at a total cost of \$90,000. Installation of the first project is expected to be completed by April 1, 1999, at a cost of \$360,000. The design of an additional traffic signalization project is expected to be completed by September 1, 1999, at a cost of \$30,000. Installation of that project is expected to be completed by April 1, 2000, at a cost of \$120,000. The design of an interconnected, coordinated traffic signalization system for four major thoroughfares is expected to be completed by September 1, 2000 at a cost of \$225,000. Installation of the system will occur by March 1, 2001, at a cost of \$900,000.

(3) Street improvements along Country Club Drive, Warner Trail and Washington Street. The design of the street improvement projects is expected to be completed by September 1, 1999, at a total cost of \$50,000. All such street improvements are expected to be completed by May 1, 2000, at a total cost of \$150,000.

(4) Neighborhood park to be located near Palm Desert Country Club. The total cost of the neighborhood is estimated to be \$500,000. The neighborhood park is estimated to be completed by April 1, 1999.

(5) Storm drainage improvements to be located along the eastern portion of the Project Area. The storm drainage projects will be undertaken in four phases. Design of the first two phases (Area B and Area L) is expected to be completed by June 1, 1999 at a total cost of \$1,000,000. Design of the remaining phases (Area S and Area A1) is expected to be completed by October 1, 1999, at an additional cost of \$1,000,000. The construction of the improvements for Area L is expected to be completed by December 1, 2000 at a cost of \$2 million. Construction of the improvements for Area B is expected to be completed by March 1, 2001, at a cost of \$2,600,000.

D. No Pooling. The Financing Authority and the Agency do not expect to use and will not use the proceeds of the Bonds directly or indirectly to make or finance loans to two or more ultimate borrowers.

E. Single Issue. Neither the Financing Authority nor the Agency expects to issue other obligations which have been or will be: (i) sold within 15 days before or after February 24, 1998 (the date of execution of the Bond purchase agreement), (ii) sold pursuant to the same plan of financing with the Bonds, and (iii) reasonably expected to be paid from substantially the same source of funds as will be used to pay the Bonds.

F. No Replacement; Average Life. No portion of any amounts received from the sale of the Bonds will be used, directly or indirectly, to replace moneys or substitute for other funds of the Financing Authority or the Agency (or any related person) that have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to permit the conclusion that such moneys would have been used as a source of financing or to pay principal and interest on the Bonds if the Bonds were not issued for such purpose, and used to acquire, directly or indirectly, Investment Property producing a yield in excess of the yield on the Bonds described in Paragraph 4 hereof. As shown by the schedules of the Financial Advisor attached hereto, the weighted average maturity of the Bonds of 20.427 does not exceed 120 percent of the average reasonably expected economic life of the facilities financed with the proceeds of the Bonds, determined in the same manner as under Section 147(b) of the Code.

G. Timing of Issuance; No Hedge Bonds. The date of issuance of the Bonds has been determined solely on the basis of bona fide financial reasons, in accordance with ordinary financial practice in financing or refinancing the facilities and improvements similar to those described in this Certificate, and has not been determined with a view to prolonging abnormally the period between issuance of the Bonds and the expenditure of the proceeds. The Financing Authority and the Agency expect to spend at least 85 percent of the Net Sale Proceeds of the Bonds within three years of the Issue Date, and not more than 50 percent of the proceeds of the Bonds will be invested in Nonpurpose Investments having substantially guaranteed yields for four years or more.

H. No Adverse Action. Neither the Financing Authority nor the Agency has been notified that its certification as to expectations may not be relied upon with respect to its bonds or other obligations. Neither the Financing Authority nor the Agency has been advised that any adverse action by the Internal Revenue Service is contemplated.

3. Reasonable Expectations as to Facts, Estimates and Circumstances. The Financing Authority and the Agency make the following representations and statements of fact and expectation.

A. Application of Sale Proceeds.

(1) Sale Proceeds. The net amount of Sale Proceeds received by the Financing Authority from the sale of the Bonds, including original issue premium of \$7,862.10, excluding Pre-issuance Accrued Interest of \$13,893.18, and including underwriter's compensation (discount) of \$115,710, is \$11,027,862.10.

(2) Loan Proceeds Account of the Redevelopment Fund. The amount of \$4,302,152.10 of the Sale Proceeds will be deposited on the date hereof into the Loan Proceeds Account of the Redevelopment Fund. Such amounts will be used for the acquisition of land and interests in land and other real property and payment of the cost of certain capital improvements.

(3) Special Escrow Fund. The amount of 6,305,000 of Sale Proceeds will be deposited into the Special Escrow Fund. Upon release, amounts in the Special Escrow Fund will be used for the acquisition of land and interests in land and other real property and payment of the cost of certain capital improvements.

Special Term Bonds maturing on October 1, 2013 and October 1, 2028, are subject to mandatory redemption on October 1, 2002, at a redemption price of 103 percent of the principal amount, from Net Sale Proceeds which have not been released from the Special Escrow Fund 60 days prior to October 1, 2002. The Agency will at least annually prior to August 1st of each year file with the Trustee a Report of an Independent Redevelopment Consultant and a Certificate of the Agency which shows, based upon records of the County, the assessed valuation of property in the Project Area and the resulting Tax Revenues to be received by the Agency. The Trustee must release to the Agency from the Special Escrow Fund the amount set forth in the Report provided the Tax Revenues to be received by the Agency following such release are at least equal to 115 percent of Maximum Annual Debt Service, including debt service requirements on the Special Term Bonds which can then no longer be called for early redemption. The coverage requirement of 115 percent which permits such a release was imposed upon the Financing Authority and the Agency by the Bond Insurer as a condition to providing the policy of municipal bond insurance for the Bonds.

Based upon projections of growth in the Project Area prepared by Rosenow Spevacek Group, Inc., portions of the Net Sale Proceeds deposited into the Special Escrow Fund will be released on October 1st of 1998, 1999, 2000 and finally on October 1, 2001. The projections are based upon current building activity, inflationary adjustments, anticipated development and other factors. RSG notes that conservative growth assumptions have been developed to avoid the possibility of overstating the expected Tax Revenues, and that it is likely that actual Tax Revenues will exceed the projections

because of the conservative nature of the assumptions. The Financing Authority and the Agency also expect that Tax Revenues will exceed the projections and that Net Sale Proceeds will be released from the Special Escrow Fund sooner than the projections of RSG. The expectations of the Financing Authority and the Agency are based upon knowledge of other anticipated building activity in the Project Area, including additional privately owned golf facilities within the Indian Ridge development.

Based upon the expectations of the Financing Authority and the Agency, at least \$1,500,000 of Net Sale Proceeds will be released and available for project expenditures by October 1, 1998 (within seven months of the Issue Date of the Bonds); at least an additional \$1,690,000 will be released and available for project expenditures by October 1, 1999 (within one year and seven months of the Issue Date of the Bonds); at least an additional \$1,380,000 will be released and available for project expenditures by October 1, 2000 (within two years and seven months of the Issue Date of the Bonds); and any remaining balance will be released and available for project expenditures by October 1, 2001 (within three years and seven months of the Issue Date of the Bonds). Thus, within one year of the Issue Date of the Bonds, the projections show that at least 50 percent of the Net Sale Proceeds will be available for project expenditures; within two years at least 70 percent will be available; within three years, at least 85 percent will be available; and within four years (actually, within three years and seven months), all of the Net Sale Proceeds will be available for project expenditures. The Financing Authority and the Agency have structured the investment of proceeds in the Special Escrow Fund to coincide with the releases as expected by the Financing Authority and the Agency. The confidence of the Authority and the Agency in the release conditions is further demonstrated by the extraordinary redemption premium of three percent for any Bonds which may be called from Net Sale Proceeds remaining in the Special Escrow Fund on October 1, 2002.

The Financing Authority and the Agency believe that the scheduling of commencement and completion of the capital improvement projects will not be adversely affected by the releases because the releases will accommodate phased projects such as the park project and the storm drain project. The Financing Authority and the Agency believe that anticipated releases will easily meet construction drawdown schedules. In the unlikely event that releases do not meet expectations or in the event that moneys are needed to meet construction drawdowns sooner than expected, the Agency is prepared to either borrow necessary moneys from the City or use moneys of the Agency currently budgeted for other purposes and reimburse such moneys upon the next release.

(4) Costs of Issuance. An amount of the Sale Proceeds of the Bonds equal to \$305,000 will be deposited into the Costs of Issuance Fund to provide for the payment of the costs and expenses incurred in connection with the issuance of the Bonds, including, but not limited to, bond counsel fees, trustee fees,

financial advisor fees and printing costs, and the Qualified Guarantees.

(5) Qualified Guarantees. The cost of the premium of \$27,000 for the Reserve Fund surety and the cost of the premium of \$158,000 for bond insurance will be paid from the Sale Proceeds of the Bonds.

(6) Underwriter's Discount. An amount of the Sale Proceeds of the Bonds equal to \$115,710 will be used on the date hereof for the payment of the underwriter's compensation (discount) with respect to the Bonds.

B. Bona Fide Debt Service Fund. Except for the Special Fund and the accounts therein, neither the Financing Authority nor the Agency has created or established, and does not expect to create or establish, any fund or account in connection with the Bonds that is reasonably expected to be used to pay debt service on the Bonds. The Special Fund will be used primarily to achieve a proper matching of Pledged Tax Revenues and principal and interest payments within each Bond Year and will be depleted at least once each Bond Year, except for a reasonable carryover amount not to exceed the greater of (i) the earnings on the Special Fund for the immediately preceding Bond Year, or (ii) one-twelfth of the principal and interest payments on the Bonds for the immediately preceding Bond Year. Amounts deposited into the Special Fund will be used to pay debt service on the Bonds within the 13 month period beginning on the date of such deposit.

C. Reserve Fund. Amounts in the Reserve Fund will be transferred, if needed, to make up any deficiency in the Interest Account, the Principal account or the Sinking Account. Amounts in the Reserve Fund are reasonably required to provide security for the Bonds. The Reserve Requirement for the Bonds is intended to provide for the payment of debt service on the Bonds in the event of a temporary interruption of Tax Revenues and, as such, constitutes a reasonably required reserve fund. The Reserve Requirement does not exceed the least of (i) the maximum annual principal and interest requirements on the Bonds, (ii) 125 percent of the average annual principal and interest requirements on the Bonds or (iii) ten percent of the stated principal amount of the Bonds. As stated in the Certificate of Underwriter attached hereto, the establishment of the Reserve Fund in such amount was a vital factor in marketing the Bonds.

D. No Other Funds. Other than the Funds and Accounts described in this Certificate, neither the Financing Authority nor the Agency has established nor will it establish any fund or account which is reasonably expected to be used, directly or indirectly, to pay debt service on the Bonds, or from which there can be any reasonable assurance that moneys would be available to pay debt service were the Financing Authority or the Agency to encounter financial difficulties.

E. Temporary Periods; Yield Restrictions. The Financing Authority and the Agency will invest the Proceeds of the Bonds as follows:

(1) Special Fund. Amounts deposited in the Interest Account will be invested without regard to yield restriction for a period of up to 13 months from the date of receipt and thereafter, to the extent unexpended, will be invested at a yield not in excess of the Bond Yield, plus one one-thousandth of a percent.

(2) Loan Fund. Amounts held in the Loan Fund will be for payment of the costs of the acquisition of land and interests in land and other real property and certain capital improvement projects and will be invested without regard to yield restriction for a period ending three years after the Delivery Date and, thereafter, to the extent unexpended, will be invested at a yield not in excess of the Bond Yield described in Paragraph 4 hereof, plus one-eighth of one percent.

(3) Special Escrow Fund. Amounts held in the Special Escrow Fund will be used for payment of the costs of the acquisition of land and interests and other real property and certain capital improvement projects, and will be invested without regard to yield restriction for a period ending three years after the Delivery Date and, thereafter, to the extent unexpended, will be invested at a yield not in excess of the Bond Yield described in Paragraph 4 hereof, plus one-eighth of one percent.

(4) Costs of Issuance Fund. Proceeds held in the Costs of Issuance Fund for payment of the expenses of issuance will be invested without regard to yield restriction for a period of 45 days from the Delivery Date, and thereafter, to the extent unexpended, will be invested at a yield not in excess of Bond Yield, plus one-eighth of one percent.

(5) Investment Proceeds. Investment Proceeds may be invested without regard to yield restrictions for a period of one year beginning on the date of receipt, and thereafter, to the extent unexpended, will be invested at a yield not in excess of Bond Yield, plus one-eighth of one percent.

F. No Change in Use. Neither the Financing Authority nor the Agency expects to dispose of any portion of the land and interests in land and other real property or the capital improvements before the last maturity date of the Bonds, except such minor parts or portions thereof as may be discarded of due to normal wear, obsolescence or depreciation in the ordinary course of business and will take any remedial action necessary to prevent a change of use of the proceeds of the Bonds (i) from the use for which the proceeds are expected to be used as of the date hereof to a different use, and (ii) from causing a loss of the exclusion of interest on the Bonds from gross income for federal income tax purposes.

4. Bond Yield. For purposes of this Certificate, yield is the discount rate which when used in computing the present value of all unconditionally payable payments of principal and interest on the obligation produces an amount equal to the present value, using the same discount rate of the Issue Price of the Bonds, plus Pre-issuance Accrued Interest of \$13,893.18. The Issue Price of the Bonds is \$11,027,862.10 (the aggregate price at which a substantial amount of each maturity of the Bonds was sold to the public by the Underwriter, as shown by its certificate). For purposes of this Certificate, yield is, and will be, calculated on a 360-day year basis with interest compounded semiannually. Based upon the Certificate of the Underwriter attached hereto, the cost of the premiums for the policy of bond insurance and the Reserve Fund surety have been taken into account in determining yield, as such policy and surety are Qualified Guarantees. Such yield, as calculated by the Underwriter and the Financial Advisor and shown on the schedules supplied by the Financial Advisor attached hereto as Exhibit A, is 5.2771 percent.

5. Rebate.

A. Rebate Requirement. Certain earnings on Nonpurpose Investments allocable to the Gross Proceeds of the Bonds must be paid to the United States to prevent the Bonds from being "arbitrage bonds." The arbitrage (investment earnings) that must be rebated is based on the difference between the amount actually earned on Nonpurpose Investments and the amount that would have been earned if those Nonpurpose Investments had a yield equal to the yield on the Bonds. As of any date, the rebate amount with respect to the Bonds is the excess of the future value, as of that date, of all Receipts on Nonpurpose Investments over the future value, as of that date, of all Payments on Nonpurpose Investments. The future value of a Payment or Receipt at the end of any period will be determined by using the economic accrual method and equals the Value of that Payment or Receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the yield on the Bonds, using the same compounding interval and financial conventions used to compute that yield.

The requirements relating to rebatable arbitrage apply to all Gross Proceeds of the Bonds, regardless of whether such Gross Proceeds are or are not subject to yield restriction. Thus, although an amount of Gross Proceeds may be unrestricted as to yield, it will nevertheless be subject to payment of rebate. Similarly, an amount of Gross Proceeds may be restricted as to yield but will nevertheless also be subject to the payment of rebate.

Any payment made of rebatable arbitrage will be filed with the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255, and will be accompanied by Form 8038-T and a copy of the Form 8038-G filed with respect to the Bonds.

The Financing Authority will maintain records adequate to determine the rebatable arbitrage, if any. The Financing Authority will account separately for all of the Gross Proceeds and each specific item of Investment Property acquired therewith. To that end, the Financing Authority will establish separate sub-accounts or take other accounting measures in order to account fully and with specificity for all Gross Proceeds and each item of Investment Property acquired therewith. The Financing Authority will retain records of its determinations until six years after the retirement of the last Bond or for such other period as may be provided by law.

The Financing Authority will retain a Rebate Expert to determine the required rebate amount or amounts, if any. Such person or entity will determine such amount or amounts pursuant to Section 148(f) of the Code and in accordance with Section 1.148-3 of the Treasury Regulations, and any other applicable provisions of law, rule, regulation or court decision.

The rebate amount with respect to the Bonds as of any date is the excess of (i) the future value of all Receipts on Nonpurpose Investments, over (ii) the future value of all payments on Nonpurpose Investments. Future value will be computed as of the Computation Date. No later than 60 days after each Computation Date (other than the Final Computation Date), a rebate installment will be paid in an amount which, when added to the future value as of the Computation Date of previous rebate installments paid with respect to the Bonds, equals at least 90 percent of the rebate amount as of that Computation Date. No later than the Final Computation Date, an amount which, when added to the future value of previous rebate installments paid with respect to the Bonds, equals 100 percent of the rebate amount as of the Final Computation Date, will be paid with respect to the Bonds.

B. Spending Exceptions to Rebate Requirement.

(1) General. The Rebate Requirement does not apply to certain portions (and sometimes all) of the Gross Proceeds of the Bonds if certain spending requirements are met. These spending exceptions are referred to as the "six-month exception", the "18-month exception" and the "two-year exception." Each of the spending exceptions is an independent exception to the Rebate Requirement.

(2) Six-Month Exception. The Bonds would be treated as meeting the Rebate Requirement under the six-month exception if (i) the Gross Proceeds of the Bonds are allocated to expenditures within the six-month period beginning on the Delivery Date and (ii) the Rebate Requirement is met for amounts not required to be spent within the six-month period (excluding earnings on a bona fide debt service fund such as the Interest Account and the Principal Account). For purposes of the six-month exception, Gross Proceeds does not include amounts (i) in a bona fide debt service fund (such as the Interest Account and the Principal Account), (ii) in a reasonably required reserve or replacement fund (such as

the Reserve Fund), (iii) that, as of the issue date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the end of the six-month period, (iv) that represent Sale Proceeds or Investment Proceeds derived from payments under any Purpose Investment and (v) that represent repayments of grants financed by the Bonds (of which there are none). The six-month period is extended for an additional six months for unspent Proceeds if such unspent Proceeds do not exceed the lesser of five percent of the Proceeds of the Bonds or \$100,000.

(3) 18-Month Exception. The Bonds would be treated as meeting the Rebate Requirement under the 18-month exception if all of the following requirements are satisfied:

(a) Gross Proceeds (excluding the amounts described below) are allocated to expenditures in accordance with the following schedule, measured from the Delivery Date: (i) at least 15 percent within six months, (ii) at least 60 percent within 12 months and (iii) 100 percent within 18 months;

(b) the rebate requirement is met for all amounts which are not required to be spent in accordance with the 18-month expenditure schedule (other than earnings on a bona fide debt service fund); and

(c) all of the Gross Proceeds of the Bonds qualify for the three- or five-year temporary period described in the Treasury Regulations.

For purposes of the 18-month exception, Gross Proceeds does not include amounts (i) in a bona fide service fund (such as the Interest Account and the Principal Account), (ii) in a reasonably required reserve or replacement fund (such as the Reserve Fund), (iii) that, as of the Delivery Date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the end of the 18-month expenditure schedule, (iv) that represent Sale Proceeds or Investment Proceeds derived from payments under any Purpose Investment, and (v) that represent repayments of grants financed by the Bonds. In addition, for purposes of determining compliance with the first two spending periods during the 18-month expenditure schedule, the Investment Proceeds included in Gross Proceeds are based on the reasonable expectations of the Financing Authority and the Agency as of the Delivery Date; for the third and final spending period, actual Investment Proceeds earned to that date are to be used in place of reasonably expected earnings. The Bonds would not fail to meet the spending requirement for the third spending period of the 18-month exception as a result of a Reasonable Retainage if the Reasonable Retainage is allocated to expenditures within 30 months of the issue date.

(4) Two-Year Exception. The Bonds will be treated as meeting the Rebate Requirement for Available Construction Proceeds under the two-year exception if the Available Construction Proceeds are allocated to expenditures in accordance with the

following schedule, measured from the Delivery Date: (i) at least 10 percent within six months; (ii) at least 45 percent within one year; (iii) at least 75 percent within 18 months; and (iv) 100 percent within two years. The Bonds will not fail to meet the spending requirement for the fourth spending period of the two-year exception as a result of unspent amounts for Reasonable Retainage if those amounts are allocated to expenditures within three years of the Delivery Date.

(5) Elections Applicable to the Two-Year Exception. The Financing Authority may make one or more of the following elections with respect to the two-year spending exception:

(a) Earnings on Reasonably Required Reserve or Replacement Fund. The Financing Authority may elect on or before the Delivery Date to exclude from Available Construction Proceeds the earnings on any reasonably required reserve or replacement fund such as the Reserve Fund. If the election is made, the requirement to pay rebate applies to the excluded amounts from the Delivery Date.

(b) Actual Facts. For the provisions of the Treasury Regulations relating to the two-year exception that apply based on the reasonable expectations of the Financing Authority, the Financing Authority may elect on or before the Delivery Date to apply all of those provisions based on actual facts. This election does not apply for purposes of determining whether the Bonds are a Construction Issue if the 1-1/2 percent penalty in lieu of rebate election described in subparagraph (d), below, is made.

(c) Separate Issue. For purposes of the two-year exception, if any Proceeds of the Bonds are to be used for Construction Expenditures, the Financing Authority may elect on or before the Delivery Date to treat any portion of the Bonds that is not a refunding issue as two, and only two, separate issues, if (i) one of the separate issues is a Construction Issue, (ii) the Financing Authority reasonably expects, as of the Delivery Date, that such Construction Issue will finance all of the Construction Expenditures to be financed by the Bonds and (iii) the Financing Authority makes an election to apportion the Bonds in which it identifies the amount of the Issue Price of the Bonds allocable to the Construction Issue. The Financing Authority hereby makes this election.

(d) Penalty in Lieu of Rebate. The Financing Authority may irrevocably elect on or before the Delivery Date to pay a penalty to the United States in lieu of the obligation to pay the rebate amount on Available Construction Proceeds upon failure to satisfy the spending requirements of the two-year exception. This 1-1/2 percent penalty is calculated separately for each spending period, including the each semiannual period after the end of the fourth spending period, and is equal to 1.5 percent times the underexpended proceeds as of the end of the spending period.

For each spending period, underexpended proceeds equal the amount of Available Construction Proceeds required to be spent by the end of the spending period, less the amount actually allocated to expenditures for the governmental purposes of the Bonds by that date. The 1-1/2 percent penalty continues to apply at the end of each spending period and each semiannual period thereafter until the earliest of the following: (i) the termination of the penalty under the Treasury Regulations, (ii) the expenditure of all of the Available Construction Proceeds or (iii) the last stated final maturity date of the Bonds and any bonds that refund the Bonds. If the Bonds meet the exception for Reasonable Retainage except that all of the Reasonable Retainage is not spent within three years of the Delivery Date, the 1-1/2 percent penalty must be paid to the United States for any Reasonable Retainage that was not so spent as of the close of the three-year period and each later spending period.

Other than as specifically set forth above, the Financing Authority is not making any of the foregoing described elections.

(6) Expenditures for Governmental Purposes.

For purposes of the spending exceptions, expenditures for the governmental purposes of the Bonds include payments for interest, but not principal, on the Bonds, and for principal or interest on another issue of obligations. The preceding sentence does not apply for purposes of the 18-month and two-year exceptions if those payments cause the Construction Issue to be a refunding issue.

(7) De Minimis Rule. Any failure to satisfy the final spending requirement of the 18-month exception or the two-year exception is disregarded if the Financing Authority and the Agency exercise due diligence to complete the improvements to the Project and the amount of the failure does not exceed the lesser of three percent of the Issue Price of the Bonds or \$250,000.

6. Allocation and Accounting Rules. The Financing Authority shall be guided by the following rules with respect to allocations of and accounting for Gross Proceeds of the Bonds.

A. Allocation of Gross Proceeds to an Issue. The Authority may use any reasonable, consistently applied accounting method to account for Gross Proceeds, investments and expenditures of the Bonds. An accounting method is "consistently applied" if it is applied uniformly within a Fiscal Period and between Fiscal Periods to account for Gross Proceeds of the Bonds and any amounts that are in a Commingled Fund. Amounts shall be allocable to only one issue at a time as Gross Proceeds. Amounts shall cease to be allocated to the Bonds as Proceeds only when those amounts (i) are allocated to an expenditure for a governmental purpose; (ii) are allocated to transferred proceeds of another issue of obligations; or (iii) cease to be allocated to that issue at retirement of the issue or under the Universal Cap.

B. Allocation of Gross Proceeds to Investments.
Upon the purchase or sale of a Nonpurpose Investment, Gross Proceeds

of the Bonds shall not be allocated to a payment for that Nonpurpose Investment in an amount greater than, or to a receipt from that Nonpurpose Investment in an amount less than, the fair market value of the Nonpurpose Investment as of the purchase or sale date. Fair market value of a Nonpurpose Investment shall be adjusted to take into account Qualified Administrative Costs allocable to the investment.

C. Allocation of Gross Proceeds to Expenditures.

Reasonable accounting methods for allocating funds from different sources to expenditures for the same governmental purpose shall include a "specific tracing" method, a "gross-proceeds-spent-first" method, a "first-in-first-out" method or a "ratable allocation" method, so long as the method used is consistently applied. An allocation of Gross Proceeds of the Bonds to an expenditure must involve a current outlay of cash for a governmental purpose of the Bonds. A current outlay of cash means an outlay reasonably expected to occur not later than five banking days after the date as of which the allocation of Gross Proceeds to the expenditure is made.

D. Universal Cap. Amounts that would otherwise be

Gross Proceeds allocable to the Bonds are allocated, and remain allocated, to the Bonds only to the extent that the Value of the Nonpurpose Investments allocable to those Gross Proceeds does not exceed the Value of all outstanding Bonds. Nonpurpose Investments allocated to Gross Proceeds in a bona fide debt service fund are not taken into account in determining the Value of the Nonpurpose Investments, and those Nonpurpose Investments shall remain allocated to the Bonds. To the extent that the Value of the Nonpurpose Investments allocable to the Gross Proceeds of the Bonds exceed the Value of all outstanding Bonds, the Financing Authority will seek the advice of bond counsel for the procedures necessary to comply with the Universal Cap.

E. Commingled Funds. All payments and receipts

(including deemed payments and receipts) on investments held by a Commingled Fund must be allocated (but not necessarily distributed) among each different source of funds invested in the Commingled Fund in accordance with a consistently applied, reasonable ratable allocation method. Reasonable ratable allocation methods include, without limitation, methods that allocate payments and receipts in proportion to either (i) the average daily balances of the amounts in the Commingled Fund from each different source of funds during any Fiscal Period; or (ii) the average of the beginning and ending balances of the amounts in the Commingled Fund from each different source of funds for a Fiscal Period that does not exceed one month. Investments in a Commingled Fund that serves as a common reserve fund, replacement fund or sinking fund for two or more issues, after making reasonable adjustments to account for proceeds allocated in accordance with subparagraphs A and D of this Paragraph 6 shall be allocated ratably among those issues served by the commingled reserve in accordance with one of the following methods: (i) the relative Values of the bonds of those issues; (ii) the relative amounts of the remaining maximum annual debt service requirements on

the outstanding principal amounts of those issues; or (iii) the relative original stated principal amounts of the outstanding issues. The foregoing allocations shall be made at least once every three years and as of each date that an issue first becomes secured by the commingled reserve. Such allocations must also be made on the retirement of any issue secured by the commingled reserve if that commingled reserve is allocated based on the method described in clause (iii) above. Funds invested in a Commingled Fund may be allocated directly to expenditures for governmental purposes pursuant to a reasonable, consistently applied accounting method. If a ratable allocation method is used to allocate expenditures from the Commingled Fund, the same ratable allocation method must be used to allocate payments and receipts on investments in the Commingled Fund. A commingled Fund generally must treat all investments as if sold at fair market value either on the last day of the fiscal year or on the last day of each Fiscal Period. The net gains or losses from these deemed sales of investments must be allocated to each different source invested in the Commingled Fund during the period since the last allocation. This requirement does not apply if (i) the remaining weighted average maturity of all investments held by a Commingled Fund during a particular fiscal year does not exceed 18 months, and the investments held by the Commingled Fund during that fiscal year consist exclusively of obligations; or (ii) the Commingled Fund operates exclusively as a reserve fund, sinking fund or replacement fund for two or more issues of the Agency.

F. Working Capital Expenditures. Subject to certain exceptions, the Proceeds of the Bonds may only be allocated to "working capital expenditures" as of any date to the extent that those expenditures exceed "available amounts" as of that date (i.e., "proceeds-spent-last"). For purposes of this subparagraph F, the term "working capital expenditures" means all expenditures other than "capital expenditures." "Capital expenditures" are costs if a type properly chargeable to a capital account under federal income tax principles. Such costs include, for example, costs incurred to acquire, construct, or improve land, buildings and equipment having a reasonably expected useful life in excess of one year. Thus, working capital expenditures include, among other things, expenditures for current operating expenses. For purposes of this subparagraph F, "available amount" means any amount that is available to the Financing Authority or the Agency for working capital of the type financed by the issue. Available amounts exclude Proceeds of the Bonds but includes cash, investments and other amounts held in accounts or otherwise by the Financing Authority or the Agency or a related party if those amounts may be used by the Financing Authority or the Agency for working capital expenditures of the type being financed by the Bonds without legislative or judicial action and without a legislative, judicial, or contractual requirement that those amounts be reimbursed. Notwithstanding the foregoing, a "reasonable working capital reserve" is treated as unavailable. A working capital reserve is reasonable if it does not exceed five percent of the actual working capital expenditures of the Agency in the fiscal year before the year in which the determination of available amounts is made. For

purposes of the preceding sentence only, in determining the working capital expenditures of the Financing Authority or the Agency for a prior fiscal year, any expenditures (whether capital or working capital) that are paid out of current revenues may be treated as working capital expenditures. In addition, certain "qualified endowment funds" shall be treated as unavailable. The proceeds-spent-last requirement does not apply to expenditures to pay (i) any issuance costs of the Bonds or any Qualified Administrative Costs; (ii) fees for qualified guarantees of the Bonds or payments for a qualified hedge for the Bonds; (iii) interest on the Bonds for a period commencing on the Delivery Date and ending on the date that is the later of three years from the Delivery Date or one year after the date on which the financed project is placed in service; (iv) yield reduction payments, rebate payments or penalties paid to the United States for the failure to meet the spending requirements associated with certain exceptions to the Rebate Requirement; (v) costs, other than those described in (i) through (iv) above, that do not exceed five percent of the Sale Proceeds of the Bonds and that are directly related to capital expenditures financed by the Bonds (e.g., initial operating expenses for a new capital project); (vi) principal or interest on the Bonds paid from unexpected excess Sale Proceeds or Investment Proceeds; (vii) principal or interest on the Bonds paid from investment earnings on a reasonably required reserve or replacement fund that are deposited into a bona fide debt service fund; and (viii) principal, interest, or redemption premium on a prior issue and, for a cross-over refunding issue, interest on that issue. Notwithstanding the foregoing, the exceptions described in this subparagraph F do not apply if the allocation merely substitutes Gross Proceeds for other amounts that would have been used to make those expenditures in a manner that gives rise to Replacement Proceeds.

7. Valuation of Certain Investments. The Financing Authority and the Agency will apply the following rules to valuation of investments, and will maintain records adequate to determine their fair market value.

A. General. The fair market value of an investment will be the price at which a willing buyer would purchase the investment from a willing seller in a bona fide arm's length transaction. Fair market value generally will be determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (i.e., the trade date rather than the settlement date). An investment that is not of a type traded on an established securities market, within the meaning of section 1273 of the Code, will be rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value. The fair market value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price.

B. Certificates of Deposit. A certificate of deposit that has a fixed interest rate, a fixed payment schedule,

and a substantial penalty for early withdrawal shall be treated as purchased at its fair market value if the yield on the certificate of deposit is not less than (i) the yield on reasonably comparable direct obligations of the United States Treasury; and (ii) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

C. Investment Contracts. The purchase price of a guaranteed investment contract shall be its fair market value on the purchase date if (i) the Financing Authority or the Agency makes a bona fide solicitation for a specified guaranteed investment contract and receives at least three bona fide bids from providers that have no material financial interest in the Bonds (e.g., underwriters or brokers); (ii) the Financing Authority or the Agency purchases the highest-yielding guaranteed investment contract for which a qualifying bid is made, determined net of broker's or other third party's fees; (iii) the yield on the guaranteed investment contract, determined net of brokers or other third party's fees, is not less than the yield then available from the provider on reasonably comparable guaranteed investment contracts, if any, offered to other persons from a source of funds other than gross proceeds of tax-exempt bonds; (iv) the determination of the terms of the guaranteed investment contract takes into account as a significant factor the reasonably expected drawdown schedule for the amounts to be invested, exclusive of amounts deposited in a reasonably required reserve or replacement fund or in a bona fide debt service fund; (v) the terms of the guaranteed investment contract, including collateral security requirements, are reasonable; (vi) the obligor on the guaranteed investment contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the guaranteed investment contract, and (vii) such administrative costs are Qualified Administrative Costs.

D. General Rule: Qualified Administrative Costs. Upon the purchase or sale of a Nonpurpose Investment, Gross Proceeds of the Bonds will not be allocated to a payment for that Nonpurpose Investment in an amount greater than, or to a receipt from that Nonpurpose Investment in an amount less than, the fair market value of the Nonpurpose Investment as of the purchase or sale date. The fair market value of a Nonpurpose Investment will be adjusted to take into account Qualified Administrative Costs allocable to the investment (a Qualified Administrative Cost increases the payment for, or decreases the receipt from, a Nonpurpose Investment).

8. No Federal Guarantee. The Financing Authority nor the Agency will invest five percent or more of the proceeds of the Bonds in federally insured deposits or accounts or otherwise invest the proceeds of the Bonds in any obligation the payment of principal or interest on which is (in whole or in part) a direct obligation of or guaranteed by the United States of America (or any agency or instrumentality thereof). Notwithstanding the foregoing, the Financing Authority or the Agency may invest the proceeds of the

Bonds in any of the following: (i) an investment guaranteed by the following agencies of the United States of America: (a) Federal Housing Administration, (b) Veterans Administration, (c) Federal National Mortgage Association, (d) Federal Home Loan Mortgage Corporation, and (e) Government National Mortgage Association; and (ii) an investment described as follows: (a) investments during an initial temporary period until such proceeds are needed for the purpose for which the Bonds were issued, (b) investments of amounts in a bona fide debt service fund, (c) investments of amounts in a reasonably required reserve fund, (d) obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended by Section 511(a) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, or (e) investments in obligations issued by the United States Treasury.

9. No Abusive Arbitrage Device. The Bonds are being issued to acquire land and interests in land and other real property and to make certain capital improvements. The issuance of the Bonds will not (i) enable the Financing Authority or the Agency to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, or (ii) overburden the tax-exempt bond market.

10. No Private Activities. Not more than ten percent of the proceeds of the Bonds will be used for any private business use.

The payment of the principal of, or the interest on, not more than ten percent of the proceeds, if any, of the Bonds (under the terms of the Bonds, or any underlying arrangement) is directly or indirectly secured by any interest in (i) property used or to be used for a private business use, or (ii) payments in respect of such property, or is to be derived from payments (whether or not to the Financing Authority or the Agency or a related public entity), in respect of property, or borrowed money, used or to be used for a private business use. None of the proceeds of any of the foregoing is or will be used for a private business use which is not related to the governmental use of such proceeds, or for a disproportionate related business use. For purposes of this Paragraph 10, "private business use" means any use, directly or indirectly, in a trade or business carried on by any person other than a governmental unit. Any use of such improvements as a member of the general public will be disregarded. In addition, incidental uses of such facilities and improvements will be disregarded to the extent that those uses do not involve the use of more than two and one-half percent of the proceeds of the Bonds. A use will be treated as "incidental" if: (i) the use does not involve the transfer to the nongovernmental user of possession and control over space that is separated from other areas of the particular facility or improvement by walls, partitions, or other physical barriers; (ii) the use by the nongovernmental person is not related to any other use of the particular facility or improvement by the same person that does not qualify under subparagraph (i), above; and (iii) the aggregate amount of incidental uses of the particular

facility or improvement does not involve the use of more than two and one-half percent of the particular facility or improvement.

Not more than five percent, if any, of the proceeds of the Bonds are to be used directly or indirectly to make or finance loans to persons other than governmental units.

Any management or similar agreement with respect to the facilities financed by the Bonds will comply with all applicable provisions of the Code, the Treasury Regulations and Revenue Procedures to assure that use by the manager does not constitute private business use.

11. No Arbitrage. The Financing Authority and the Agency will not, so long as any of the Bonds remain outstanding and unpaid, use any of the moneys on deposit under the Indenture or elsewhere (whether derived from the sale of the Bonds or from any other source) in a manner which would cause the Bonds to be "arbitrage bonds" under Section 148 of the Code, or applicable Treasury Regulations.

12. Survival on Defeasance or Payment. Notwithstanding anything in this Certificate or the Indenture to the contrary, the obligation of the Financing Authority and the Agency to the United States Treasury Department and to comply with all other requirements set forth in this Certificate will survive the defeasance of the Bonds.


13. Information Reporting. The Financing Authority has reviewed the Internal Revenue Service Form 8038-G to be filed in connection with the issuance of the Bonds, a copy of which is attached hereto as Exhibit C, and all of the information contained therein is, to the best knowledge of the Financing Authority, true and complete.

14. Opinion of Counsel. The Financing Authority understands and acknowledges that the opinion of bond counsel regarding the exclusion of interest on the Bonds from gross income for purposes of federal income taxation under Section 103(a) of the Code is rendered in reliance on the representations and statements of fact and expectation contained herein and assumes the continued compliance by the Financing Authority and the Agency with the provisions of this Certificate.

15. Amendment. In order to comply with the covenants in the Indenture regarding compliance with the requirements of the Code and the continued exclusion from gross income for purposes of federal income taxation of interest paid on the Bonds, the provisions and procedures described in this Certificate may be modified as necessary, if accompanied by an opinion of nationally recognized counsel experienced in matters of municipal bond law

acceptable to the Financing Authority, to comply with legislation, regulations, rulings, or judicial decisions as may be applicable to the Bonds.

Dated: March 10, 1998



Carlos L. Ortega
Deputy Secretary
Palm Desert Financing Authority and
Executive Director
Palm Desert Redevelopment Agency

EXHIBIT 2

CASH FLOW REQUIREMENTS FOR BOND DEBT SERVICE

EXHIBIT 2a

SUMMARY CASH FLOWS BY PROJECT AREA

Sources	Project Area No. 1	Project Area No. 2	Project Area No. 3	Project Area No. 4	TOTAL
Reimbursement from PA 2 for Loan*				1,267,049.00	1,267,049.00
Estimated Revenue	602,313,731.51	519,879,876.55	161,744,650.25	421,264,312.15	1,705,202,570.45
TOTAL SOURCES	602,313,731.51	519,879,876.55	161,744,650.25	422,531,361.15	1,706,469,619.45
Uses					
Pass Thru's	246,948,629.92	202,753,151.85	61,462,967.09	256,971,230.41	768,135,979.28
Debt Service	189,073,127.50	151,655,166.88	37,993,628.75	71,199,788.75	449,921,711.88
Housing Debt Service	85,069,321.88	25,094,437.50	-	-	110,163,759.38
Stipulation	64,551,458.71	76,850,414.36	20,230,278.89	59,993,985.11	221,626,137.06
Loan from PA 4 to cover 2012 Deficit*		1,267,049.00			1,267,049.00
Indian Springs	2,083,383.00	-	-	-	2,083,383.00
Replacement Reserve	1,618,199.00	179,800.00	179,800.00	179,800.00	2,157,599.00
Additional Disclosures	50,400.00	29,400.00	23,200.00	27,000.00	130,000.00
Administrative Costs	10,849,466.43	8,502,488.38	2,681,838.44	6,983,331.01	29,017,124.26
SUB-TOTAL USES	600,243,986.44	466,331,907.97	122,571,713.17	395,355,135.27	1,584,502,742.85
Additional Uses					
SERAF Loan	10,438,131.18	3,755,605.33	970,313.43	2,657,238.65	17,821,288.59
City Loan	6,663,940.00	15,991,060.00	-	-	22,655,000.00
SUB-TOTAL ADDITIONAL USES	17,102,071.18	19,746,665.33	970,313.43	2,657,238.65	40,476,288.59
TOTAL USES	617,346,057.62	486,078,573.30	123,542,026.60	398,012,373.92	1,624,979,031.44
Cummulative Amount Available to Taxing Entities	(15,032,326.11)	33,801,303.25	38,202,623.65	24,518,987.22	81,490,588.01

*Cash on Hand in Project Area No. 2 show a deficit with regards to the balance at June 30, 2012. Funds are being loaned from Project Area No. 4 to cover the deficit with repayment in a future ROPS year.

EXHIBIT 2b

ASSUMPTIONS MADE FOR CASH FLOWS

PROJECT AREA NO. 1**Assumptions Made****Sources**

Property Tax Based on Current Year Prop Tax (plus 2% annual increase)

Total Sources**Uses**

Pass Thru's Based on Current Year Actual percentage of total
 Debt Service Based on Current Debt Service Schedules
 Housing Debt Service Based on Current Debt Service Schedules
 Stipulated Judgement Based on Requirements set forth in judgment (20% less Debt Service)
 Indian Springs MHP Agreement Based on terms of agreement
 Replacement Reserve Based on amounts designated by ARI (future amounts supported by HA income)
 Disclosures Based on additional amounts related to dissolution of redevelopment
 Administration Based on permitted % calculation

Total Uses**Amount Available for SERAF/CITY/TE'S****PROJECT AREA NO. 2****Sources**

Property Tax Based on Current Year Prop Tax (plus 2% annual increase)

Total Sources**Uses**

Pass Thru's Based on Current Year Actual percentage of total
 Debt Service Based on Current Debt Service Schedules
 Housing Debt Service Based on Current Debt Service Schedules
 Stipulated Judgment Based on Requirements set forth in judgment (20% less Debt Service)
 Loan from PA 4 to cover 2012 Deficit Based on negative cash balance at June 30, 2012
 Replacement Reserve Based on amounts designated by ARI (future amounts supported by HA income)
 Disclosures Based on additional amounts related to dissolution of redevelopment
 Administration Based on permitted % calculation

Total Uses**Amount Available for SERAF/CITY/TE'S****PROJECT AREA NO. 3****Sources**

Property Tax Based on Current Year Prop Tax (plus 2% annual increase)

Total Sources**Uses**

Pass Thru's Based on Current Year Actual percentage of total
 Debt Service Based on Current Debt Service Schedules
 Stipulated Judgment Based on Requirements set forth in judgment (20% less Debt Service)
 Replacement Reserve Based on amounts designated by ARI (future amounts supported by HA income)
 Disclosures Based on additional amounts related to dissolution of redevelopment
 Administration Based on permitted % calculation

Total Uses**Amount Available for SERAF/CITY/TE'S****PROJECT AREA NO. 4****Sources**

Property Tax Based on Current Year Prop Tax (plus 2% annual increase)
 Reimbursement from PA 2 for Loan Based on Estimated Surplus available to reimburse PA 4 from PA 2

Total Sources**Uses**

Pass Thru's Based on Current Year Actual percentage of total
 Debt Service Based on Current Debt Service Schedules
 Stipulated Judgment Based on Requirements set forth in judgment (20% less Debt Service)
 Replacement Reserve Based on amounts designated by ARI (future amounts supported by HA income)
 Disclosures Based on additional amounts related to dissolution of redevelopment
 Administration Based on permitted % calculation

Total Uses

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PA Assumptions

Amount Available for SERAF/CITY/TE'S

EXHIBIT 2c

DETAIL CASH FLOWS BY PROJECT AREA

PROJECT AREA NO. 1

	2012	2013	2014	2015	2016
Sources					
Property Tax	48,562,361	49,786,400	50,782,128	51,797,770	52,833,726
Total Sources	48,562,361	49,786,400	50,782,128	51,797,770	52,833,726
Uses					
Pass Thru's (Paid by CAC)	19,910,568	20,412,424	20,820,672	21,237,086	21,661,828
Debt Service	13,111,897	13,113,393	13,111,734	13,111,175	10,865,110
Housing Debt Service	9,081,386	9,082,911	9,081,411	9,080,316	9,083,581
Stipulated Judgment	4,076,889	4,350,739	4,551,997	4,757,009	4,963,388
Indian Springs MHP Agreement	128,031	139,668	139,668	139,668	139,668
Replacement Reserve	1,618,199	-	-	-	-
Disclosures	2,800	2,800	2,800	2,800	2,800
Administration	2,047,556	790,577	808,038	824,198	840,682
Total Uses	49,977,326	47,892,512	48,516,320	49,152,252	47,557,057
Amount Available for SERAF/CITY/TE'S	(1,414,965)	1,893,888	2,265,808	2,645,518	5,276,669

PROJECT AREA NO. 2

	2012	2013	2014	2015	2016
Sources					
Property Tax	14,335,941	15,014,266	15,314,551	15,620,842	15,933,259
Total Sources	14,335,941	15,014,266	15,314,551	15,620,842	15,933,259
Uses					
Pass Thru's (Paid by CAC)	5,591,017	5,855,564	5,972,675	6,092,129	6,213,971
Debt Service	5,981,756	6,111,159	6,228,756	5,243,794	5,392,296
Housing Debt Service	-	-	-	-	-
Stipulated Judgment	1,177,302	1,256,384	1,314,502	1,373,704	1,433,301
Loan from PA 4 to cover 2012 Deficit	-	-	1,267,049	-	-
Replacement Reserve	179,800	-	-	-	-
Disclosures	1,200	1,200	1,200	1,200	1,200
Administration	591,282	228,299	233,341	238,008	242,768
Total Uses	13,522,358	13,452,605	15,017,523	12,948,834	13,283,536
Amount Available for SERAF/CITY/TE'S	813,583	1,561,661	297,028	2,672,008	2,649,723

PROJECT AREA NO. 3

	2012	2013	2014	2015	2016
Sources					
Property Tax	3,847,543	3,892,151	3,969,994	4,049,394	4,130,382
Total Sources	3,847,543	3,892,151	3,969,994	4,049,394	4,130,382
Uses					
Pass Thru's (Paid by CAC)	1,462,066	1,479,018	1,508,598	1,538,770	1,569,545
Debt Service	1,091,140	1,124,428	1,157,148	1,188,891	1,224,629
Stipulated Judgment	327,340	349,328	365,487	381,948	398,518
Replacement Reserve	179,800	-	-	-	-
Disclosures	800	800	800	800	800
Administration	164,402	63,477	64,879	66,176	67,500
Total Uses	3,225,548	3,017,050	3,096,911	3,176,585	3,260,992
Amount Available for SERAF/CITY/TE'S	621,995	875,102	873,083	872,809	869,390

PROJECT AREA NO. 4

	2012	2013	2014	2015	2016
Sources					
Property Tax	11,342,081	11,597,965	11,829,924	12,066,523	12,307,853
Reimbursement from PA 2 for Loan	-	-	1,267,049	-	-
Total Sources	11,342,081	11,597,965	11,829,924	12,066,523	12,307,853
Uses					
Pass Thru's (Paid by CAC)	6,918,670	7,074,759	7,216,254	7,360,579	7,507,790
Debt Service	2,821,921	2,931,791	3,032,206	2,925,268	2,322,073
Stipulated Judgment	954,668	1,018,794	1,065,922	1,113,929	1,162,256
Replacement Reserve	179,800	-	-	-	-
Disclosures	1,200	1,200	1,200	1,200	1,200
Administration	479,468	185,126	189,215	192,999	196,859
Total Uses	11,355,726	11,211,670	11,504,797	11,593,974	11,190,178
Amount Available for SERAF/CITY/TE'S	(13,645)	386,295	325,127	472,549	1,117,676

PROJECT AREA NO. 1

	2017	2018	2019	2020	2021
Sources					
Property Tax	53,890,400	54,968,208	56,067,572	57,188,924	58,332,702
Total Sources	53,890,400	54,968,208	56,067,572	57,188,924	58,332,702
Uses					
Pass Thru's (Paid by CAC)	22,095,064	22,536,965	22,987,705	23,447,459	23,916,408
Debt Service	10,816,535	10,852,248	10,835,335	10,840,673	10,846,723
Housing Debt Service	9,080,591	9,080,579	9,082,469	4,302,900	4,308,976
Stipulated Judgment	5,177,836	5,394,679	5,614,672	8,821,476	9,047,794
Indian Springs MHP Agreement	139,668	139,668	139,668	139,668	139,668
Replacement Reserve	-	-	-	-	-
Disclosures	2,800	2,800	2,800	2,800	2,800
Administration	857,496	874,646	892,139	909,982	928,181
Total Uses	48,169,991	48,881,585	49,554,788	48,464,957	49,190,549
Amount Available for SERAF/CITY/TE'S	5,720,409	6,086,623	6,512,784	8,723,967	9,142,153

PROJECT AREA NO. 2

	2017	2018	2019	2020	2021
Sources					
Property Tax	16,251,924	16,576,963	16,908,502	17,246,672	17,591,606
Total Sources	16,251,924	16,576,963	16,908,502	17,246,672	17,591,606
Uses					
Pass Thru's (Paid by CAC)	6,338,251	6,465,016	6,594,316	6,726,202	6,860,726
Debt Service	5,545,238	5,680,556	5,825,519	5,969,731	6,113,019
Housing Debt Service	-	-	-	-	-
Stipulated Judgment	1,495,228	1,557,847	1,621,375	2,547,419	2,612,774
Loan from PA 4 to cover 2012 Deficit	-	-	-	-	-
Replacement Reserve	-	-	-	-	-
Disclosures	1,200	1,200	1,200	1,200	1,200
Administration	247,623	252,576	257,627	262,780	268,035
Total Uses	13,627,539	13,957,194	14,300,037	15,507,332	15,855,754
Amount Available for SERAF/CITY/TE'S	2,624,385	2,619,768	2,608,465	1,739,340	1,735,851

PROJECT AREA NO. 3

	2017	2018	2019	2020	2021
Sources					
Property Tax	4,212,990	4,297,250	4,383,195	4,470,859	4,560,276
Total Sources	4,212,990	4,297,250	4,383,195	4,470,859	4,560,276
Uses					
Pass Thru's (Paid by CAC)	1,600,936	1,632,955	1,665,614	1,698,926	1,732,905
Debt Service	1,259,819	1,298,674	1,336,566	1,369,891	1,412,839
Stipulated Judgment	415,737	433,148	450,811	708,291	726,462
Replacement Reserve	-	-	-	-	-
Disclosures	800	800	800	800	800
Administration	68,850	70,227	71,631	73,064	74,525
Total Uses	3,346,142	3,435,803	3,525,423	3,850,972	3,947,531
Amount Available for SERAF/CITY/TE'S	866,848	861,447	857,772	619,886	612,745

PROJECT AREA NO. 4

	2017	2018	2019	2020	2021
Sources					
Property Tax	12,554,010	12,805,091	13,061,192	13,322,416	13,588,864
Reimbursement from PA 2 for Loan	-	-	-	-	-
Total Sources	12,554,010	12,805,091	13,061,192	13,322,416	13,588,864
Uses					
Pass Thru's (Paid by CAC)	7,657,946	7,811,105	7,967,327	8,126,674	8,289,207
Debt Service	2,407,648	2,479,910	2,578,111	2,662,104	2,753,556
Stipulated Judgment	1,212,472	1,263,249	1,314,764	2,065,688	2,118,684
Replacement Reserve	-	-	-	-	-
Disclosures	1,200	1,200	1,200	1,200	1,200
Administration	200,796	204,812	208,908	213,087	217,348
Total Uses	11,480,062	11,760,277	12,070,311	13,068,752	13,379,996
Amount Available for SERAF/CITY/TE'S	1,073,948	1,044,814	990,881	253,664	208,869

PROJECT AREA NO. 1		2022	2023	2024	2025	2026
Sources						
Property Tax		15,980,417	12,646,308	12,899,234	13,157,219	13,420,363
Total Sources		15,980,417	12,646,308	12,899,234	13,157,219	13,420,363
Uses						
Pass Thru's (Paid by CAC)		6,551,971	5,184,986	5,288,686	5,394,460	5,502,349
Debt Service		10,845,723	10,550,973	10,541,223	10,526,973	7,275,458
Housing Debt Service		3,804,200				
Stipulated Judgment		1,743,600	1,438,752	1,486,334	1,536,588	1,589,705
Indian Springs MHP Agreement		139,668	139,668	139,668	139,668	139,668
Replacement Reserve		-	-	-	-	-
Disclosures		2,800	2,800	2,800	2,800	2,800
Administration		251,468	200,044	204,045	208,126	212,288
Total Uses		23,339,430	17,517,222	17,662,756	17,808,614	14,722,268
Amount Available for SERAF/CITY/TE'S		(7,359,013)	(4,870,915)	(4,763,522)	(4,651,395)	(1,301,905)

PROJECT AREA NO. 2		2022	2023	2024	2025	2026
Sources						
Property Tax		17,943,438	18,302,306	18,668,353	19,041,720	19,422,554
Total Sources		17,943,438	18,302,306	18,668,353	19,041,720	19,422,554
Uses						
Pass Thru's (Paid by CAC)		6,997,941	7,137,900	7,280,658	7,426,271	7,574,796
Debt Service		6,265,653	6,415,575	6,572,263	6,732,041	6,895,700
Housing Debt Service		488,563	4,297,000	4,308,831	4,314,125	4,312,200
Stipulated Judgment		2,190,701	2,082,226	2,151,090	2,223,819	2,300,693
Loan from PA 4 to cover 2012 Deficit		-	-	-	-	-
Replacement Reserve		-	-	-	-	-
Disclosures		1,200	1,200	1,200	1,200	1,200
Administration		283,836	289,513	295,303	301,209	307,233
Total Uses		16,227,894	20,223,413	20,609,344	20,998,664	21,391,822
Amount Available for SERAF/CITY/TE'S		1,715,544	(1,921,107)	(1,940,992)	(1,956,945)	(1,969,268)

PROJECT AREA NO. 3		2022	2023	2024	2025	2026
Sources						
Property Tax		4,651,481	4,744,511	4,839,401	4,936,189	5,034,913
Total Sources		4,651,481	4,744,511	4,839,401	4,936,189	5,034,913
Uses						
Pass Thru's (Paid by CAC)		1,767,563	1,802,914	1,838,972	1,875,752	1,913,267
Debt Service		1,428,686	1,443,525	1,461,238	1,477,963	1,498,463
Stipulated Judgment		567,896	539,776	557,627	576,481	596,409
Replacement Reserve		-	-	-	-	-
Disclosures		800	800	800	800	800
Administration		73,579	75,050	76,552	78,083	79,644
Total Uses		3,838,524	3,862,066	3,935,189	4,009,078	4,088,583
Amount Available for SERAF/CITY/TE'S		812,957	882,445	904,212	927,111	946,330

PROJECT AREA NO. 4		2022	2023	2024	2025	2026
Sources						
Property Tax		13,860,642	14,137,855	14,420,612	14,709,024	15,003,204
Reimbursement from PA 2 for Loan						
Total Sources		13,860,642	14,137,855	14,420,612	14,709,024	15,003,204
Uses						
Pass Thru's (Paid by CAC)		8,454,991	8,624,091	8,796,573	8,972,505	9,151,955
Debt Service		2,847,205	2,941,273	3,026,225	3,116,779	3,207,505
Stipulated Judgment		1,692,236	1,608,443	1,661,637	1,717,818	1,777,200
Replacement Reserve		-	-	-	-	-
Disclosures		1,200	1,200	1,200	1,200	1,200
Administration		219,253	223,638	228,111	232,673	237,326
Total Uses		13,214,885	13,398,644	13,713,746	14,040,974	14,375,186
Amount Available for SERAF/CITY/TE'S		645,757	739,210	706,866	668,050	628,018

PROJECT AREA NO. 1

	2027	2028	2029	2030	2031
Sources					
Property Tax	-	-	-	-	-
Total Sources	-	-	-	-	-
Uses					
Pass Thru's (Paid by CAC)	-	-	-	-	-
Debt Service	7,275,088	7,274,638	7,278,235	-	-
Housing Debt Service	-	-	-	-	-
Stipulated Judgement	-	-	-	-	-
Indian Springs MHP Agreement	-	-	-	-	-
Replacement Reserve	-	-	-	-	-
Disclosures	2,800	2,800	2,800	-	-
Administration	-	-	-	-	-
Total Uses	7,277,888	7,277,438	7,281,035	-	-
Amount Available for SERAF/CITY/TE'S	(7,277,888)	(7,277,438)	(7,281,035)	-	-

PROJECT AREA NO. 2

	2027	2028	2029	2030	2031
Sources					
Property Tax	19,811,005	20,207,225	20,611,370	21,023,597	21,444,069
Total Sources	19,811,005	20,207,225	20,611,370	21,023,597	21,444,069
Uses					
Pass Thru's (Paid by CAC)	7,726,292	7,880,818	8,038,434	8,199,203	8,363,187
Debt Service	6,059,599	6,077,874	6,028,726	6,091,784	6,156,551
Housing Debt Service	4,312,844	767,625	764,625	765,000	763,625
Stipulated Judgment	1,839,418	3,663,620	3,745,925	3,828,186	3,912,957
Loan from PA 4 to cover 2012 Deficit	-	-	-	-	-
Replacement Reserve	-	-	-	-	-
Disclosures	1,200	1,200	1,200	1,200	1,200
Administration	313,378	319,646	326,039	332,559	339,211
Total Uses	20,252,731	18,710,782	18,904,949	19,217,932	19,536,731
Amount Available for SERAF/CITY/TE'S	(441,726)	1,496,443	1,706,420	1,805,665	1,907,338

PROJECT AREA NO. 3

	2027	2028	2029	2030	2031
Sources					
Property Tax	5,135,611	5,238,323	5,343,090	5,449,952	5,558,951
Total Sources	5,135,611	5,238,323	5,343,090	5,449,952	5,558,951
Uses					
Pass Thru's (Paid by CAC)	1,951,532	1,990,563	2,030,374	2,070,982	2,112,401
Debt Service	1,512,700	1,533,350	1,551,125	1,572,675	1,592,744
Stipulated Judgment	476,833	949,721	971,057	992,382	1,014,357
Replacement Reserve	-	-	-	-	-
Disclosures	800	800	800	800	800
Administration	81,237	82,862	84,519	86,209	87,934
Total Uses	4,023,102	4,557,296	4,637,875	4,723,048	4,808,235
Amount Available for SERAF/CITY/TE'S	1,112,509	681,028	705,215	726,904	750,715

PROJECT AREA NO. 4

	2027	2028	2029	2030	2031
Sources					
Property Tax	15,303,269	15,609,334	15,921,521	16,239,951	16,564,750
Reimbursement from PA 2 for Loan	-	-	-	-	-
Total Sources	15,303,269	15,609,334	15,921,521	16,239,951	16,564,750
Uses					
Pass Thru's (Paid by CAC)	9,334,994	9,521,694	9,712,128	9,906,370	10,104,497
Debt Service	3,296,860	3,394,820	3,491,180	3,588,005	3,686,975
Stipulated Judgment	1,420,882	2,830,011	2,893,589	2,957,132	3,022,615
Replacement Reserve	-	-	-	-	-
Disclosures	1,200	1,200	1,200	1,200	1,200
Administration	242,073	246,914	251,853	256,890	262,028
Total Uses	14,296,009	15,994,639	16,349,949	16,709,597	17,077,315
Amount Available for SERAF/CITY/TE'S	1,007,259	(385,305)	(428,428)	(469,646)	(512,565)

PROJECT AREA NO. 1		2032	2033	2034	2035	2036
Sources						
Property Tax		-	-	-	-	-
Total Sources		-	-	-	-	-
Uses						
Pass Thru's (Paid by CAC)		-	-	-	-	-
Debt Service		-	-	-	-	-
Housing Debt Service		-	-	-	-	-
Stipulated Judgement		-	-	-	-	-
Indian Springs MHP Agreement		-	-	-	-	-
Replacement Reserve		-	-	-	-	-
Disclosures		-	-	-	-	-
Administration		-	-	-	-	-
Total Uses		-	-	-	-	-
Amount Available for SERAF/CITY/TE'S		-	-	-	-	-

PROJECT AREA NO. 2		2032	2033	2034	2035	2036
Sources						
Property Tax		21,872,950	22,310,409	22,756,618	23,211,750	23,675,985
Total Sources		21,872,950	22,310,409	22,756,618	23,211,750	23,675,985
Uses						
Pass Thru's (Paid by CAC)		8,530,451	8,701,060	8,875,081	9,052,583	9,233,634
Debt Service		6,220,519	6,287,953	6,364,138	6,733,503	4,661,466
Housing Debt Service		-	-	-	-	-
Stipulated Judgment		4,374,590	4,462,082	4,551,324	4,642,350	4,735,197
Loan from PA 4 to cover 2012 Deficit		-	-	-	-	-
Replacement Reserve		-	-	-	-	-
Disclosures		1,200	1,200	1,200	1,200	600
Administration		345,995	352,915	359,973	367,172	374,516
Total Uses		19,472,754	19,805,209	20,151,715	20,796,808	19,005,413
Amount Available for SERAF/CITY/TE'S		2,400,196	2,505,200	2,604,903	2,414,942	4,670,572

PROJECT AREA NO. 3		2032	2033	2034	2035	2036
Sources						
Property Tax		5,670,130	5,783,532	5,899,203	6,017,187	6,137,531
Total Sources		5,670,130	5,783,532	5,899,203	6,017,187	6,137,531
Uses						
Pass Thru's (Paid by CAC)		2,154,649	2,197,742	2,241,697	2,286,531	2,332,262
Debt Service		1,611,350	1,623,475	1,029,988	1,030,075	1,033,500
Stipulated Judgment		1,134,026	1,156,706	1,179,841	1,203,437	1,227,506
Replacement Reserve		-	-	-	-	-
Disclosures		800	800	800	800	800
Administration		89,692	91,486	93,316	95,182	97,086
Total Uses		4,990,517	5,070,210	4,545,641	4,616,026	4,691,154
Amount Available for SERAF/CITY/TE'S		679,612	713,322	1,353,562	1,401,161	1,446,377

PROJECT AREA NO. 4		2032	2033	2034	2035	2036
Sources						
Property Tax		16,896,045	17,233,966	17,578,645	17,930,218	18,288,822
Reimbursement from PA 2 for Loan		-	-	-	-	-
Total Sources		16,896,045	17,233,966	17,578,645	17,930,218	18,288,822
Uses						
Pass Thru's (Paid by CAC)		10,306,587	10,512,719	10,722,974	10,937,433	11,156,182
Debt Service		3,792,000	3,892,875	4,003,500	-	-
Stipulated Judgment		3,379,209	3,446,793	3,515,729	3,586,044	3,657,764
Replacement Reserve		-	-	-	-	-
Disclosures		1,200	1,200	600	-	-
Administration		267,268	272,614	278,066	283,627	289,300
Total Uses		17,746,265	18,126,201	18,520,868	14,807,104	15,103,246
Amount Available for SERAF/CITY/TE'S		(850,220)	(892,235)	(942,223)	3,123,114	3,185,577

PROJECT AREA NO. 1

	2037	2038	2039	2040	2041	2042
Sources						
Property Tax	-	-	-	-	-	-
Total Sources	-	-	-	-	-	-
Uses						
Pass Thru's (Paid by CAC)	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Housing Debt Service	-	-	-	-	-	-
Stipulated Judgment	-	-	-	-	-	-
Indian Springs MHP Agreement	-	-	-	-	-	-
Replacement Reserve	-	-	-	-	-	-
Disclosures	-	-	-	-	-	-
Administration	-	-	-	-	-	-
Total Uses	-	-	-	-	-	-
Amount Available for SERAF/CITY/TE'S	-	-	-	-	-	-

PROJECT AREA NO. 2

	2037	2038	2039	2040	2041	2042
Sources						
Property Tax	24,149,505	24,632,495	-	-	-	-
Total Sources	24,149,505	24,632,495	-	-	-	-
Uses						
Pass Thru's (Paid by CAC)	9,418,307	9,606,673	-	-	-	-
Debt Service	-	-	-	-	-	-
Housing Debt Service	-	-	-	-	-	-
Stipulated Judgment	4,829,901	4,926,499	-	-	-	-
Loan from PA 4 to cover 2012 Deficit	-	-	-	-	-	-
Replacement Reserve	-	-	-	-	-	-
Disclosures	-	-	-	-	-	-
Administration	382,006	389,646	-	-	-	-
Total Uses	14,630,214	14,922,818	-	-	-	-
Amount Available for SERAF/CITY/TE'S	9,519,291	9,709,677	-	-	-	-

PROJECT AREA NO. 3

	2037	2038	2039	2040	2041	2042
Sources						
Property Tax	6,260,281	6,385,487	6,513,197	6,643,461	6,776,330	6,911,856
Total Sources	6,260,281	6,385,487	6,513,197	6,643,461	6,776,330	6,911,856
Uses						
Pass Thru's (Paid by CAC)	2,378,907	2,426,485	2,475,015	2,524,515	2,575,005	2,626,505
Debt Service	1,033,000	1,030,500	1,031,000	1,034,250	-	-
Stipulated Judgment	1,252,056	1,277,097	-	-	-	-
Replacement Reserve	-	-	-	-	-	-
Disclosures	800	800	800	800	-	-
Administration	99,028	101,008	103,028	105,089	107,191	109,334
Total Uses	4,763,791	4,835,891	3,609,843	3,664,654	2,682,196	2,735,840
Amount Available for SERAF/CITY/TE'S	1,496,491	1,549,596	2,903,354	2,978,807	4,094,134	4,176,017

PROJECT AREA NO. 4

	2037	2038	2039	2040	2041	2042
Sources						
Property Tax	18,654,599	19,027,691	19,408,245	-	-	-
Reimbursement from PA 2 for Loan	-	-	-	-	-	-
Total Sources	18,654,599	19,027,691	19,408,245	-	-	-
Uses						
Pass Thru's (Paid by CAC)	11,379,305	11,606,891	11,839,029	-	-	-
Debt Service	-	-	-	-	-	-
Stipulated Judgment	3,730,920	3,805,538	-	-	-	-
Replacement Reserve	-	-	-	-	-	-
Disclosures	-	-	-	-	-	-
Administration	295,086	300,987	307,007	-	-	-
Total Uses	15,405,311	15,713,417	12,146,036	-	-	-
Amount Available for SERAF/CITY/TE'S	3,249,288	3,314,274	7,262,208	-	-	-

PROJECT AREA NO. 1**Totals****Sources**

Property Tax

Total Sources 602,313,732**Uses**

Pass Thru's (Paid by CAC)	246,948,630
Debt Service	189,073,128
Housing Debt Service	85,069,322
Stipulated Judgment	64,551,459
Indian Springs MHP Agreement	2,083,383
Replacement Reserve	1,618,199
Disclosures	50,400
Administration	10,849,466

Total Uses 600,243,986**Amount Available for SERAF/CITY/TE'S 2,069,745****PROJECT AREA NO. 2****Sources**

Property Tax

Total Sources 519,879,877**Uses**

Pass Thru's (Paid by CAC)	202,753,152
Debt Service	151,655,167
Housing Debt Service	25,094,438
Stipulated Judgment	76,850,414
Loan from PA 4 to cover 2012 Deficit	1,267,049
Replacement Reserve	179,800
Disclosures	29,400
Administration	8,502,488

Total Uses 466,331,908**Amount Available for SERAF/CITY/TE'S 53,547,969****PROJECT AREA NO. 3****Sources**

Property Tax

Total Sources 161,744,650**Uses**

Pass Thru's (Paid by CAC)	61,462,967
Debt Service	37,993,629
Stipulated Judgment	20,230,279
Replacement Reserve	179,800
Disclosures	23,200
Administration	2,681,838

Total Uses 122,571,713**Amount Available for SERAF/CITY/TE'S 39,172,937****PROJECT AREA NO. 4****Sources**

Property Tax	421,264,312
Reimbursement from PA 2 for Loan	1,267,049

Total Sources 422,531,361**Uses**

Pass Thru's (Paid by CAC)	256,971,230
Debt Service	71,199,789
Stipulated Judgment	59,993,985
Replacement Reserve	179,800
Disclosures	27,000
Administration	6,983,331

Total Uses 395,355,135**Amount Available for SERAF/CITY/TE'S 27,176,226**

EXHIBIT 2d

**PROJECT AREA NO. 1
LOAN AGREEMENTS**

Project Area No. 1, As Amended, Loan Agreement

with reference to

\$37,780,000
Palm Desert Financing Authority
Tax Allocation Revenue Bonds
(Project Area No. 1, As Amended)
2006 Series A

\$24,540,000
Palm Desert Financing Authority
Tax Allocation Refunding Revenue Bonds
(Project Area No. 1, As Amended)
2006 Series B
(Taxable)

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EXHIBIT A – SCHEDULE OF SERIES 2006A LOAN PAYMENTS

EXHIBIT B – SCHEDULE OF SERIES 2006B LOAN PAYMENTS

PROJECT AREA NO. 1, AS AMENDED, LOAN AGREEMENT

This Project Area No. 1, as Amended, Loan Agreement (this "Loan Agreement") is made and entered into as of July 1, 2006, by and among the Palm Desert Redevelopment Agency, a public body, corporate and politic, duly organized and validly existing under the laws of the State of California (the "Agency"), the Palm Desert Financing Authority, a joint powers authority duly organized and validly existing under the laws of the State of California (the "Authority"), and Wells Fargo Bank, National Association, a national banking association duly organized and validly existing under the laws of the United States of America (the "Trustee").

Recitals

A. The Agency is a redevelopment agency, a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Redevelopment Law, and the powers of the Agency include the power to borrow money for any of its corporate purposes.

B. A Redevelopment Plan, as amended, for the Project Area (as defined in the below-mentioned Indenture) has been duly approved and adopted by the City.

C. The Agency has determined to incur two loans (the "Loans") hereunder for the object and purpose of financing and refinancing public capital improvements of benefit to the Project Area, as provided herein, pursuant to the Redevelopment Law and the Marks-Roos Local Bond Pooling Act of 1985, Article 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Bond Law").

D. Concurrently with the execution and delivery of this Loan Agreement, the Authority has issued its \$37,780,000 Tax Allocation Revenue Bonds (Project Area No. 1, As Amended), 2006 Series A and its \$24,540,000 Tax Allocation Refunding Revenue Bonds (Project Area No. 1, As Amended), 2006 Series B (Taxable) (together, the "Bonds"), pursuant to the Bond Law and an Indenture of Trust, dated as of July 1, 2006 (the "Indenture"), by and between the Authority and the Trustee, for the purpose of providing funds to make the Loans to the Agency.

E. The Authority has determined that there will be significant public benefits accruing from such borrowing, consisting of demonstrable savings in effective interest rates and financing costs associated with the issuance of the Bonds pursuant to the Bond Law.

F. The Authority and the Agency have determined that all acts and proceedings required by law necessary to make this Loan Agreement, when executed by the Agency, the Trustee and the Authority, the valid, binding and legal obligation of the Agency and the Authority, and to constitute this Loan Agreement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Loan Agreement have been in all respects duly authorized.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context clearly requires or unless otherwise defined herein, the capitalized terms in this Loan Agreement shall have the respective meanings which such terms are given in the Indenture. In addition, the following terms defined in this Section 1.1 shall, for all purposes of this Loan Agreement, have the respective meanings herein specified.

"Bonds" means the Series 2006A Bonds and the Series 2006B Bonds.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the making of the Loans pursuant to the Loan Agreement, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority and any trustee, compensation to any financial advisors or underwriters and their counsel, legal fees and expenses, filing and recording costs, rating agency fees, credit enhancement fees (including insurance, surety bonds and letters of credit), costs of preparation and reproduction of documents and costs of printing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 2.6.

"Escrow Fund" means the fund by that name established under the Escrow Agreement (Project Area No. 1, as Amended), dated as of even date herewith, by and among the Authority, the Agency and Wells Fargo Bank, National Association, as escrow agent, relating to the refunding of the portion of the Authority's Tax Allocation Refunding Revenue Bonds (Project Area No. 1, As Amended) Series 1997, scheduled to mature on April 1, 2023.

"Event of Default" means any of the events described in Section 5.1.

"Financial Guaranty Agreement" means, collectively, the Financial Guaranty Agreements, by and between the Agency and the Insurer relating to the issuance of the Surety Bond.

"Indenture" means the Indenture of Trust, dated as of July 1, 2006, by and between the Authority and the Trustee, authorizing the issuance of the Bonds, as may from time to time be supplemented, modified or amended.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by or acceptable to the Agency, and who, or each of whom: (i) is judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of redevelopment projects; (ii) is in fact independent and not under the domination of the Agency; (iii) does not have any substantial interest, direct or indirect, with the Agency, other than as original purchaser of any obligations of the Agency; and (iv) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Loan Agreement" means this Project Area No. 1, As Amended, Loan Agreement, as it may from time to time be amended, modified or supplemented.

"Loans" means the Series 2006A Loan and the Series 2006B Loan.

"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 (i) the amount of interest payable on the Loans and all outstanding Parity Debt in such Bond Year, assuming that principal thereof is paid as scheduled and that any mandatory sinking fund payments are made as scheduled, and (ii) the amount of principal payable on the Loans and all outstanding Parity Debt in such Bond Year, including any principal required to be prepaid by operation of mandatory sinking fund payments. For purposes of such calculation, at the option of the Agency and specified to the Trustee in writing, there may be excluded a pro rata portion of each installment of principal of any Parity Debt, together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Parity Debt are deposited in an escrow fund from which amounts may not be released to the Agency unless the Tax Revenues for the current Fiscal Year at least equal 115 percent of the amount of Maximum Annual Debt Service.

"1997 Loan" means the outstanding balance of the loan made by the Authority to the Agency pursuant to the 1997 Loan Agreement.

"1997 Loan Agreement" means the Project Area No. 1, As Amended, Loan Agreement dated as of July 1, 1997, by and among the Agency, the Authority and First Trust of California, National Association, as succeeded by Wells Fargo Bank, National Association, as trustee.

"Parity Debt" means the 1997 Loan, the 2002 Loan, the 2003 Loan, the 2004 Loan and any other loans, bonds, notes, advances, or indebtedness payable from Tax Revenues on a parity with the Loans, issued or incurred pursuant to and in accordance with the provisions of Section 2.8.

"Parity Debt Instrument" means the 1997 Loan Agreement, the 2002 Loan Agreement, the 2003 Loan Agreement, the 2004 Loan Agreement and any other resolution, indenture of trust, trust agreement or other instrument authorizing the issuance of any Parity Debt.

"Pass-Through Agreements" means, collectively, the agreements entered into by the Agency on or prior to the date hereof pursuant to Section 33401 of the Redevelopment Law with (i) the County of Riverside, (ii) the Coachella Valley Mosquito Abatement District, (iii) the Coachella Valley Recreation and Park District, (iv) the Coachella Valley Water District, (v) the Desert Community College District, (vi) the Desert Sands Unified School District and (vii) the Riverside County Superintendent of Schools.

"Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on (i) the aggregate principal amount of bonded indebtedness payable from Tax Revenues which may be outstanding at any time, (ii) the aggregate amount of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, and (iii) the

period of time for establishing or repaying loans, advances and indebtedness payable from Tax Revenues.

"Project Fund" means the fund by that name established and held by the Trustee pursuant to Section 2.7.

"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 and deposited with the Trustee pursuant to Section 2.5, provided that all of the following requirements are met at the time of deposit with the Trustee: (i) either (a) the long-term credit rating of such bank is within one of the two highest rating categories by Moody's or S&P, or the claims paying ability of such insurance company is rated within one of the two highest rating categories by Moody's or S&P, at the time of delivery of such letter of credit or surety bond, or (b) the Authority shall cause to be filed with the Trustee written evidence from Moody's and S&P that the delivery of such letter of credit or surety bond will not, of itself, cause a reduction or withdrawal of any rating then assigned to the Bonds; (ii) such letter of credit or surety bond has a term of at least 12 months; (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 Section 2.5; and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time with respect to deposits required pursuant to Section 3.3(a).

"Redevelopment Fund" means the Project Area No. 1, As Amended, Redevelopment Fund, heretofore established and held by the Agency.

"Redevelopment Project" means the undertaking of the Agency pursuant to the Redevelopment Plan and the Redevelopment Law for the redevelopment of the Project Area.

"Reserve Fund" means the Project Area No. 1, As Amended, Reserve Fund held by the Trustee pursuant to Section 2.5.

"Reserve Requirement," means the least of (i) Maximum Annual Debt Service, (ii) 125 percent of average annual debt service on the Loans and all outstanding Parity Debt, and (iii) 10 percent of the proceeds of the Loans (i.e., the original principal amount of the Bonds) and of the proceeds of any Parity Debt. The amount of the Reserve Requirement on any date is subject to confirmation by the Authority to the Trustee upon the Trustee's written request. At the Closing Date, the Reserve Requirement shall be \$ 13,117,662.

"Series 2006A Bonds" means the Palm Desert Financing Authority Tax Allocation Revenue Bonds (Project Area No. 1, As Amended), 2006 Series A.

"Series 2006A Loan" means the loan made by the Authority to the Agency pursuant to Section 2.1(a) from the proceeds of the Series 2006A Bonds in the principal amount of \$37,780,000

"Series 2006B Bonds" means the Palm Desert Financing Authority Tax Allocation Refunding Revenue Bonds (Project Area No. 1, As Amended), 2006 Series B (Taxable).

"Series 2006B Loan" means the loan made by the Authority to the Agency pursuant to Section 2.1(b) from the proceeds of the Series 2006B Bonds in the principal amount of \$24,540,000.

"Special Fund" means the fund by that name held by the Agency pursuant to Section 3.2.

"Subordinate Debt" means any loans, advances or indebtedness issued or incurred by the Agency in accordance with the requirements of Section 2.9, which are either: (i) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (ii) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues hereunder for the security of the Loans and any Parity Debt.

"Surety Bond" means the Qualified Reserve Fund Credit Instruments issued by the Insurer concurrently with the issuance and delivery of the Bonds guaranteeing certain payments into the Reserve Fund as provided therein and subject to the limitations set forth therein.

"Tax Revenues" means that portion of the taxes levied upon taxable property in the Project Area, allocated and paid into a special fund of the Agency pursuant to Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the California Constitution, exclusive of amounts placed into the Low and Moderate Income Housing Fund of the Agency pursuant to Sections 33334.2 and 33334.3 of the Redevelopment Law, and excluding amounts payable to affected taxing agencies pursuant to the Pass-Through Agreements or pursuant to Section 33607.5 or 33607.7 of the Redevelopment Law.

"2004 Loan" means the outstanding balance of the loan made by the Authority to the Agency pursuant to the 2004 Loan Agreement.

"2004 Loan Agreement" means the Project Area No. 1, As Amended, Loan Agreement dated as of June 1, 2004, by and among the Agency, the Authority and BNY Western Trust Company, as succeeded by Wells Fargo Bank, National Association, as trustee.

"2003 Loan" means the outstanding balance of the loan made by the Authority to the Agency pursuant to the 2003 Loan Agreement.

"2003 Loan Agreement" means the Project Area No. 1, As Amended, Loan Agreement dated as of July 1, 2003, by and among the Agency, the Authority and BNY Western Trust Company, as succeeded by Wells Fargo Bank, National Association, as trustee.

"2002 Loan" means the outstanding balance of the loan made by the Authority to the Agency pursuant to the 2002 Loan Agreement.

"2002 Loan Agreement" means the Project Area No. 1, As Amended, Loan Agreement dated as of March 1, 2002, by and among the Agency, the Authority and BNY Western Trust Company, as succeeded by Wells Fargo Bank, National Association, as trustee.

Section 1.2. Rules of Construction. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Loan Agreement, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE LOANS; APPLICATION OF LOAN PROCEEDS; PARITY DEBT

Section 2.1. Authorization. (a) The Authority hereby agrees to lend and the Agency agrees to accept the Series 2006A Loan in the principal amount of \$37,780,000 under and subject to the terms of this Loan Agreement, the Bond Law and the Redevelopment Law.

(b) The Authority hereby agrees to lend and the Agency agrees to accept the Series 2006B Loan in the principal amount of \$24,540,000 under and subject to the terms of this Loan Agreement, the Bond Law and the Redevelopment Law.

(c) This Loan Agreement constitutes a continuing agreement to secure the full and final payment of the Loans, subject to the covenants, agreements, provisions and conditions herein contained.

Section 2.2. Disbursement and Application of Loan Proceeds.(a) On the Closing Date, the Authority shall cause to be deposited into the Series 2006A Loan Fund the amount of \$38,605,284.75 which shall be held by the Trustee and which shall be disbursed as follows:

(i) The Trustee shall transfer the amount of \$215,210.21 to the Series 2006A Account of the Costs of Issuance Fund.

(ii) The Trustee shall transfer the remaining amount of \$38,390,074.54 to the Project Fund.

On the Closing Date, the Authority and the Agency shall also cause the amount of \$422,000 to be paid to the Insurer for the cost of the portion of the premiums for the Insurance Policy and the Surety Bond allocable to the Series 2006A Bonds.

The Trustee may, in its discretion, establish a temporary fund or account to facilitate or account for the foregoing transfers.

(b) On the Closing Date, the Authority shall cause to be deposited into the Series 2006B Loan Fund the amount of \$24,110,965.40 which shall be held by the Trustee and which shall be disbursed as follows:

(i) The Trustee shall transfer the amount of \$142,842.53 to the Series 2006B Account of the Costs of Issuance Fund.

(ii) The Trustee shall transfer the remaining amount of \$23,968,122.87 to the Escrow Fund.

On the Closing Date, the Authority and the Agency shall also cause the amount of \$221,000 to be paid to the Insurer for the cost of the portion of the premiums for the Insurance Policy and the Surety Bond allocable to the Series 2006B Bonds.

The Trustee may, in its discretion, establish a temporary fund or account to facilitate or account for the foregoing transfers.

Section 2.3. Repayment of Loans. The Agency shall, subject to prepayment as provided in Section 2.4(a), repay the principal of the Series 2006A Loan in installments on April 1 in each of the years and in the amounts, and shall pay interest on the unpaid principal balance of the Series 2006A Loan due on each Interest Payment Date not later than the fifth Business Day preceding such Interest Payment Date in the amounts set forth in Exhibit A attached hereto and by this reference incorporated herein. Such interest shall accrue from the Closing Date. Any installment of principal or interest which is not paid when due shall continue to accrue interest from and including the date on which such principal or interest is payable to but not including the date of actual payment. In the event any unpaid principal installments of the Series 2006A Loan shall be prepaid pursuant to Section 2.4(a), or in the event the Series 2006A Bonds shall be redeemed pursuant to Section 2.03(a) of the Indenture, the schedule of principal installments set forth in Exhibit A hereto shall be reduced as directed by the Agency to the Trustee.

The Agency shall, subject to prepayment as provided in Section 2.4(b), repay the principal of the Series 2006B Loan in installments on April 1 in each of the years and in the amounts, and shall pay interest on the unpaid principal balance of the Series 2006B Loan due on each Interest Payment Date not later than the fifth Business Day preceding such Interest Payment Date in the amounts set forth in Exhibit B attached hereto and by this reference incorporated herein. Such interest shall accrue from the Closing Date. Any installment of principal or interest which is not paid when due shall continue to accrue interest from and including the date on which such principal or interest is payable to but not including the date of actual payment. In the event any unpaid principal installments of the Series 2006B Loan shall be prepaid pursuant to Section 2.4(b), or in the event the Series 2006B Bonds shall be redeemed pursuant to Section 2.03(a) of the Indenture, the schedule of principal installments set forth in Exhibit B hereto shall be reduced as directed by the Agency to the Trustee.

The obligation of the Agency to repay the Loans is, subject to Section 3.1, absolute and unconditional, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Principal of and interest on the Loans shall be payable by the Agency to the Trustee, as assignee of the Authority under the Indenture, in lawful money of the United States. Payment of such principal and interest shall be secured, and amounts for the payment thereof shall be deposited with the Trustee at the times, as set forth in Article III.

Notwithstanding the foregoing provisions of this Section 2.3, in lieu of payment of any installment of principal of the Loans coming due and payable on April 1 in any year in which any Bonds are subject to mandatory sinking fund redemption, the Agency shall have the right to purchase any of such Bonds in an amount not exceeding the amount thereof which is subject to mandatory sinking fund redemption on such April 1, and tender such Bonds for cancellation, provided that such tender shall be made before the preceding January 15.

Section 2.4. Optional Prepayment.

(a) The Agency shall have the right to prepay principal installments of the Series 2006A Loan, in any integral multiple of \$5,000, such prepayment to be allocated among such principal installments as the Agency may determine upon Request to the Authority and the Trustee provided not less than 45 days prior to the prepayment date, on any Interest Payment Date on which the Series 2006A Bonds are subject to redemption pursuant to Section 2.03(a) of the Indenture, by depositing with the Trustee an amount sufficient to redeem a like aggregate principal amount of Series 2006A Bonds together with the amount of accrued interest and premium, if any, required to be paid upon such redemption.

(b) Principal installments of the Series 2006B Loan are not subject to optional prepayment by the Agency prior to their scheduled payment dates.

(c) Before making any prepayment pursuant to this Section, the Agency shall give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid and the order thereof, which date shall be not less than 45 days from the date such notice is given; provided, that notwithstanding any such prepayment, the Agency shall not be relieved of its obligations with respect to a Loan hereunder, including specifically its obligations under this Article, until such Loan shall have been fully paid (or provision for payment thereof shall have been made pursuant to Section 6.3).

(d) The Authority agrees that upon payment by the Agency to the Trustee of such amount, the Authority shall take or cause to be taken any and all steps required under the Indenture to redeem such Outstanding Bonds of the applicable series on the redemption date designated by the Agency; provided, however, that such date shall be a date of redemption of such Bonds, for which notice has been timely given pursuant to the Indenture.

Section 2.5. Reserve Fund. There is heretofore established a separate fund known as the "Project Area No. 1, As Amended, Reserve Fund," which shall continue to be held by the Trustee in trust for the benefit of the Authority and the Owners of the Bonds and the registered owners of all other bonds issued by the Authority in connection with any Parity Debt. The Agency hereby pledges and grants a lien and a security interest in the Reserve Fund to the Trustee in order to secure the Agency's payment obligations under Sections 2.3 and 3.3(a). The amount on deposit in the Reserve Fund shall be maintained at the Reserve Requirement at all times, except to the extent required for the purposes set forth in this Section.

In the event that the Agency shall fail to deposit with the Trustee the full amount required to be deposited pursuant to Section 3.3(a), the Trustee shall withdraw from the Reserve Fund and transfer to the Interest Account and the Principal Account, in such order, an amount

equal to the difference between (i) the amount required to be deposited pursuant to Section 3.3(a) and (ii) the amount actually deposited by the Agency. In the event that the amount on deposit in the Reserve Fund shall at any time be less than the Reserve Requirement, the Trustee shall notify the Agency as soon as practicable of the amount required to be deposited therein to restore the balance to the Reserve Requirement, such notice to be given by telephone, telefax or other form of telecommunications promptly confirmed in writing, and the Agency shall thereupon transfer to the Trustee the amount needed to restore the Reserve Fund to the Reserve Requirement.

In the event that the amount on deposit in the Reserve Fund on the 15th calendar day preceding any Interest Payment Date (other than the final Interest Payment Date) – provided that the deposits required by Section 3.3(a) have been made – exceeds the Reserve Requirement, the Trustee shall withdraw from the Reserve Fund all amounts in excess of the Reserve Requirement and shall (i) transfer such amounts to the Revenue Fund, (ii) if directed by the Agency pursuant to a Written Request, apply such amounts toward the prepayment of the Loans pursuant to Section 2.4 or the prepayment of any Parity Debt, or (iii) upon receipt of prior Request of the Agency to pay such amounts to the Agency to be used for any lawful purpose relating to the Project Area, as specified in such Request of the Agency. Notwithstanding the foregoing provisions of this paragraph, however, no amounts shall be withdrawn from the Reserve Fund and transferred to the Agency pursuant to this paragraph during any period in which an Event of Default shall have occurred and be continuing hereunder.

With the written consent of the Insurer (as long as the Insurance Policy is in full force and effect) and of the insurer of any Parity Debt (as long as the policy insuring such Parity Debt is in full force and effect), 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 an amount equal to the Reserve Requirement. Upon the deposit with the Trustee of such Qualified Reserve Fund Credit Instrument, the Trustee shall release moneys then on hand in the Reserve Fund to the Agency, to be used for any lawful purpose relating to the Project Area, in an amount equal to the face amount of the Qualified Reserve Fund Credit Instrument.

If at any time the amount on deposit in, or credited to, the Reserve Fund includes both cash and the Surety Bond, any draw on the Surety Bond shall be made only after all cash in the Reserve Fund has been expended. If at any time the amount credited to the Reserve Fund includes more than one Qualified Reserve Fund Credit Instrument, any draw on the Qualified Reserve Fund Credit Instruments shall be made on a pro rata basis based on the relative amounts of debt service of the applicable bonds covered by each Qualified Reserve Fund Credit Instrument in such Fiscal Year. In the event of any draw pursuant to the preceding sentence, the surety bond issued by MBIA Insurance Corporation in connection with the Series 2006B Bonds shall be treated as a separate Qualified Reserve Fund Credit Instrument, distinct from other Qualified Reserve Fund Credit Instruments on deposit in the Reserve Fund whether issued by MBIA Insurance Corporation or any other entity.

Section 2.6. Costs of Issuance Fund. There is hereby established a fund to be held by the Trustee known as the "Costs of Issuance Fund" and two accounts therein known as the "Series 2006A Account" and the "Series 2006B Account." A portion of the proceeds of the Series 2006A Loan shall be deposited in the Series 2006A Account pursuant to Section 2.2(a). A

portion of the proceeds of the Series 2006B Loan shall be deposited in the Series 2006B Account pursuant to Section 2.2(b). The moneys in each account of the Costs of Issuance Fund shall be used to pay Costs of Issuance of the related series of Bonds from time to time upon receipt of a Request of the Agency. On the 90th day after the Closing Date (or the first Business Day thereafter), or upon the earlier receipt by the Trustee of a Request of the Agency stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the accounts of the Costs of Issuance Fund to the Revenue Fund.

Section 2.7. Project Fund. There is hereby established a fund to be known as the "Project Fund", which shall be held and maintained by the Trustee. Amounts on deposit in such fund shall be derived solely from the portion of the proceeds of the Series 2006A Loan transferred thereto, or from excess amounts transferred thereto from the Reserve Fund, and from earnings on the investment of amounts therein. Except as provided in this Section, the moneys set aside and placed in the Project Fund shall remain therein until expended from time to time for the purpose of paying any portion of the costs of the Redevelopment Project, and other costs related thereto, which other costs may include, but are not limited to, (a) the cost of improvements and other costs which may not benefit the Redevelopment Project exclusively but which are necessary to the redevelopment of the Project Area and the disposition of land therein; (b) the repayment of any advances made by the City for the Redevelopment Project; and (c) to the extent not paid from the Series 2006A Account of the Costs of Issuance Fund, the necessary expenses in connection with the issuance and sale of the Series 2006A Bonds.

Before any payment of money is made from the Project Fund, the Agency shall file with the Trustee a Request of the Agency showing with respect to each payment of money to be made:

- (a) the name and address of the person to whom payment is due;
- (b) the amount of money to be paid;
- (c) the purpose for which the obligation to be paid was incurred; and
- (d) that such amount has not been paid previously for such purpose from the Project Fund.

Each such Request of the Agency shall state and shall be sufficient evidence to the Trustee:

- (i) that an obligation in the stated amount has been properly incurred under and pursuant to this Loan Agreement and that such obligation is a proper charge against the Project Fund; and
- (ii) that there has not been filed with or served upon the Agency a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person named in such Request of the Agency which has not been released or will not be released simultaneously with the payment of such obligation, other than liens accruing by mere operation of law.

Upon receipt of each such Request of the Agency, the Trustee shall pay the amount set forth in such Request of the Agency as directed by the terms thereof within three Business Days.

If any moneys deposited in the Project Fund remain therein after the full accomplishment of the objects and purposes for which the Series 2006A Loan was made, said moneys shall be transferred to the Special Fund.

Section 2.8. Parity Debt. From time to time, the Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Agency, subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Debt issued under this Section 2.8:

(a) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in this Loan Agreement.

(b) The amount of Tax Revenues for the then current Fiscal Year, as set forth in a Certificate of the Agency, based on assessed valuation of property in the Project Area as evidenced in the written records of the County, and projected annual Tax Revenues over the term of this Loan Agreement based on current Tax Revenue collections, shall be at least equal to 115 percent of Maximum Annual Debt Service.

(c) The related Parity Debt Instrument shall provide that the balance of the Reserve Fund shall be increased to the new Reserve Requirement effective after the incurrence of such Parity Debt.

(d) The related Parity Debt Instrument shall provide that:

(1) With respect to any Parity Debt which bears current interest, interest on such Parity Debt shall not be payable on a date other than April 1 and October 1 of any year, and

(2) The principal of such Parity Debt shall not be payable on any date other than the date on which principal of the Loans is payable.

(e) The issuance of such Parity Debt shall not cause the Agency to exceed any applicable Plan Limitations.

(f) The Agency shall deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in Paragraphs (a) through (e) above have been satisfied.

Section 2.9. Issuance of Subordinate Debt. In addition to the Loans and any Parity Debt, from time to time the Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency, provided that the issuance of such Subordinate Debt shall not cause the Agency to exceed any applicable Plan Limitations.

Section 2.10. Validity of Loans. The validity of the Loans shall not be dependent upon the completion of the Redevelopment Project or upon the performance by any person of any obligation with respect to the Redevelopment Project.

ARTICLE III

PLEDGE AND APPLICATION OF TAX REVENUES

Section 3.1. Pledge of Tax Revenues. The Loans and all Parity Debt shall be equally secured by a first pledge of and lien on all of the Tax Revenues and all of the moneys on deposit in the Special Fund, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and other funds pledged hereunder, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest on or prepayment premium, if any, on the Loans.

Section 3.2. Special Fund; Deposit of Tax Revenues. The Agency has heretofore established a special fund known as the "Special Fund," which is and shall continue to be held by the Agency as a separate fund apart from all other funds and accounts of the Agency. The Agency shall deposit all Tax Revenues in the Special Fund promptly upon the receipt thereof. Except as may be otherwise provided in any Parity Debt Instrument, any Tax Revenues received during the Bond Year in excess of amounts required to be transferred to the Trustee pursuant to Section 3.3 shall be released from the pledge and lien hereunder and may be used for any lawful purposes of the Agency. Prior to the payment in full of the principal of and interest and prepayment premium, if any, on the Loans and all Parity Debt and the payment in full of all other amounts payable hereunder and under any Parity Debt Instrument, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except only as provided in this Loan Agreement and in any Parity Debt Instrument, and such moneys shall be used and applied as set forth herein and in any Parity Debt Instrument.

Section 3.3. Transfer of Tax Revenues From Special Fund. In addition to the transfers required to be made pursuant to any Parity Debt Instrument, the Agency shall withdraw from the Special Fund and transfer to the Trustee the following amounts at the following times and in the following order of priority:

(a) Interest and Principal Deposits. No later than the fifth Business Day preceding each date on which the principal of or interest on the Loans or any Parity Debt shall become due and payable, including but not limited to the principal amounts of the Loans to be prepaid hereunder together with any prepayment premium thereon, the Agency shall withdraw from the Special Fund and transfer to the Trustee an amount which, together with the amounts then held on deposit in the Interest Account, the Principal Account and the Revenue Fund, is equal to the aggregate amount of such principal, interest and prepayment premium.

(b) Reserve Fund Deposits. In the event that the Trustee shall notify the Agency pursuant to Section 2.5 that the amount on deposit in the Reserve Fund is less than the Reserve Requirement, the Agency shall immediately withdraw from the Special Fund and transfer to the Trustee for deposit in the Reserve Fund an amount of money necessary to

maintain the Reserve Requirement in the Reserve Fund (including repayment of any draw made under a Qualified Reserve Fund Credit Instrument, including the Surety Bond, prior to replenishing any cash in the Reserve Fund).

(c) Surplus. Except as may be otherwise provided in any Parity Debt Instrument, the Agency shall not be obligated to deposit in the Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts in the Special Fund, exceeds the amounts required in such Bond Year pursuant to this Section 3.3. All Tax Revenues which are received by the Agency during any Bond Year in excess of the amounts required to be deposited in the Special Fund in such Bond Year shall be released from the pledge thereof and lien thereon which is established pursuant hereto. In the event that for any reason whatsoever any amounts shall remain on deposit in the Special Fund on any April 2 after making all of the transfers theretofore required to be made pursuant to the preceding Paragraphs (a) and (b) and pursuant to any Parity Debt Instrument, the Agency may withdraw such amounts from the Special Fund, to be used for any lawful purposes of the Agency, including but not limited to the payment of any Subordinate Debt or the payment of any amounts due and owing to the United States pursuant to Section 4.11.

Section 3.4. Investment of Moneys; Valuation of Investments. Subject to Section 4.03 of the Indenture, all moneys in the Special Fund, the Project Fund, the Reserve Fund and the Costs of Issuance Fund shall be invested in Permitted Investments. Absent any prior written instruction from the Agency or the Authority, moneys in any fund held by the Trustee hereunder or under the Indenture shall be invested in Permitted Investments described in clause D of the definition thereof. Absent the written consent of the Insurer, investments of moneys in the Reserve Fund (not including any Qualified Reserve Fund Credit Instrument) shall not have maturities extending beyond five years. Obligations purchased as an investment of moneys in any fund or account established hereunder shall be credited to and deemed to be part of such fund or account. The Agency or the Trustee, as the case may be, may commingle any amounts in any of the funds and accounts held hereunder with any other amounts held by the Agency or the Trustee for purposes of making any investment, provided that the Agency and the Trustee shall maintain separate accounting procedures for the investment of all funds and accounts held hereunder. All interest, profits and other income received from the investment of moneys in any fund or account established hereunder shall be credited to such fund or account. Notwithstanding anything to the contrary contained in this Section 3.4, an amount of interest received with respect to any investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such investment shall be credited to the fund or account from which such accrued interest was paid.

For the purpose of determining the amount in any fund or account established hereunder, any investments credited to such fund shall be valued at least annually at the market value thereof.

ARTICLE IV

OTHER COVENANTS OF THE AGENCY

Section 4.1. Punctual Payment; Extension of Payments. The Agency shall punctually pay or cause to be paid the principal of and interest and prepayment premium, if any, on the Loans in strict conformity with the terms of this Loan Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Loan Agreement. The Agency shall not directly or indirectly extend or assent to the extension of the maturity of any installment of principal of or interest or prepayment premium, if any, on the Loans, and in case the principal of or interest or premium, if any, on the Loans or the time of payment of any such claims therefor shall be extended, such principal, interest, premium or claims for interest shall not be entitled, in case of any Event of Default hereunder, to the benefits of this Loan Agreement except for payment of all amounts which shall not have been so extended.

Section 4.2. Limitation on Additional Indebtedness. The Agency hereby covenants that it shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only the Loans, any Parity Debt, and any Subordinate Debt, and any other obligations permitted by this Loan Agreement.

Section 4.3. Payment of Claims. The Agency shall pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Loans. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

Section 4.4. Books and Accounts; Financial Statements. The Agency shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues, the Special Fund, the Reserve Fund, the Low and Moderate Income Housing Fund and the Redevelopment Fund. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Authority, the Trustee and the Owners of not less than ten percent in aggregate principal amount of a series of Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared annually, within 180 days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Special Fund and the Redevelopment Fund and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Agency will furnish a copy of such statements, upon reasonable request, to any Owner.

Section 4.5. Protection of Security and Rights. The Agency will preserve and protect the security of the Loans and the rights of the Trustee and the Owners with respect to the Loans. From and after the Closing Date, the Loans shall be incontestable by the Agency. The Loans and the provisions of this Loan Agreement are and will be the legal, valid and binding special obligations of the Agency enforceable in accordance with their terms, and the Agency shall at all times, to the extent permitted by law, defend, preserve and protect all the rights of the Authority, the Trustee and the Owners under this Loan Agreement against all claims and demands of all persons whomsoever. The Agency's obligations to the Trustee under this Section 4.5 shall survive the payment of the Bonds and the discharge of the Indenture, the removal or resignation of the Trustee pursuant to the Indenture or the payment of the Loans and the discharge of this Loan Agreement.

Section 4.6. Payments of Taxes and Other Charges. The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Project Area when the same shall become due. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of such taxes, assessments or charges. The Agency will duly observe and comply with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

Section 4.7. Taxation of Leased Property. All ad valorem property taxes derived by the Agency pursuant to Section 33673 of the Redevelopment Law with respect to the lease of property for redevelopment shall be treated as Tax Revenues for all purposes of this Loan Agreement, and shall be deposited by the Agency in the Special Fund promptly upon receipt.

Section 4.8. Disposition of Property. The Agency will not participate in the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of this Loan Agreement) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent of the land area in the Project Area unless such disposition is permitted as hereinafter provided in this Section 4.8. If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Redevelopment Consultant to report on the effect of said proposed disposition. If the Report of the Independent Redevelopment Consultant concludes that the security of the Loans or the rights of the Authority, the Owners and the Trustee hereunder will not be materially impaired by said proposed disposition, the Agency may thereafter make such disposition. If such Report concludes that such security will be materially impaired by such proposed disposition, the Agency shall disapprove said proposed disposition.

Section 4.9. Maintenance of Tax Revenues. The Agency shall comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State. The Agency shall not

amend the Redevelopment Plan (except for the purpose of extending or eliminating the time limit on the establishment of loans, advances, and indebtedness, extending the time limit on the effectiveness of the Redevelopment Plan, extending the time limit on the payment of indebtedness, extending the time limit for the receipt of tax increment, or increasing the limitation on the number of dollars of taxes to be allocated to the Agency) or any of the Pass-Through Agreements, or enter into any agreement with the County or any other governmental unit, which would have the effect of reducing the amount of Tax Revenues available to the Agency for payment of the Loans, unless the Agency shall first obtain (a) the Report of an Independent Redevelopment Consultant stating that the amount of Tax Revenues for the then current Fiscal Year (calculated on the assumption that such reduction of Tax Revenues was in effect throughout such Fiscal Year), shall be at least equal to 115 percent of Maximum Annual Debt Service, and (b) as long as the Insurance Policy is in full force and effect, the written consent of the Insurer. Nothing herein is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Agency of any such agreement, amendment or supplement which by its term is subordinate to the payment of the Loans and all Parity Debt.

Section 4.10. Payment of Expenses; Indemnification. The Agency shall pay to the Trustee from time to time all compensation for all services rendered under this Loan Agreement and the Indenture, including but not limited to 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 hereunder and thereunder. Upon the occurrence of an Event of Default, the Trustee shall have a first lien on the funds held by it 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 (including the allocated costs and disbursements of in-house counsel to the extent the services of such counsel are not duplicative of services provided by outside counsel) incurred in performing its duties under the Indenture and this Loan Agreement.

The Agency further covenants and agrees to indemnify, defend and save the Trustee and its officers, directors, agents and employees, harmless against any losses, expenses and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties in accordance with the Indenture and this Loan Agreement, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Agency under this paragraph shall survive the resignation or removal of the Trustee under the Indenture, this Loan Agreement and payment of the Loans and the discharge of this Loan Agreement.

Section 4.11. Tax Covenants.

(a) The Agency covenants that, in order to maintain the exclusion from gross income for Federal income tax purposes of the interest on the Series 2006A Bonds, and for no other purpose, the Agency will satisfy, or take such actions as are necessary to cause to be satisfied, each provision of the Code necessary to maintain such exclusion. In furtherance of this covenant the Agency agrees to comply with such written instructions as may be provided by Bond Counsel.

(b) The Agency covenants that no part of the proceeds of the Series 2006A Bonds shall be used, directly or indirectly, to acquire any Investment Property which would cause the Series 2006A Bonds to become arbitrage bonds as that term is defined in Section 148 of the Code, or under applicable Tax Regulations. In order to assure compliance with the rebate requirements of Section 148 of the Code, the Agency further covenants that it will pay or cause to be paid to the United States the amounts necessary to satisfy the requirements of Section 148(f) of the Code, and that it will establish such accounting procedures as are necessary to adequately determine, account for and pay over any such amount required to be paid thereunder in a manner consistent with the requirements of Section 148 of the Code, such covenants to survive the defeasance of the Series 2006A Bonds.

(c) The Agency covenants that it will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial execution and delivery of the Series 2006A Bonds, would result in a loss of exclusion from gross income for purposes of Federal income taxation, under Section 103 of the Code, of interest on the Series 2006A Bonds.

(d) The Agency covenants that it will not use or permit the use of any property financed with the proceeds of the Series 2006A Bonds by any person (other than a state or local governmental unit) in such manner or to such extent as would result in a loss of exclusion of the interest on the Series 2006A Bonds from gross income for Federal income tax purposes under Section 103 of the Code.

(e) Except as provided below, the Agency covenants that none of the moneys contained in any of the funds or accounts with respect to the Series 2006A Bonds shall be: (i) used in making loans guaranteed by the United States (or any agency or instrumentality thereof), (ii) invested directly or indirectly in a deposit or account insured by the Federal Deposit Insurance Corporation, National Credit Union Administration or any other similar Federally chartered corporation, or (iii) otherwise invested directly or indirectly in obligations guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof); provided, however, that the above restrictions do not apply to: (a) the investment on moneys held in the Revenue Fund or any other "bona fide debt service fund" as defined for purposes of Section 148 of the Code, (b) investment in direct obligations of the United States Treasury, (c) investment in obligations guaranteed by the Federal National Mortgage Association, Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation, (d) investment in obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended by Section 511(a) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, (e) investments permitted under regulations issued pursuant to Section 149(b)(3)(B) of the Code, or (f) such other investments permitted under the Indenture as, in the opinion of Bond Counsel, do not jeopardize the exclusion from gross income for Federal income tax purposes of interest on the Series 2006A Bonds.

Section 4.12. Redevelopment of Project Area. The Agency shall ensure that all activities undertaken by the Agency with respect to the redevelopment of the Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Redevelopment Law. The Agency shall manage and operate all properties owned by the Agency and comprising any part of the Redevelopment Project in a

sound and business-like manner and in conformity with all valid requirements of any governmental authority, and will keep such properties insured at all times in conformity with sound business practice.

Section 4.13. Low and Moderate Income Housing Fund. The Agency covenants and agrees to use the moneys in the Low and Moderate Income Housing Fund in accordance with Sections 33334.2 and 33334.3 of the Redevelopment Law, and further covenants and agrees to disburse, expend or encumber any "excess surplus" (as defined in Section 33334.12 of the Redevelopment Law) in the Low and Moderate Income Housing Fund at such times and in such manner that the Agency shall not be subject to sanctions pursuant to subdivision (e) of said Section 33334.12.

Section 4.14. Annual Review of Tax Revenues. On or before June 30th of each year commencing June 30, 2007, the Agency shall submit a Report of an Independent Redevelopment Consultant to the Insurer, which Report shall show the total amount of Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitation, as well as future cumulative annual debt service with respect to the Loans and all Parity Debt. The Agency will not accept Tax Revenues greater than such annual debt service in any year, if such acceptance will cause the amount remaining under the tax increment limit to fall below remaining cumulative annual debt service with respect to the Loans and all Parity Debt, except for the purpose of depositing such revenues in escrow for the payment of such debt service or for the prepayment or redemption of the Loans or any Parity Debt. Once it is determined that Tax Revenues available to be received by the Agency under the aforementioned tax increment limitation in an upcoming year will not exceed 110 percent of aggregate remaining debt service on the Loans and all outstanding Parity Debt, the Agency shall escrow all current and future Tax Revenues and use such amounts solely for the purpose of paying (or prepaying) debt service on the Loans and Parity Debt.

Section 4.15. Further Assurances. The Agency will 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 this Loan Agreement and for the better assuring and confirming unto the Trustee, the Authority and the Owners of the Bonds of the rights and benefits provided in this Loan Agreement.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

Section 5.1. Events of Default and Acceleration of Maturities. The following events shall constitute Events of Default hereunder:

(a) Failure by the Agency to pay the principal of or interest or prepayment premium, if any, on the Loans or any Parity Debt when and as the same shall become due and payable.

(b) Failure by the Agency to observe and perform any of the covenants, agreements or conditions on its part contained in this Loan Agreement, other than as referred to

in the preceding Paragraph (a), for a period of 60 days after written notice specifying such failure and requesting that it be remedied has been given to the Agency by the Trustee; provided, however, that if the failure stated in such notice can be corrected, but not within such 60-day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Agency within such 60-day period and thereafter is diligently pursued until such failure is corrected.

(c) The filing by the Agency of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property.

If an Event of Default has occurred and is continuing, the Authority or the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Outstanding Bonds the Authority or the Trustee shall, (i) declare the principal of the Loans, together with the accrued interest on all unpaid installments thereof, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in this Loan Agreement to the contrary notwithstanding, and (ii) subject to the receipt of indemnity as provided in the Indenture, exercise any other remedies available to the Trustee at law or in equity. Immediately upon becoming aware of the occurrence of an Event of Default, the Authority, or the Trustee as assignee of the Authority, shall give notice of such Event of Default to the Agency by telephone, telecopier or other telecommunication device, promptly confirmed in writing. This provision, however, is subject to the condition that if, at any time after the principal of the Loans 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 Agency shall deposit with the Trustee a sum sufficient to pay all installments of principal of the Loans matured prior to such declaration and all accrued interest thereon, with interest on such overdue installments of principal and interest at the net effective rate then borne by the Outstanding Bonds, and the reasonable 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 Loans 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 a majority in aggregate principal amount of the Outstanding Bonds may, by written notice to the Trustee and the Agency, 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.

Section 5.2. Application of Funds Upon Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Loan Agreement, shall be applied by the Trustee in the following order:

First, to the payment of the fees, costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel (including the allocated costs and

disbursements of in-house counsel to the extent the services of such counsel are not duplicative of services provided by outside counsel); and

Second, to the payment of the whole amount of interest on and principal of the Loans then due and unpaid, with interest on overdue installments of principal, and such interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(i) first, to the payment of all installments of interest on the Loans then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(ii) second, to the payment of all installments of principal of the Loans then due and payable, on a pro rata basis in the event that the available amounts are installments of principal in full, and

(iii) third, to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Section 5.3. No Waiver. Nothing in this Article V or in any other provision of this Loan Agreement, shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged hereunder, the principal of and interest and premium, if any, on the Loans to the Trustee when due, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Trustee to institute suit to enforce such payment by virtue of the contract embodied in this Loan Agreement.

A waiver of any default by the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of the Trustee 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 Trustee by the Redevelopment Law or by this Article V may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Trustee, the Agency, the Authority and the Trustee shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 5.4. Agreement to Pay Attorneys' Fees and Expenses. In the event the Agency or the Authority should default under any of the provisions hereof and the nondefaulting party or the Trustee should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party or the Trustee, as the case may be, the reasonable fees of

such attorneys and such other expenses so incurred (including the allocated costs and disbursements of in-house counsel to the extent the services of such counsel are not duplicative of services provided by outside counsel).

Section 5.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee 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 hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Redevelopment Law or any other law.

Section 5.6. Control of Remedies by Insurer. Notwithstanding the provisions of Section 5.1 and subject to any rights heretofore granted by the Authority or the Agency to any insurer of Parity Debt, as long as Insurance Policy is in full force and effect and the Insurer has not defaulted with respect to its payment obligations thereunder, upon the occurrence and continuance of an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners under this Loan Agreement. Any acceleration of the Loans or annulment thereof pursuant to Section 5.1 shall be subject to the prior written consent of the Insurer. No waiver of a default shall be effective without the written consent of the Insurer.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Benefits Limited to Parties. Nothing in this Loan Agreement, expressed or implied, is intended to give to any person other than the Agency, the Trustee, the Insurer and the Authority, any right, remedy or claim under or by reason of this Loan Agreement. All covenants, stipulations, promises or agreements in this Loan Agreement contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Authority, the Trustee acting as trustee for the benefit of the Owners of the Bonds, and the Insurer so long as the Insurance Policy remains in full force and effect.

Section 6.2. Successor Deemed Included in All References to Predecessor. Whenever in this Loan Agreement, the Agency, the Authority, the Trustee or the Insurer is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Loan Agreement contained by or on behalf of the Agency, the Authority, the Trustee or the Insurer shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 6.3. Discharge of Loan Agreement. If the Agency shall pay and discharge the indebtedness on the Loans or any portion thereof in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and prepayment premiums, if any, on the Loans or such portion thereof, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, cash in an amount which, together with the available amounts then on deposit in any of the funds and accounts established pursuant to the Indenture or this Loan Agreement, in the opinion or report of an Independent Accountant is fully sufficient to pay all principal of and interest and prepayment premiums, if any, on the Loans or such portion thereof; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, non-callable Defeasance Obligations in such amount as an Independent 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 or this Loan Agreement, be fully sufficient to pay and discharge the indebtedness on the Loans or such portion thereof (including all principal, interest and prepayment premiums) at or before maturity;

then, at the election of the Agency but only if all other amounts then due and payable hereunder shall have been paid or provision for their payment made, the pledge of and lien upon the Tax Revenues and other funds provided for in this Loan Agreement and all other obligations of the Trustee, the Authority and the Agency under this Loan Agreement with respect to the Loans or such portion thereof shall cease and terminate, except only the obligation of the Agency to pay or cause to be paid to the Trustee, from the amounts so deposited with the Trustee or such other fiduciary, all sums due with respect to the Loans or such portion thereof, and to pay all expenses and costs of the Trustee when and as such expenses and costs become due and payable. Notice of such election shall be filed with the Authority and the Trustee. Any funds thereafter held by the Trustee hereunder, which are not required for said purpose, shall be paid over to the Agency.

Section 6.4. Amendment. This Loan Agreement may be amended by the parties hereto but only under the circumstances set forth in, and in accordance with, the provisions of Section 5.8 of the Indenture. The Authority and the Trustee covenant that the Indenture shall not be amended, nor shall the Authority agree or consent to any amendment of the Indenture, without the prior written consent of the Agency (except that such consent shall not be required in the event that an Event of Default shall have occurred and be continuing hereunder).

Section 6.5. Waiver of Personal Liability. No member, officer, agent or employee of the Agency shall be individually or personally liable for the payment of the principal of or interest on the Loans; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 6.6. Payment on Business Days. Whenever in this Loan Agreement any amount is required to be paid on a day which is not a Business Day, such payment shall be required to be made on the Business Day immediately following such day, provided that interest on such payment shall not accrue from and after such day.

Section 6.7. Notices. Any notice, request, complaint, demand or other communication under this Loan Agreement shall be given in the same manner as provided in Section 11.13 of the Indenture, which is hereby incorporated.

Section 6.8. Rights of Insurer. (a) As long as the Insurance Policy is in full force and effect with respect to the Bonds, the Agency shall, on an annual basis, furnish the Insurer with copies of its audited financial statements and its annual budget; and shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to any Parity Debt.

(b) The Agency agrees to reimburse the Insurer immediately and unconditionally upon written demand thereof, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Insurer in connection with (i) the enforcement by the Insurer of the Authority's or the Agency's obligations, or the preservation or defense of any rights of the Insurer, under the Indenture or this Loan Agreement, and (ii) any consent, amendment, waiver or other action with respect to the Indenture or any related document, whether or not granted or approved, and together with, if demanded by the Insurer in writing, interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus three percent or the maximum interest rate permitted by law, whichever is less. In addition, the Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

(c) The Authority and the Agency agree not to use the Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the Insurer's prior consent; provided however, such prohibition on the use of the Insurer's name shall not relate to the use of the Insurer's standard approved form of disclosure in public documents issued in connection with the Bonds; and provided further such prohibition shall not apply to the use of the Insurer's name in order to comply with public notice, public meeting or public reporting requirements.

Section 6.9. Surety Bond. (a) To draw upon the Surety Bond pursuant to Section 2.5, the Trustee shall deliver to the Insurer a Demand for Payment, in the form attached to the Surety Bond, at least three days prior to the date on which funds are required under Section 3.3(a).

(b) As security for its rights hereunder, the Insurer shall be deemed to have a security interest in the Tax Revenues, subject only to any security interest of the Trustee or of the Owners of the Bonds or of the owners of any Parity Debt.

(c) Notwithstanding the provisions of Section 6.3, this Loan Agreement shall not terminate and no money shall be released by the Trustee to the Agency until all sums owed to the Insurer by the Agency or the Authority under the terms of the Financial Guaranty Agreement or any other document have been paid in full.

(d) The Trustee shall maintain adequate records, verified with the Insurer, as to the amount available to be drawn at any given time under the Surety Bond and as to the amounts paid and owing to the Insurer under the terms of the Financial Guaranty Agreement.

Section 6.10. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Loan Agreement shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Loan Agreement. The Agency hereby declares that it would have adopted this Loan Agreement and each and every

other Section, paragraph, sentence, clause or phrase hereof and authorized the Loans irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Loan Agreement may be held illegal, invalid or unenforceable.

Section 6.11. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Loan Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Loan Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 6.12. Execution of Counterparts. This Loan Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 6.13. Governing Law. This Loan Agreement shall be construed and governed in accordance with the laws of the State.

Section 6.14. The Trustee. The Trustee is entering into this Loan Agreement solely in its capacity as Trustee under the Indenture and all provisions of the Indenture relating to the rights, privileges, powers and protections of the Trustee shall apply with equal force and effect to all actions taken by the Trustee in connection with this Loan Agreement. The Trustee shall be responsible only for the duties of the Trustee expressly set forth herein.

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(Project Area No. 1, As Amended, Loan Agreement)

IN WITNESS WHEREOF, the AGENCY, the AUTHORITY and the TRUSTEE have caused this Loan Agreement to be signed by their respective officers, all as of the day and year first above written.

**PALM DESERT REDEVELOPMENT
AGENCY**

By: 
Executive Director

PALM DESERT FINANCING AUTHORITY

By: 
Chief Administrative Officer

**WELLS FARGO BANK, NATIONAL
ASSOCIATION
as Trustee**

By: _____
Authorized Officer

(Project Area No. 1, As Amended, Loan Agreement)

IN WITNESS WHEREOF, the AGENCY, the AUTHORITY and the TRUSTEE have caused this Loan Agreement to be signed by their respective officers, all as of the day and year first above written.

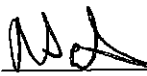
**PALM DESERT REDEVELOPMENT
AGENCY**

By: _____
Executive Director

PALM DESERT FINANCING AUTHORITY

By: _____
Chief Administrative Officer

**WELLS FARGO BANK, NATIONAL
ASSOCIATION**
as Trustee

By:  _____
Authorized Officer

Project Area No. 1, As Amended, Loan Agreement

with reference to

\$32,600,000

Palm Desert Financing Authority
Tax Allocation Refunding Revenue Bonds
(Project Area No. 1, As Amended)
2007 Series A

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PROJECT AREA NO. 1, AS AMENDED, LOAN AGREEMENT

This Project Area No. 1, as Amended, Loan Agreement (this "Loan Agreement") is made and entered into as of January 1, 2007, by and among the Palm Desert Redevelopment Agency, a public body, corporate and politic, duly organized and validly existing under the laws of the State of California (the "Agency"), the Palm Desert Financing Authority, a joint powers authority duly organized and validly existing under the laws of the State of California (the "Authority"), and Wells Fargo Bank, National Association, a national banking association duly organized and validly existing under the laws of the United States of America (the "Trustee").

Recitals

A. The Agency is a redevelopment agency, a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Redevelopment Law, and the powers of the Agency include the power to borrow money for any of its corporate purposes.

B. A Redevelopment Plan, as amended, for the Project Area (as defined in the below-mentioned Indenture) has been duly approved and adopted by the City.

C. The Agency has determined to incur a loan (the "Series 2007A Loan") hereunder for the object and purpose of financing and refinancing public capital improvements of benefit to the Project Area, as provided herein, pursuant to the Redevelopment Law and the Marks-Roos Local Bond Pooling Act of 1985, Article 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Bond Law").

D. Concurrently with the execution and delivery of this Loan Agreement, the Authority has issued its \$32,600,000 Tax Allocation Refunding Revenue Bonds (Project Area No. 1, As Amended), 2007 Series A (the "Bonds"), pursuant to the Bond Law and an Indenture of Trust, dated as of January 1, 2007 (the "Indenture"), by and between the Authority and the Trustee, for the purpose of providing funds to make the Series 2007A Loan to the Agency.

E. The Authority has determined that there will be significant public benefits accruing from such borrowing, consisting of demonstrable savings in effective interest rates and financing costs associated with the issuance of the Bonds pursuant to the Bond Law.

F. The Authority and the Agency have determined that all acts and proceedings required by law necessary to make this Loan Agreement, when executed by the Agency, the Trustee and the Authority, the valid, binding and legal obligation of the Agency and the Authority, and to constitute this Loan Agreement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Loan Agreement have been in all respects duly authorized.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context clearly requires or unless otherwise defined herein, the capitalized terms in this Loan Agreement shall have the respective meanings which such terms are given in the Indenture. In addition, the following terms defined in this Section 1.1 shall, for all purposes of this Loan Agreement, have the respective meanings herein specified.

"Bonds" means the Palm Desert Financing Authority Tax Allocation Refunding Revenue Bonds (Project Area No. 1, As Amended), 2007 Series A.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the making of the Series 2007A Loan pursuant to the Loan Agreement, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority and any trustee, compensation to any financial advisors or underwriters and their counsel, legal fees and expenses, filing and recording costs, rating agency fees, credit enhancement fees (including insurance, surety bonds and letters of credit), costs of preparation and reproduction of documents and costs of printing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 2.6.

"Escrow Fund" means the fund by that name established under the Escrow Agreement (Project Area No. 1, as Amended), dated as of even date herewith, by and among the Authority, the Agency and Wells Fargo Bank, National Association, as escrow agent, relating to the refunding of the portion of the Authority's Tax Allocation Refunding Revenue Bonds (Project Area No. 1, As Amended) Series 1997, scheduled to mature on April 1, 2008 and thereafter through April 1, 2018.

"Event of Default" means any of the events described in Section 5.1.

"Financial Guaranty Agreement" means the Financial Guaranty Agreement, by and between the Agency and the Insurer relating to the issuance of the Surety Bond.

"Indenture" means the Indenture of Trust, dated as of January 1, 2007, by and between the Authority and the Trustee, authorizing the issuance of the Bonds, as may from time to time be supplemented, modified or amended.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by or acceptable to the Agency, and who, or each of whom: (i) is judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of redevelopment projects; (ii) is in fact independent and not under the domination of the Agency; (iii) does not have any substantial interest, direct or indirect, with the Agency, other than as original purchaser of any obligations of the Agency; and

(iv) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Loan Agreement" means this Project Area No. 1, As Amended, Loan Agreement, as it may from time to time be amended, modified or supplemented.

"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 (i) the amount of interest payable on the Series 2007A Loan and all outstanding Parity Debt in such Bond Year, assuming that principal thereof is paid as scheduled and that any mandatory sinking fund payments are made as scheduled, and (ii) the amount of principal payable on the Series 2007A Loan and all outstanding Parity Debt in such Bond Year, including any principal required to be prepaid by operation of mandatory sinking fund payments. For purposes of such calculation, at the option of the Agency and specified to the Trustee in writing, there may be excluded a pro rata portion of each installment of principal of any Parity Debt, together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Parity Debt are deposited in an escrow fund from which amounts may not be released to the Agency unless the Tax Revenues for the current Fiscal Year at least equal 115 percent of the amount of Maximum Annual Debt Service.

"1997 Loan" means the outstanding balance of the loan made by the Authority to the Agency pursuant to the 1997 Loan Agreement.

"1997 Loan Agreement" means the Project Area No. 1, As Amended, Loan Agreement dated as of July 1, 1997, by and among the Agency, the Authority and First Trust of California, National Association, as succeeded by Wells Fargo Bank, National Association, as trustee.

"Parity Debt" means the 1997 Loan, the 2002 Loan, the 2003 Loan, the 2004 Loan, the 2006 Loans and any other loans, bonds, notes, advances, or indebtedness payable from Tax Revenues on a parity with the Series 2007A Loan, issued or incurred pursuant to and in accordance with the provisions of Section 2.8.

"Parity Debt Instrument" means the 1997 Loan Agreement, the 2002 Loan Agreement, the 2003 Loan Agreement, the 2004 Loan Agreement, the 2006 Loan Agreement and any other resolution, indenture of trust, trust agreement or other instrument authorizing the issuance of any Parity Debt.

"Pass-Through Agreements" means, collectively, the agreements entered into by the Agency on or prior to the date hereof pursuant to Section 33401 of the Redevelopment Law with (i) the County of Riverside, (ii) the Coachella Valley Mosquito Abatement District, (iii) the Coachella Valley Recreation and Park District, (iv) the Coachella Valley Water District, (v) the Desert Community College District, (vi) the Desert Sands Unified School District and (vii) the Riverside County Superintendent of Schools.

"Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on (i) the aggregate principal amount of bonded indebtedness payable from Tax Revenues which may be outstanding at any time, (ii) the aggregate amount of taxes which

may be divided and allocated to the Agency pursuant to the Redevelopment Plan, and (iii) the period of time for establishing or repaying loans, advances and indebtedness payable from Tax Revenues.

"Project Fund" means the fund by that name established and held by the Trustee pursuant to Section 2.7.

"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 and deposited with the Trustee pursuant to Section 2.5, provided that all of the following requirements are met at the time of deposit with the Trustee: (i) either (a) the long-term credit rating of such bank is within one of the two highest rating categories by Moody's or S&P, or the claims paying ability of such insurance company is rated within one of the two highest rating categories by Moody's or S&P, at the time of delivery of such letter of credit or surety bond, or (b) the Authority shall cause to be filed with the Trustee written evidence from Moody's and S&P that the delivery of such letter of credit or surety bond will not, of itself, cause a reduction or withdrawal of any rating then assigned to the Bonds; (ii) such letter of credit or surety bond has a term of at least 12 months; (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 Section 2.5; and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time with respect to deposits required pursuant to Section 3.3(a).

"Redevelopment Fund" means the Project Area No. 1, As Amended, Redevelopment Fund, heretofore established and held by the Agency.

"Redevelopment Project" means the undertaking of the Agency pursuant to the Redevelopment Plan and the Redevelopment Law for the redevelopment of the Project Area.

"Reserve Fund" means the Project Area No. 1, As Amended, Reserve Fund held by the Trustee pursuant to Section 2.5.

"Reserve Requirement," means the least of (i) Maximum Annual Debt Service, (ii) 125 percent of average annual debt service on the Series 2007A Loan and all outstanding Parity Debt, and (iii) 10 percent of the proceeds of the Series 2007A Loan (i.e., the original principal amount of the Bonds) and of the proceeds of any Parity Debt. The amount of the Reserve Requirement on any date is subject to confirmation by the Authority to the Trustee upon the Trustee's written request. At the Closing Date, the Reserve Requirement shall be \$13,116,979.

"Series 2007A Loan" means the loan made by the Authority to the Agency pursuant to Section 2.1(a) from the proceeds of the Bonds in the principal amount of \$32,600,000.

"Special Fund" means the fund by that name held by the Agency pursuant to Section 3.2.

"Subordinate Debt" means any loans, advances or indebtedness issued or incurred by the Agency in accordance with the requirements of Section 2.9, which are either: (i) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (ii) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues hereunder for the security of the Series 2007A Loan and any Parity Debt.

"Surety Bond" means the Qualified Reserve Fund Credit Instrument issued by the Insurer concurrently with the issuance and delivery of the Bonds guaranteeing certain payments into the Reserve Fund as provided therein and subject to the limitations set forth therein.

"Tax Revenues" means that portion of the taxes levied upon taxable property in the Project Area, allocated and paid into a special fund of the Agency pursuant to Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the California Constitution, exclusive of amounts placed into the Low and Moderate Income Housing Fund of the Agency pursuant to Sections 33334.2 and 33334.3 of the Redevelopment Law, and excluding amounts payable to affected taxing agencies pursuant to the Pass-Through Agreements or pursuant to Section 33607.5 or 33607.7 of the Redevelopment Law.

"2004 Loan" means the outstanding balance of the loan made by the Authority to the Agency pursuant to the 2004 Loan Agreement.

"2004 Loan Agreement" means the Project Area No. 1, As Amended, Loan Agreement dated as of June 1, 2004, by and among the Agency, the Authority and BNY Western Trust Company, as succeeded by Wells Fargo Bank, National Association, as trustee.

"2006 Loans" means the outstanding balance of the loans, designated the "Series 2006A Loan" and the "Series 2006B Loan," made by the Authority to the Agency pursuant to the 2006 Loan Agreement.

"2006 Loan Agreement" means the Project Area No. 1, As Amended, Loan Agreement dated as of July 1, 2006, by and among the Agency, the Authority and Wells Fargo Bank, National Association, as trustee.

"2003 Loan" means the outstanding balance of the loan made by the Authority to the Agency pursuant to the 2003 Loan Agreement.

"2003 Loan Agreement" means the Project Area No. 1, As Amended, Loan Agreement dated as of July 1, 2003, by and among the Agency, the Authority and BNY Western Trust Company, as succeeded by Wells Fargo Bank, National Association, as trustee.

"2002 Loan" means the outstanding balance of the loan made by the Authority to the Agency pursuant to the 2002 Loan Agreement.

"2002 Loan Agreement" means the Project Area No. 1, As Amended, Loan Agreement dated as of March 1, 2002, by and among the Agency, the Authority and BNY Western Trust Company, as succeeded by Wells Fargo Bank, National Association, as trustee.

Section 1.2. Rules of Construction. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Loan Agreement, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE SERIES 2007A LOAN; APPLICATION OF LOAN PROCEEDS; PARITY DEBT

Section 2.1. Authorization. (a) The Authority hereby agrees to lend and the Agency agrees to accept the Series 2007A Loan in the principal amount of \$32,600,000 under and subject to the terms of this Loan Agreement, the Bond Law and the Redevelopment Law.

(b) This Loan Agreement constitutes a continuing agreement to secure the full and final payment of the Series 2007A Loan, subject to the covenants, agreements, provisions and conditions herein contained.

Section 2.2. Disbursement and Application of Loan Proceeds. On the Closing Date, the Authority shall cause to be deposited into the Series 2007A Loan Fund the amount of \$34,084,995.15, which shall be held by the Trustee and which shall be disbursed as follows:

(i) The Trustee shall transfer the amount of \$210,000.00 to the Costs of Issuance Fund.

(ii) The Trustee shall transfer the amount of \$32,129,876.98 to the Escrow Fund.

(iii) The Trustee shall transfer the remaining amount of \$1,745,118.17 to the Project Fund.

On the Closing Date, the Authority and the Agency shall also cause the amount of \$281,000.00 to be paid to the Insurer for the cost of the premiums for the Insurance Policy and the Surety Bond.

The Trustee may, in its discretion, establish a temporary fund or account to facilitate or account for the foregoing transfers.

Section 2.3. Repayment of Series 2007A Loan. The Agency shall repay the principal of the Series 2007A Loan in installments on April 1 in each of the years and in the amounts, and shall pay interest on the unpaid principal balance of the Series 2007A Loan due on each Interest Payment Date not later than the fifth Business Day preceding such Interest Payment Date in the amounts set forth in Exhibit A attached hereto and by this reference incorporated herein. Such interest shall accrue from the Closing Date. Any installment of principal or interest which is not paid when due shall continue to accrue interest from and including the date on which such principal or interest is payable to but not including the date of actual payment.

The obligation of the Agency to repay the Series 2007A Loan is, subject to Section 3.1, absolute and unconditional, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Principal of and interest on the Series 2007A Loan shall be payable by the Agency to the Trustee, as assignee of the Authority under the Indenture, in lawful money of the United States. Payment of such principal and interest shall be secured, and amounts for the payment thereof shall be deposited with the Trustee at the times, as set forth in Article III.

Section 2.4. No Optional Prepayment.

Principal and interest installments of the Series 2007A Loan shall not be subject to optional prepayment prior to their respective due dates set forth in Exhibit A.

Section 2.5. Reserve Fund. There is heretofore established a separate fund known as the "Project Area No. 1, As Amended, Reserve Fund," which shall continue to be held by the Trustee in trust for the benefit of the Authority and the Owners of the Bonds and the registered owners of all other bonds issued by the Authority in connection with any Parity Debt. The Agency hereby pledges and grants a lien and a security interest in the Reserve Fund to the Trustee in order to secure the Agency's payment obligations under Sections 2.3 and 3.3(a). The amount on deposit in the Reserve Fund shall be maintained at the Reserve Requirement at all times, except to the extent required for the purposes set forth in this Section.

In the event that the Agency shall fail to deposit with the Trustee the full amount required to be deposited pursuant to Section 3.3(a), the Trustee shall withdraw from the Reserve Fund and transfer to the Interest Account and the Principal Account, in such order, an amount equal to the difference between (i) the amount required to be deposited pursuant to Section 3.3(a) and (ii) the amount actually deposited by the Agency. In the event that the amount on deposit in the Reserve Fund shall at any time be less than the Reserve Requirement, the Trustee shall notify the Agency as soon as practicable of the amount required to be deposited therein to restore the balance to the Reserve Requirement, such notice to be given by telephone, telefax or other form of telecommunications promptly confirmed in writing, and the Agency shall thereupon transfer to the Trustee the amount needed to restore the Reserve Fund to the Reserve Requirement.

In the event that the amount on deposit in the Reserve Fund on the 15th calendar day preceding any Interest Payment Date (other than the final Interest Payment Date) – provided that the deposits required by Section 3.3(a) have been made – exceeds the Reserve Requirement, the Trustee shall withdraw from the Reserve Fund all amounts in excess of the Reserve Requirement and shall (i) transfer such amounts to the Revenue Fund, (ii) if directed by the Agency pursuant to a Written Request, apply such amounts toward the prepayment of any Parity Debt, or (iii) upon receipt of prior Request of the Agency to pay such amounts to the Agency to be used for any lawful purpose relating to the Project Area, as specified in such Request of the Agency. Notwithstanding the foregoing provisions of this paragraph, however, no amounts shall be withdrawn from the Reserve Fund and transferred to the Agency pursuant to this paragraph during any period in which an Event of Default shall have occurred and be continuing hereunder.

With the written consent of the Insurer (as long as the Insurance Policy is in full force and effect) and of the insurer of any Parity Debt (as long as the policy insuring such Parity Debt is in full force and effect), 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 an amount equal to the Reserve Requirement. Upon the deposit with the Trustee of such Qualified Reserve Fund Credit Instrument, the Trustee shall release moneys then on hand in the Reserve Fund to the Agency, to be used for any lawful purpose relating to the Project Area, in an amount equal to the face amount of the Qualified Reserve Fund Credit Instrument.

If at any time the amount on deposit in, or credited to, the Reserve Fund includes both cash and the Surety Bond, any draw on the Surety Bond shall be made only after all cash in the Reserve Fund has been expended. If at any time the amount credited to the Reserve Fund includes more than one Qualified Reserve Fund Credit Instrument, any draw on the Qualified Reserve Fund Credit Instruments shall be made on a pro rata basis based on the relative amounts of debt service of the applicable bonds covered by each Qualified Reserve Fund Credit Instrument in such Fiscal Year.

Section 2.6. Costs of Issuance Fund. There is hereby established a fund to be held by the Trustee known as the "Costs of Issuance Fund." A portion of the proceeds of the Series 2007A Loan shall be deposited in the Costs of Issuance Fund pursuant to Section 2.2(a). The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of a Request of the Agency. On the 120th day after the Closing Date (or the first Business Day thereafter), or upon the earlier receipt by the Trustee of a Request of the Agency stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund to the Revenue Fund.

Section 2.7. Project Fund. There is hereby established a fund to be known as the "Project Fund," which shall be held and maintained by the Trustee. Amounts on deposit in such fund shall be derived solely from the portion of the proceeds of the Series 2007A Loan transferred thereto, or from excess amounts transferred thereto from the Reserve Fund, and from earnings on the investment of amounts therein. Except as provided in this Section, the moneys set aside and placed in the Project Fund shall remain therein until expended from time to time for the purpose of paying any portion of the costs of the Redevelopment Project, and other costs related thereto, which other costs may include, but are not limited to, (a) the cost of improvements and other costs which may not benefit the Redevelopment Project exclusively but which are necessary to the redevelopment of the Project Area and the disposition of land therein; (b) the repayment of any advances made by the City for the Redevelopment Project; and (c) to the extent not paid from the Costs of Issuance Fund, the necessary expenses in connection with the issuance and sale of the Bonds.

Before any payment of money is made from the Project Fund, the Agency shall file with the Trustee a Request of the Agency showing with respect to each payment of money to be made:

- (a) the name and address of the person to whom payment is due;

- (b) the amount of money to be paid;
- (c) the purpose for which the obligation to be paid was incurred; and
- (d) that such amount has not been paid previously for such purpose from the Project Fund.

Each such Request of the Agency shall state and shall be sufficient evidence to the Trustee:

(i) that an obligation in the stated amount has been properly incurred under and pursuant to this Loan Agreement and that such obligation is a proper charge against the Project Fund; and

(ii) that there has not been filed with or served upon the Agency a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person named in such Request of the Agency which has not been released or will not be released simultaneously with the payment of such obligation, other than liens accruing by mere operation of law.

Upon receipt of each such Request of the Agency, the Trustee shall pay the amount set forth in such Request of the Agency as directed by the terms thereof within three Business Days.

If any moneys deposited in the Project Fund remain therein after the full accomplishment of the objects and purposes for which the Series 2007A Loan was made, said moneys shall be transferred to the Special Fund.

Section 2.8. Parity Debt. From time to time, the Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Agency, subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Debt issued under this Section 2.8:

(a) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in this Loan Agreement.

(b) The amount of Tax Revenues for the then current Fiscal Year, as set forth in a Certificate of the Agency, based on assessed valuation of property in the Project Area as evidenced in the written records of the County, and projected annual Tax Revenues over the term of this Loan Agreement based on current Tax Revenue collections, shall be at least equal to 115 percent of Maximum Annual Debt Service.

(c) The related Parity Debt Instrument shall provide that the balance of the Reserve Fund shall be increased to the new Reserve Requirement effective after the incurrence of such Parity Debt.

(d) The related Parity Debt Instrument shall provide that:

(1) With respect to any Parity Debt which bears current interest, interest on such Parity Debt shall not be payable on a date other than April 1 and October 1 of any year, and

(2) The principal of such Parity Debt shall not be payable on any date other than the date on which principal of the Series 2007A Loan is payable.

(e) The issuance of such Parity Debt shall not cause the Agency to exceed any applicable Plan Limitations.

(f) The Agency shall deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in Paragraphs (a) through (e) above have been satisfied.

Section 2.9. Issuance of Subordinate Debt. In addition to the Series 2007A Loan and any Parity Debt, from time to time the Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency, provided that the issuance of such Subordinate Debt shall not cause the Agency to exceed any applicable Plan Limitations.

Section 2.10. Validity of Series 2007A Loan. The validity of the Series 2007A Loan shall not be dependent upon the completion of the Redevelopment Project or upon the performance by any person of any obligation with respect to the Redevelopment Project.

ARTICLE III

PLEDGE AND APPLICATION OF TAX REVENUES

Section 3.1. Pledge of Tax Revenues. The Series 2007A Loan and all Parity Debt shall be equally secured by a first pledge of and lien on all of the Tax Revenues and all of the moneys on deposit in the Special Fund, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and other funds pledged hereunder, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest on the Series 2007A Loan.

Section 3.2. Special Fund; Deposit of Tax Revenues. The Agency has heretofore established a special fund known as the "Special Fund," which is and shall continue to be held by the Agency as a separate fund apart from all other funds and accounts of the Agency. The Agency shall deposit all Tax Revenues in the Special Fund promptly upon the receipt thereof. Except as may be otherwise provided in any Parity Debt Instrument, any Tax Revenues received during the Bond Year in excess of amounts required to be transferred to the Trustee pursuant to Section 3.3 shall be released from the pledge and lien hereunder and may be used for any lawful purposes of the Agency. Prior to the payment in full of the principal of and interest on the Series 2007A Loan and the principal of and interest and prepayment premium, if any, on all Parity Debt and the payment in full of all other amounts payable hereunder and under any Parity Debt Instrument, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except only as provided in this Loan Agreement and in any Parity

Debt Instrument, and such moneys shall be used and applied as set forth herein and in any Parity Debt Instrument.

Section 3.3. Transfer of Tax Revenues From Special Fund. In addition to the transfers required to be made pursuant to any Parity Debt Instrument, the Agency shall withdraw from the Special Fund and transfer to the Trustee the following amounts at the following times and in the following order of priority:

(a) Interest and Principal Deposits. No later than the fifth Business Day preceding each date on which the principal of or interest on the Series 2007A Loan or any Parity Debt shall become due and payable, the Agency shall withdraw from the Special Fund and transfer to the Trustee an amount which, together with the amounts then held on deposit in the Interest Account, the Principal Account and the Revenue Fund, is equal to the aggregate amount of such principal and interest.

(b) Reserve Fund Deposits. In the event that the Trustee shall notify the Agency pursuant to Section 2.5 that the amount on deposit in the Reserve Fund is less than the Reserve Requirement, the Agency shall immediately withdraw from the Special Fund and transfer to the Trustee for deposit in the Reserve Fund an amount of money necessary to maintain the Reserve Requirement in the Reserve Fund (including repayment of any draw made under a Qualified Reserve Fund Credit Instrument, including the Surety Bond, prior to replenishing any cash in the Reserve Fund).

(c) Surplus. Except as may be otherwise provided in any Parity Debt Instrument, the Agency shall not be obligated to deposit in the Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts in the Special Fund, exceeds the amounts required in such Bond Year pursuant to this Section 3.3. All Tax Revenues which are received by the Agency during any Bond Year in excess of the amounts required to be deposited in the Special Fund in such Bond Year shall be released from the pledge thereof and lien thereon which is established pursuant hereto. In the event that for any reason whatsoever any amounts shall remain on deposit in the Special Fund on any April 2 after making all of the transfers theretofore required to be made pursuant to the preceding Paragraphs (a) and (b) and pursuant to any Parity Debt Instrument, the Agency may withdraw such amounts from the Special Fund, to be used for any lawful purposes of the Agency, including but not limited to the payment of any Subordinate Debt or the payment of any amounts due and owing to the United States pursuant to Section 4.11.

Section 3.4. Investment of Moneys; Valuation of Investments. Subject to Section 4.3 of the Indenture, all moneys in the Special Fund, the Project Fund, the Reserve Fund and the Costs of Issuance Fund shall be invested in Permitted Investments. Absent any prior written instruction from the Agency or the Authority, moneys in any fund held by the Trustee hereunder or under the Indenture shall be invested in Permitted Investments described in clause D of the definition thereof. Absent the written consent of the Insurer, investments of moneys in the Reserve Fund (not including any Qualified Reserve Fund Credit Instrument) shall not have maturities extending beyond five years. Obligations purchased as an investment of moneys in any fund or account established hereunder shall be credited to and deemed to be part of such fund or account. The Agency or the Trustee, as the case may be, may commingle any amounts

in any of the funds and accounts held hereunder with any other amounts held by the Agency or the Trustee for purposes of making any investment, provided that the Agency and the Trustee shall maintain separate accounting procedures for the investment of all funds and accounts held hereunder. All interest, profits and other income received from the investment of moneys in any fund or account established hereunder shall be credited to such fund or account. Notwithstanding anything to the contrary contained in this Section 3.4, an amount of interest received with respect to any investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such investment shall be credited to the fund or account from which such accrued interest was paid.

For the purpose of determining the amount in any fund or account established hereunder, any investments credited to such fund shall be valued at least annually at the market value thereof.

ARTICLE IV

OTHER COVENANTS OF THE AGENCY

Section 4.1. Punctual Payment; Extension of Payments. The Agency shall punctually pay or cause to be paid the principal of and interest on the Series 2007A Loan in strict conformity with the terms of this Loan Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Loan Agreement. The Agency shall not directly or indirectly extend or assent to the extension of the maturity of any installment of principal of or interest on the Series 2007A Loan, and in case the principal of or interest on the Series 2007A Loan or the time of payment of any such claims therefor shall be extended, such principal, interest, or claims for interest shall not be entitled, in case of any Event of Default hereunder, to the benefits of this Loan Agreement except for payment of all amounts which shall not have been so extended.

Section 4.2. Limitation on Additional Indebtedness. The Agency hereby covenants that it shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only the Series 2007A Loan, any Parity Debt, and any Subordinate Debt, and any other obligations permitted by this Loan Agreement.

Section 4.3. Payment of Claims. The Agency shall pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Series 2007A Loan. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

Section 4.4. Books and Accounts; Financial Statements. The Agency shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries shall be made of

all transactions relating to the Redevelopment Project, the Tax Revenues, the Special Fund, the Reserve Fund, the Low and Moderate Income Housing Fund and the Redevelopment Fund. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Authority, the Trustee and the Owners of not less than ten percent in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared annually, within 180 days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Special Fund and the Redevelopment Fund and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Agency will furnish a copy of such statements, upon reasonable request, to any Owner.

Section 4.5. Protection of Security and Rights. The Agency will preserve and protect the security of the Series 2007A Loan and the rights of the Trustee and the Owners with respect to the Series 2007A Loan. From and after the Closing Date, the Series 2007A Loan shall be incontestable by the Agency. The Series 2007A Loan and the provisions of this Loan Agreement are and will be the legal, valid and binding special obligations of the Agency enforceable in accordance with their terms, and the Agency shall at all times, to the extent permitted by law, defend, preserve and protect all the rights of the Authority, the Trustee and the Owners under this Loan Agreement against all claims and demands of all persons whomsoever. The Agency's obligations to the Trustee under this Section 4.5 shall survive the payment of the Bonds and the discharge of the Indenture, the removal or resignation of the Trustee pursuant to the Indenture or the payment of the Series 2007A Loan and the discharge of this Loan Agreement.

Section 4.6. Payments of Taxes and Other Charges. The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Project Area when the same shall become due. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of such taxes, assessments or charges. The Agency will duly observe and comply with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

Section 4.7. Taxation of Leased Property. All ad valorem property taxes derived by the Agency pursuant to Section 33673 of the Redevelopment Law with respect to the lease of property for redevelopment shall be treated as Tax Revenues for all purposes of this Loan Agreement, and shall be deposited by the Agency in the Special Fund promptly upon receipt.

Section 4.8. Disposition of Property. The Agency will not participate in the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public

ownership or use by the Redevelopment Plan in effect on the date of this Loan Agreement) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent of the land area in the Project Area unless such disposition is permitted as hereinafter provided in this Section 4.8. If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Redevelopment Consultant to report on the effect of said proposed disposition. If the Report of the Independent Redevelopment Consultant concludes that the security of the Series 2007A Loan or the rights of the Authority, the Owners and the Trustee hereunder will not be materially impaired by said proposed disposition, the Agency may thereafter make such disposition. If such Report concludes that such security will be materially impaired by such proposed disposition, the Agency shall disapprove said proposed disposition.

Section 4.9. Maintenance of Tax Revenues. The Agency shall comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State. The Agency shall not amend the Redevelopment Plan (except for the purpose of extending or eliminating the time limit on the establishment of loans, advances, and indebtedness, extending the time limit on the effectiveness of the Redevelopment Plan, extending the time limit on the payment of indebtedness, extending the time limit for the receipt of tax increment, or increasing the limitation on the number of dollars of taxes to be allocated to the Agency) or any of the Pass-Through Agreements, or enter into any agreement with the County or any other governmental unit, which would have the effect of reducing the amount of Tax Revenues available to the Agency for payment of the Series 2007A Loan, unless the Agency shall first obtain (a) the Report of an Independent Redevelopment Consultant stating that the amount of Tax Revenues for the then current Fiscal Year (calculated on the assumption that such reduction of Tax Revenues was in effect throughout such Fiscal Year), shall be at least equal to 115 percent of Maximum Annual Debt Service, and (b) as long as the Insurance Policy is in full force and effect, the written consent of the Insurer. Nothing herein is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Agency of any such agreement, amendment or supplement which by its term is subordinate to the payment of the Series 2007A Loan and all Parity Debt.

Section 4.10. Payment of Expenses; Indemnification. The Agency shall pay to the Trustee from time to time all compensation for all services rendered under this Loan Agreement and the Indenture, including but not limited to 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 hereunder and thereunder. Upon the occurrence of an Event of Default, the Trustee shall have a first lien on the funds held by it 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 (including the allocated costs and disbursements of in-house counsel to the extent the services of such counsel are not duplicative of services provided by outside counsel) incurred in performing its duties under the Indenture and this Loan Agreement.

The Agency further covenants and agrees to indemnify, defend and save the Trustee and its officers, directors, agents and employees, harmless against any losses, expenses and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties in accordance with the Indenture and this Loan Agreement, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Agency under this paragraph shall survive the resignation or removal of the Trustee under the Indenture, this Loan Agreement and payment of the Series 2007A Loan and the discharge of this Loan Agreement.

Section 4.11. Tax Covenants.

(a) The Agency covenants that, in order to maintain the exclusion from gross income for Federal income tax purposes of the interest on the Bonds, and for no other purpose, the Agency will satisfy, or take such actions as are necessary to cause to be satisfied, each provision of the Code necessary to maintain such exclusion. In furtherance of this covenant the Agency agrees to comply with such written instructions as may be provided by Bond Counsel.

(b) The Agency covenants that no part of the proceeds of the Bonds shall be used, directly or indirectly, to acquire any Investment Property which would cause the Bonds to become arbitrage bonds as that term is defined in Section 148 of the Code, or under applicable Tax Regulations. In order to assure compliance with the rebate requirements of Section 148 of the Code, the Agency further covenants that it will pay or cause to be paid to the United States the amounts necessary to satisfy the requirements of Section 148(f) of the Code, and that it will establish such accounting procedures as are necessary to adequately determine, account for and pay over any such amount required to be paid thereunder in a manner consistent with the requirements of Section 148 of the Code, such covenants to survive the defeasance of the Bonds.

(c) The Agency covenants that it will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial execution and delivery of the Bonds, would result in a loss of exclusion from gross income for purposes of Federal income taxation, under Section 103 of the Code, of interest on the Bonds.

(d) The Agency covenants that it will not use or permit the use of any property financed with the proceeds of the Bonds by any person (other than a state or local governmental unit) in such manner or to such extent as would result in a loss of exclusion of the interest on the Bonds from gross income for Federal income tax purposes under Section 103 of the Code.

(e) Except as provided below, the Agency covenants that none of the moneys contained in any of the funds or accounts with respect to the Bonds shall be: (i) used in making loans guaranteed by the United States (or any agency or instrumentality thereof), (ii) invested directly or indirectly in a deposit or account insured by the Federal Deposit Insurance Corporation, National Credit Union Administration or any other similar Federally chartered corporation, or (iii) otherwise invested directly or indirectly in obligations guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof); provided, however, that the above restrictions do not apply to: (a) the investment on moneys held in the Revenue

Fund or any other "bona fide debt service fund" as defined for purposes of Section 148 of the Code, (b) investment in direct obligations of the United States Treasury, (c) investment in obligations guaranteed by the Federal National Mortgage Association, Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation, (d) investment in obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended by Section 511(a) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, (e) investments permitted under regulations issued pursuant to Section 149(b)(3)(B) of the Code, or (f) such other investments permitted under the Indenture as, in the opinion of Bond Counsel, do not jeopardize the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

Section 4.12. Redevelopment of Project Area. The Agency shall ensure that all activities undertaken by the Agency with respect to the redevelopment of the Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Redevelopment Law. The Agency shall manage and operate all properties owned by the Agency and comprising any part of the Redevelopment Project in a sound and business-like manner and in conformity with all valid requirements of any governmental authority, and will keep such properties insured at all times in conformity with sound business practice.

Section 4.13. Low and Moderate Income Housing Fund. The Agency covenants and agrees to use the moneys in the Low and Moderate Income Housing Fund in accordance with Sections 33334.2 and 33334.3 of the Redevelopment Law, and further covenants and agrees to disburse, expend or encumber any "excess surplus" (as defined in Section 33334.12 of the Redevelopment Law) in the Low and Moderate Income Housing Fund at such times and in such manner that the Agency shall not be subject to sanctions pursuant to subdivision (e) of said Section 33334.12.

Section 4.14. Annual Review of Tax Revenues. On or before June 30th of each year commencing June 30, 2007, the Agency shall submit a Report of an Independent Redevelopment Consultant to the Insurer, which Report shall show the total amount of Tax Revenues remaining available to be received by the Agency under the Redevelopment Plan's cumulative tax increment limitation, as well as future cumulative annual debt service with respect to the Series 2007A Loan and all Parity Debt. The Agency will not accept Tax Revenues greater than such annual debt service in any year, if such acceptance will cause the amount remaining under the tax increment limit to fall below remaining cumulative annual debt service with respect to the Series 2007A Loan and all Parity Debt, except for the purpose of depositing such revenues in escrow for the payment of such debt service or for the prepayment or redemption of the Series 2007A Loan or any Parity Debt. Once it is determined that Tax Revenues available to be received by the Agency under the aforementioned tax increment limitation in an upcoming year will not exceed 110 percent of aggregate remaining debt service on the Series 2007A Loan and all outstanding Parity Debt, the Agency shall escrow all current and future Tax Revenues and use such amounts solely for the purpose of paying (or prepaying) debt service on the Series 2007A Loan and Parity Debt.

Section 4.15. Further Assurances. The Agency will 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 this Loan Agreement and for the better assuring and confirming unto the Trustee, the Authority and the Owners of the Bonds of the rights and benefits provided in this Loan Agreement.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

Section 5.1. Events of Default and Acceleration of Maturities. The following events shall constitute Events of Default hereunder:

(a) Failure by the Agency to pay the principal of or interest or prepayment premium, if any, on the Series 2007A Loan or any Parity Debt when and as the same shall become due and payable.

(b) Failure by the Agency to observe and perform any of the covenants, agreements or conditions on its part contained in this Loan Agreement, other than as referred to in the preceding Paragraph (a), for a period of 60 days after written notice specifying such failure and requesting that it be remedied has been given to the Agency by the Trustee; provided, however, that if the failure stated in such notice can be corrected, but not within such 60-day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Agency within such 60-day period and thereafter is diligently pursued until such failure is corrected.

(c) The filing by the Agency of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property.

If an Event of Default has occurred and is continuing, the Authority or the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Outstanding Bonds the Authority or the Trustee shall, (i) declare the principal of the Series 2007A Loan, together with the accrued interest on all unpaid installments thereof, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in this Loan Agreement to the contrary notwithstanding, and (ii) subject to the receipt of indemnity as provided in the Indenture, exercise any other remedies available to the Trustee at law or in equity. Immediately upon becoming aware of the occurrence of an Event of Default, the Authority, or the Trustee as assignee of the Authority, shall give notice of such Event of Default to the Agency by telephone, telecopier or other telecommunication device, promptly confirmed in writing. This provision, however, is subject to the condition that if, at any time after the principal of the Series 2007A Loan 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 Agency shall deposit with the Trustee a sum sufficient to pay all installments of

principal of the Series 2007A Loan matured prior to such declaration and all accrued interest thereon, with interest on such overdue installments of principal and interest at the net effective rate then borne by the Outstanding Bonds, and the reasonable 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 Series 2007A Loan 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 a majority in aggregate principal amount of the Outstanding Bonds may, by written notice to the Trustee and the Agency, 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.

Section 5.2. Application of Funds Upon Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Loan Agreement, shall be applied by the Trustee in the following order:

First, to the payment of the fees, costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel (including the allocated costs and disbursements of in-house counsel to the extent the services of such counsel are not duplicative of services provided by outside counsel); and

Second, to the payment of the whole amount of interest on and principal of the Series 2007A Loan then due and unpaid, with interest on overdue installments of principal, and such interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(i) first, to the payment of all installments of interest on the Series 2007A Loan then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(ii) second, to the payment of all installments of principal of the Series 2007A Loan then due and payable, on a pro rata basis in the event that the available amounts are installments of principal in full, and

(iii) third, to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Section 5.3. No Waiver. Nothing in this Article V or in any other provision of this Loan Agreement, shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged hereunder, the principal of and interest and premium, if any, on the Series 2007A Loan to the Trustee when due, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Trustee to institute suit to enforce such payment by virtue of the contract embodied in this Loan Agreement.

A waiver of any default by the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of the Trustee 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 Trustee by the Redevelopment Law or by this Article V may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Trustee, the Agency, the Authority and the Trustee shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 5.4. Agreement to Pay Attorneys' Fees and Expenses. In the event the Agency or the Authority should default under any of the provisions hereof and the nondefaulting party or the Trustee should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party or the Trustee, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred (including the allocated costs and disbursements of in-house counsel to the extent the services of such counsel are not duplicative of services provided by outside counsel).

Section 5.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee 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 hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Redevelopment Law or any other law.

Section 5.6. Control of Remedies by Insurer. Notwithstanding the provisions of Section 5.1 and subject to any rights heretofore granted by the Authority or the Agency to any insurer of Parity Debt, as long as the Insurance Policy is in full force and effect and the Insurer has not defaulted with respect to its payment obligations thereunder, upon the occurrence and continuance of an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners under this Loan Agreement. Any acceleration of the Series 2007A Loan or annulment thereof pursuant to Section 5.1 shall be subject to the prior written consent of the Insurer. No waiver of a default shall be effective without the written consent of the Insurer.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Benefits Limited to Parties. Nothing in this Loan Agreement, expressed or implied, is intended to give to any person other than the Agency, the Trustee, the Insurer and the Authority, any right, remedy or claim under or by reason of this Loan

Agreement. All covenants, stipulations, promises or agreements in this Loan Agreement contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Authority, the Trustee acting as trustee for the benefit of the Owners of the Bonds, and the Insurer so long as the Insurance Policy remains in full force and effect.

Section 6.2. Successor Deemed Included in All References to Predecessor.

Whenever in this Loan Agreement, the Agency, the Authority, the Trustee or the Insurer is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Loan Agreement contained by or on behalf of the Agency, the Authority, the Trustee or the Insurer shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 6.3. Discharge of Loan Agreement. If the Agency shall pay and discharge the indebtedness on the Series 2007A Loan or any portion thereof in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest on the Series 2007A Loan or such portion thereof, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, cash in an amount which, together with the available amounts then on deposit in any of the funds and accounts established pursuant to the Indenture or this Loan Agreement, in the opinion or report of an Independent Accountant is fully sufficient to pay all principal of and interest on the Series 2007A Loan or such portion thereof; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, non-callable Defeasance Obligations in such amount as an Independent 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 or this Loan Agreement, be fully sufficient to pay and discharge the indebtedness on the Series 2007A Loan or such portion thereof (including all principal and interest) at or before maturity;

then, at the election of the Agency but only if all other amounts then due and payable hereunder shall have been paid or provision for their payment made, the pledge of and lien upon the Tax Revenues and other funds provided for in this Loan Agreement and all other obligations of the Trustee, the Authority and the Agency under this Loan Agreement with respect to the Series 2007A Loan or such portion thereof shall cease and terminate, except only the obligation of the Agency to pay or cause to be paid to the Trustee, from the amounts so deposited with the Trustee or such other fiduciary, all sums due with respect to the Series 2007A Loan or such portion thereof, and to pay all expenses and costs of the Trustee when and as such expenses and costs become due and payable. Notice of such election shall be filed with the Authority and the Trustee. Any funds thereafter held by the Trustee hereunder, which are not required for said purpose, shall be paid over to the Agency.

Section 6.4. Amendment. This Loan Agreement may be amended by the parties hereto but only under the circumstances set forth in, and in accordance with, the

provisions of Section 5.8 of the Indenture. The Authority and the Trustee covenant that the Indenture shall not be amended, nor shall the Authority agree or consent to any amendment of the Indenture, without the prior written consent of the Agency (except that such consent shall not be required in the event that an Event of Default shall have occurred and be continuing hereunder).

Section 6.5. Waiver of Personal Liability. No member, officer, agent or employee of the Agency shall be individually or personally liable for the payment of the principal of or interest on the Series 2007A Loan; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 6.6. Payment on Business Days. Whenever in this Loan Agreement any amount is required to be paid on a day which is not a Business Day, such payment shall be required to be made on the Business Day immediately following such day, provided that interest on such payment shall not accrue from and after such day.

Section 6.7. Notices. Any notice, request, complaint, demand or other communication under this Loan Agreement shall be given in the same manner as provided in Section 11.13 of the Indenture, which is hereby incorporated.

Section 6.8. Rights of Insurer. (a) As long as the Insurance Policy is in full force and effect with respect to the Bonds, the Agency shall, on an annual basis, furnish the Insurer with copies of its audited financial statements and its annual budget; and shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to any Parity Debt.

(b) The Agency agrees to reimburse the Insurer immediately and unconditionally upon written demand thereof, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Insurer in connection with (i) the enforcement by the Insurer of the Authority's or the Agency's obligations, or the preservation or defense of any rights of the Insurer, under the Indenture or this Loan Agreement, and (ii) any consent, amendment, waiver or other action with respect to the Indenture or any related document, whether or not granted or approved, and together with, if demanded by the Insurer in writing, interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus three percent or the maximum interest rate permitted by law, whichever is less. In addition, the Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

(c) The Authority and the Agency agree not to use the Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the Insurer's prior consent; provided however, such prohibition on the use of the Insurer's name shall not relate to the use of the Insurer's standard approved form of disclosure in public documents issued in connection with the Bonds; and provided further such prohibition shall not apply to the use of the Insurer's name in order to comply with public notice, public meeting or public reporting requirements.

Section 6.9. Surety Bond. (a) To draw upon the Surety Bond pursuant to Section 2.5, the Trustee shall deliver to the Insurer a Demand for Payment, in the form attached to the Surety Bond, at least three days prior to the date on which funds are required under Section 3.3(a).

(b) As security for its rights hereunder, the Insurer shall be deemed to have a security interest in the Tax Revenues, subject only to any security interest of the Trustee or of the Owners of the Bonds or of the owners of any Parity Debt.

(c) Notwithstanding the provisions of Section 6.3, this Loan Agreement shall not terminate and no money shall be released by the Trustee to the Agency until all sums owed to the Insurer by the Agency or the Authority under the terms of the Financial Guaranty Agreement or any other document have been paid in full.

(d) The Trustee shall maintain adequate records, verified with the Insurer, as to the amount available to be drawn at any given time under the Surety Bond and as to the amounts paid and owing to the Insurer under the terms of the Financial Guaranty Agreement.

Section 6.10. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Loan Agreement shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Loan Agreement. The Agency hereby declares that it would have adopted this Loan Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the Series 2007A Loan irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Loan Agreement may be held illegal, invalid or unenforceable.

Section 6.11. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Loan Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Loan Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 6.12. Execution of Counterparts. This Loan Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 6.13. Governing Law. This Loan Agreement shall be construed and governed in accordance with the laws of the State.

Section 6.14. The Trustee. The Trustee is entering into this Loan Agreement solely in its capacity as Trustee under the Indenture and all provisions of the Indenture relating to the rights, privileges, powers and protections of the Trustee shall apply with equal force and effect to all actions taken by the Trustee in connection with this Loan Agreement. The Trustee shall be responsible only for the duties of the Trustee expressly set forth herein.

(Project Area No. 1, As Amended, Loan Agreement)

IN WITNESS WHEREOF, the AGENCY, the AUTHORITY and the TRUSTEE have caused this Loan Agreement to be signed by their respective officers, all as of the day and year first above written.

**PALM DESERT REDEVELOPMENT
AGENCY**

By: 
Executive Director

PALM DESERT FINANCING AUTHORITY

By: 
Chief Administrative Officer

**WELLS FARGO BANK, NATIONAL
ASSOCIATION
as Trustee**


By: 
Authorized Officer

EXHIBIT 3

**CASH TO BE RETAINED FOR
FISCAL YEAR 2012-2013 (ROPS 3)**



MEET AND CONFER REQUEST FORM

Instructions: Please fill out this form in its entirety to initiate a Meet and Confer session. Additional supporting documents may be included with the submittal of this form—as justification for the disputed item(s). Upon completion, email a PDF version of this document (including any attachments) to:

Redevelopment_Administration@dof.ca.gov

The subject line should state "[Agency Name] Request to Meet and Confer". Upon receipt and determination that the request is valid and complete, the Department of Finance (Finance) will contact the requesting agency within ten business days to schedule a date and time for the Meet and Confer session.

To be valid, all Meet and Confer requests must be specifically related to a determination made by Finance and submitted within the required statutory time frame. The requirements are as follows:

- **Housing Asset Transfer** Meet and Confer requests must be made within five business days of the date of Finance's determination letter per HSC Section 34176 (a) (2).
- **Due Diligence Review** Meet and Confer requests must be made within five business days of the date of Finance's determination letter, and no later than **November 16, 2012** for the Low and Moderate Income Housing Fund due diligence review per HSC Section 34179.6 (e).
- **Recognized Obligation Payment Schedule (ROPS)** Meet and Confer requests must be made within five business days of the date of Finance's determination letter per HSC Section 34177 (m).

Agencies should become familiar with the Meet and Confer Guidelines located on Finance's website. Failure to follow these guidelines could result in termination of the Meet and Confer session. Questions related to the Meet and Confer process should be directed to Finance's Dispute Resolution Coordinator at (916) 445-1546 or by email to Redevelopment_Administration@dof.ca.gov.

AGENCY (SELECT ONE):

☒ Successor Agency ☐ Housing Entity

AGENCY NAME: SUCCESSOR AGENCY TO THE PALM DESERT REDEVELOPMENT AGENCY

TYPE OF MEET AND CONFER REQUESTED (SELECT ONE):

☐ Housing Assets Transfers ☐ Due Diligence Reviews ☒ ROPS Period 3

DATE OF FINANCE'S DETERMINATION LETTER: October 8, 2012

REQUESTED FORMAT OF MEET AND CONFER SESSION (SELECT ONE):

☐ Meeting at Finance ☒ Conference Call

DETAIL OF REQUEST

A. Summary of Disputed Issue(s) *(Must be specific.)*

1) DOF letter dated 10/8/12 indicates that Item Nos. 45, 102, 135 and 170 - Bond Project Overhead Costs do not qualify as enforceable obligations since the "majority" of the overhead costs were calculated based on future bond project work.

2) DOF letter dated 10/8/12 indicates that Item Nos. 10, 62, 109 and 143 - SERAF Reimbursement, as well as 59, 60 and 61 City Loan Repayment do not qualify as enforceable obligations as loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. In consideration of these items being disallowed by DOF on ROPS3, the Agency would like to revise Item Nos. 32, 86, 119 and 160 which were deferred to ROPS4 due to a lack of available revenue to cover half of the annual obligation.

B. Background/History *(Provide relevant background/history, if applicable.)*

C. Justification *(Provide additional attachments to this form, as necessary.)*

1) While the Agency does not disagree with the statement that the "majority" of the estimated overhead costs were calculated based on future bond work, there are amounts within the calculation that are relevant to currently awarded contracts/projects. The Agency would like those amounts to be included as enforceable obligations on ROPS3.

2) The removal of Item Nos. 10, 62, 109 and 143 as well as Item Nos. 59, 60 and 61 from ROPS3 by DOF, provides \$2,412,099 in RPTTF funding which can be re-allocated to enforceable obligations that were going to be deferred to ROPS4. Excluded from ROPS3 due to unavailable revenue is half of the annual obligation required for the Item Nos. 32, 86, 119 and 160 which amounts to \$3,487,622. The County of Riverside has recently delivered their estimates on available RPTTF funding and it permits an additional \$1,519,343 in obligations. The total between these two provides \$3,913,442 in RPTTF funding, enough to cover half of the annual obligation. The Agency would like those amounts to be included as enforceable obligations on ROPS3. See attached worksheet for adjustment to RPTTF.

Agency Contact Information

Name: VERONICA TAPIA

Name: JANET MOORE

Title: ACCT

Title: DIRECTOR OF HOUSING

Phone: 760.346.0611

Phone: 760.346.0611

Email: VTAPIA@CITYOFPALMDESERT.ORG
JMOORE @CITY OF PALMDESERT.ORG

Email:

Date: 10/10/12

Date: 10/10/12

Department of Finance Local Government Unit Use OnlyREQUEST TO MEET AND CONFER DATE: ☐ APPROVED ☐ DENIED

REQUEST APPROVED/DENIED BY: _____ DATE: _____

MEET AND CONFER DATE/TIME/LOCATION: _____

MEET AND CONFER SESSION CONFIRMED: ☐ YES DATE CONFIRMED: _____DENIAL NOTICE PROVIDED: ☐ YES DATE AGENCY NOTIFIED: _____

Form DF-MC (Revised 9/10/12)

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding request for obligaitons	\$ 20,287,210
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 10	1,304,766
Item 59	68,750
Item 60	25,688
Item 61	90,000
Item 62	469,451
Item 109	121,289
Item 143	332,155
Total approve RPTTF for enforceable obligations	\$ 17,875,111
Plus: Requested RPTTF distribution for administrative cost for ROPS III	617,691
Total RPTTF approved:	\$ 18,492,802
Plus: Requested Revision based on available funding to cover half of annual obligation	
Item 32	2,175,370
Item 86	628,192
Item 119	174,664
Item 160	509,397
Total Revised RPTTF Requested:	\$ 21,980,425



**DEPARTMENT OF
FINANCE**

EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

October 8, 2012

Ms. Veronica Tapia, Accountant II
City of Palm Desert
73-510 Fred Waring Drive
Palm Desert, CA 92260

Dear Ms. Tapia:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Palm Desert Successor Agency submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 24, 2012 for the periods January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item Nos. 10, 62, 109, and 143 – Low and Moderate Housing Fund Loans in the amount of \$13.3 million. HSC section 34176 (e) (6) (B) states that loan or deferral repayments shall not be made prior to the 2013-14 fiscal year. Therefore, these items are not an enforceable obligations and not eligible for Redevelopment Property Tax Trust Fund (RPTTF) funding on this ROPS.
- Item Nos. 45, 102, 135 and 170 – Bond Project Overhead Costs in the amount of \$6.4 million funded by bond proceeds. HSC 34163 (b) prohibits an agency from entering into contracts after June 27, 2011. Since the majority of the future bond projects do not qualify as enforceable obligations and the overhead costs are calculated based on future bond work, these items are not considered enforceable obligations.
- Item Nos. 46 through 50, 91 through 95, 103 through 106, 136 through 138, 171 through 175 – Various projects totaling \$133.4 million funded by bond proceeds. HSC section 34163 (b) prohibits a redevelopment agency from entering into a contract with any entity after June 27, 2011. Since no contracts are in place for these items, they are not enforceable obligations.
- Item Nos. 59, 60 and 61- Contracts or agreements between the City of Palm Desert and the Palm Desert Redevelopment Agency in the amount of \$13.5 million. HSC section 34171 (d) (2) states that agreements or contracts between the city that created the redevelopment agency (RDA) and former RDA are not enforceable unless the agreements were entered into within the first two years of the date of the creation of the

RDA. Therefore, these items are not enforceable obligations and not eligible for RPTTF funding on this ROPS.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$18,492,802 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 20,287,210
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 10	1,304,766
Item 59	68,750
Item 60	25,688
Item 61	90,000
Item 62	469,451
Item 109	121,289
Item 143	332,155
Total approved RPTTF for enforceable obligations	\$ 17,875,111
Plus: Requested RPTTF distribution for administrative cost for ROPS III	617,691
Total RPTTF approved:	\$ 18,492,802

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF

Ms. Veronica Tapia
October 8, 2012
Page 3

Please direct inquiries to Beliz Chappule, Supervisor or Mindy Patterson, Lead Analyst at
(916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Janet Moore, Director of Housing, City of Palm Desert
Ms. Pam Elias, Chief Accounting Property Tax Division, County of Riverside
Auditor Controller

EXHIBIT 4

LEGAL SERVICES AGREEMENT



RICHARDS | WATSON | GERSHON
ATTORNEYS AT LAW - A PROFESSIONAL CORPORATION

355 South Grand Avenue, 40th Floor, Los Angeles, California 90071-3101
Telephone 213.626.8484 Facsimile 213.626.0078

RICHARD RICHARDS
(1916-1988)

GLENN R. WATSON
(1917-2010)

HARRY L. GERSHON
(1922-2007)

STEVEN L. DORSEY
WILLIAM L. STRAUSS
MITCHELL F. ABBOTT
GREGORY W. STEPANICH
ROCHELLE BROWNE
QUINN M. BARROW
CAROL W. LYNCH
GREGORY M. KUNERT
THOMAS M. JIMBO
ROBERT C. CECCON
STEVEN H. KAUFMANN
KEVIN G. ENNIS
ROBIN D. HARRIS
MICHAEL ESTRADA
LAURENCE S. WIENER
STEVEN R. ORR
B. TILDEN KIM
SASKIA T. ASAMURA
KAYSER O. SUME
PETER M. THORSON
JAMES L. MARKMAN
CRAIG A. STEELE
T. PETER PIERCE
TERENCE R. BOGA
LISA BOND
JANET E. COLESON
ROXANNE M. DIAZ
JIM G. GRAYSON
ROY A. CLARKE
WILLIAM P. CURLEY III
MICHAEL F. YOSHIDA
REGINA N. DANNER
PAULA GUTIERREZ BAEZA
BRUCE W. GALLOWAY
DIANA K. CHUANG
PATRICK K. BOBKO
NORMAN A. DUPONT
DAVID M. SNOW
LOLLY A. ENRIQUEZ
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TRISHA CRTZ
CANDICE K. LEE
BILLY D. DUNSMORE
AMY GREYSON
DEBORAH R. HAKMAN
D. CRAIG FOX
SUSAN E. RUSNAK
G. INDER KHALSA
DAVID G. ALDERSON
MARICELA E. MARROQUIN
GENA M. STINNETT
JENNIFER PETRUSIS
STEVEN L. FLOWER
CHRISTOPHER J. DIAZ
ERIN L. POWERS
TOUSSAINT S. BAILEY
SERITA R. YOUNG
VERONICA S. GUNDERSON
SHIRI KLIMA
DIANA H. VARAT
KATRINA C. GONZALES
CHRISTOPHER L. HENDRICKS
JULIE A. HAMILL
ANDREW J. BRADY

OF COUNSEL
MARK L. LAMKEN
SAYRE WEAVER
JIM R. KARMAK
TERESA HO-URANO
SAN FRANCISCO OFFICE
TELEPHONE 415.421.8484
ORANGE COUNTY OFFICE
TELEPHONE 714.990.0901

March 17, 2011

VIA ELECTRONIC MAIL

Mr. John Wohlmuth
Executive Director
Palm Desert Redevelopment Agency
73-510 Fred Waring Drive
Palm Desert, California 92260

Re: Legal Services Agreement

Dear Mr. Wohlmuth:

Richards, Watson & Gershon is pleased to have the opportunity to provide special litigation services to the Palm Desert Redevelopment Agency.

We will represent the Agency in regard to the analysis of, and potential litigation concerning, any proposed or actual changes to the California Redevelopment Law occasioned by the Governor's budget proposal to eliminate redevelopment. As we have discussed, we write to set forth the terms upon which we will provide special litigation services to the Agency, and the basis upon which we will bill for our services and expenses.

It is uncertain what, if any, future changes to the California Redevelopment Law may be proposed or implemented. Absent that information, it currently is not possible to prepare a complete analysis of potential conflicts of interest in regard to our representation of the Agency. At such time in the future at which changes may be proposed or implemented, we will complete any necessary conflict analysis as a condition prior to taking any specific acts on behalf of the Agency.

I will have primary responsibility for the Agency's representation. We also may use other attorneys, legal assistants and other law firm personnel as may be helpful in representing the Agency.

We will bill fees for legal services on a monthly basis. When a bill is to be sent, we will review it before it is issued to ensure that the amount charged is appropriate and accurately reflects the services rendered.

March 17, 2011

Page 2

Our fees for the special litigation services will be billed at a blended rate of \$250 per hour for any attorney working on the matter. Paralegals and legal assistants will be billed at the blended rate of \$125 per hour.

In addition, we will bill the Agency for costs in connection with our representation. Such costs include copying documents (ten cents per page), telecommunications, court fees, litigation costs, messenger and delivery services, and other similar costs. Such costs frequently are billed to us from third-party vendors. Therefore, there sometimes will be a delay between the time such costs are incurred and the time when they appear on the Agency's bill.

In order for us to represent the Agency on this matter, we will require a retainer in the amount of \$150,000, which will be due concurrent with your return of the executed counterpart of this letter. We will maintain this retainer for the benefit of the Agency. The Agency hereby agrees that if we do not receive any objection from the Agency within 30 days of the date of any monthly bill, we will apply any available retainer funds to the balance due on such monthly bill without the need for further consent or instruction from the Agency.

In the event that the available retainer funds fall below the sum of \$50,000, we will confer with the Agency regarding the replenishment of the retainer in a mutually agreeable amount. Should there be a net balance of retainer funds remaining after the conclusion of our representation, such balance will be returned to the Agency.

The nature of legal representation makes it impossible for us to accurately estimate the total amount of fees and costs that may be incurred over time. We will keep the Agency informed of significant developments in the matter, including those that might have a substantial effect on the cost of this representation. Please feel free to inquire at any time about expected future costs.

Naturally, we expect the Agency to ask us about the likely results of our work. We will respond as best we can, but cannot and do not guarantee any particular result. We can make no promises about the outcome of litigation or negotiations and any opinions about likely outcomes are not intended to constitute a guarantee.

We will not settle any Agency litigation without its approval. The Agency will have the absolute right to accept or reject any settlement. We will notify the Agency promptly of the terms of any settlement offer received by us. In turn, the Agency agrees to keep us informed of all significant developments in matters relating to this representation.

March 17, 2011

Page 3

We rarely have fee disputes with clients. Nevertheless, you should be aware that the Agency is entitled to require that any fee dispute be resolved through the mandatory fee arbitration provisions of the California Business and Professions Code. One such program is operated under the auspices of the Los Angeles County Bar Association. Many other local bar associations have similar programs.

In the event that the Agency chooses not to utilize the County Bar arbitration procedures, the Agency agrees that all fee disputes between us shall be submitted to binding arbitration in Los Angeles to be conducted by the American Arbitration Association, in accordance with its commercial arbitration rules.

In any dispute concerning billing for services rendered, the prevailing party, as defined in California Code of Civil Procedure section 1032, will be entitled to recover its reasonable attorney's fees and costs.

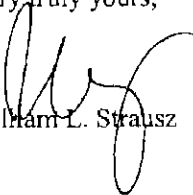
The Agency has the right to terminate our representation at any time. We have the same right, subject to our obligation to provide the Agency with reasonable notice to arrange alternative representation. In either circumstance, the Agency agrees to secure new counsel to represent it as quickly as possible and to cooperate fully in the substitution of the new counsel as counsel of record in any litigation in which we may be involved. If the Agency elects to terminate our firm, we will be paid all fees and costs incurred prior to the termination within 30 days after delivery of a final bill for services.

We are also required to inform you that we currently maintain professional liability insurance.

Our legal relationship and the terms of this agreement will be governed by the substantive laws of the State of California.

We look forward to representing the Agency in this matter.

Very truly yours,



William L. Strausz

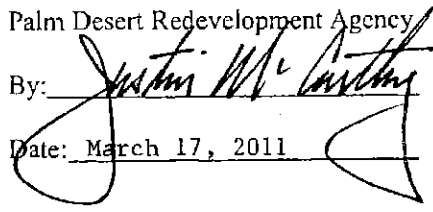
RICHARDS | WATSON | GERSHON
ATTORNEYS AT LAW - A PROFESSIONAL CORPORATION

March 17, 2011
Page 4

Accepted by:

Palm Desert Redevelopment Agency

By: 

Date: March 17, 2011 

Wiring Instructions:

City National Bank
Richards, Watson & Gershon General Client Trust Account
Account Number 280-107344
ABA # 122016066

EXHIBIT 5

**BOND PURCHASE AGREEMENTS AND REPAYMENT SCHEDULES
REGARDING ENERGY INDEPENDENCE PROGRAM
LIMITED OBLIGATION IMPROVEMENT BONDS
SERIES 2009A AND SERIES 2009B**

BOND PURCHASE AGREEMENT

\$2,500,000

City of Palm Desert

Energy Independence Program

Limited Obligation Improvement Bonds

Series 2009A (Taxable)

This Bond Purchase Agreement (this "Agreement") is made and entered into as of January 22, 2009, by and between the PALM DESERT REDEVELOPMENT AGENCY, a public body, corporate and politic, duly organized and validly existing under the laws of the State of California (the "Agency") and the CITY OF PALM DESERT, a municipal corporation duly organized and existing under and by virtue of the Constitution and the laws of the State of California (the "City").

Recitals

A. The City Council of the City of Palm Desert, California (the "City") by its Resolution No. 08-75 established the City of Palm Desert Energy Independence Program (the "EIP") to finance the acquisition and construction or installation of distributed generation renewable energy sources and energy efficiency improvements (the "Improvements") on properties in the City through the use of contractual assessments pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (the "Act").

B. The City Council of the City has determined to issue its Energy Independence Program Limited Obligation Improvement Bonds, Series 2009A (Taxable), in a principal amount not to exceed \$2,500,000 (the "Bonds") pursuant to its Resolution entitled "A Resolution of the City Council of the City of Palm Desert Providing for the Issuance and Sale of Limited Obligation Improvement Bonds in Principal Amount Not to Exceed Two Million Five Hundred Thousand Dollars (\$2,500,000), Approving as to Form and Authorizing the Execution and Delivery of a Bond Purchase Agreement in Connection Therewith, and Authorizing Certain Other Matters Relating Thereto" (the "City Resolution").

C. The Agency is a redevelopment agency, a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law of the State of California, being Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code, as amended, and the powers of the Agency include the power to invest any money not required for immediate disbursement in the bonds of any city.

D. The City has determined to sell, and the Agency has determined to invest in and purchase, the Bonds pursuant to the terms of this Agreement.

E. All acts and proceedings required by law necessary to make this Agreement, when executed by the Agency and the City, the valid, binding and legal obligation of the Agency and the City, and to constitute this Agreement a valid and binding agreement for the

uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Agreement have been in all respects duly authorized.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto do hereby agree as follows:

Section 1. Definitions. Unless the context clearly requires or unless otherwise defined herein, the capitalized terms in this Agreement shall have the respective meanings which such terms are given in the City Resolution.

Section 2. Purchase of the Bonds. Upon the terms and conditions herein set forth, the Agency hereby agrees to purchase, and the City hereby agrees to sell, execute and deliver the Bonds to the Agency. The purchase price to be paid by the Agency for the Bonds shall be the par value thereof.

Section 3. The Bonds. The Bonds will be delivered in definitive, fully registered form, registered in the name of the Agency and may be typewritten. The Bonds shall be dated the Closing Date, shall be payable in the years and in the principal amounts, and interest thereon shall be payable on the dates and at the rates shown in the City Resolution, and shall otherwise be as described in, and shall be secured as set forth in, the City Resolution.

Section 4. Closing. At 9:00 A.M., California time, on January 29, 2009, or at such other time or date as shall have been mutually agreed upon by the City and the Agency (the "Closing Date"), the City will, subject to the terms and conditions hereof, deliver to the Agency, at the office of the Treasurer in City of Palm Desert, California, the Bonds in fully registered form, duly executed and registered; and, subject to the terms and conditions hereof, the Agency will accept such delivery and cause the purchase price of the Bonds to be paid by check or draft or by interfund transfer, as the case may be.

Section 5. Representations of the Agency – Suitability for Private Placement. The Agency represents, warrants and agrees as follows:

a) The Agency has received and reviewed copies of the City Resolution. The Agency understands that (i) the Bonds are limited obligations of the City secured by and payable solely from Assessment Revenues as provided in the City Resolution, (ii) no other fund or property of the City is liable for the payment of the Bonds, (iii) none of the payment obligations with respect to the Bonds are secured by a pledge of any money received or to be received from taxation by the City or any political subdivision thereof, other than the Assessment Revenues, and (iv) there is no reserve fund for the Bonds.

b) The Agency has sufficient knowledge and experience in financial and business matters, including in the purchase and ownership of municipal obligations of a nature similar to the Bonds, to be able to evaluate the risks and merits of investing in the Bonds.

c) The Agency acknowledges that City has not prepared any offering document with respect to the Bonds. The Agency, as a sophisticated investor, has made its own credit inquiry and analyses with respect to the Bonds. The Agency has assumed the responsibility for obtaining and making such review as the Agency has deemed necessary or

desirable in connection with the Agency's decision to invest in the Bonds. The Agency's decision to invest in the Bonds did not rely on any information provided by the City (or any representatives or agents of the City) that is not in written form.

d) The Agency has duly determined that (i) the Agency is legally authorized to purchase the Bonds, and (ii) the Agency are a lawful investment for the Agency under all applicable laws.

e) The Agency understands that (i) the Bonds have not been registered with any federal or state securities agency or commission or otherwise qualified for sale under the "Blue Sky" laws or regulations of any state, (ii) will not be listed on any securities exchange, (iii) will not carry a rating from any rating service, and (iv) may not be readily marketable.

f) The Agency is investing in the Bonds for its own account, and at the time of its purchase of the Bonds, does not intend to distribute, resell or otherwise dispose of the Bonds.

g) The Agency agrees that, in the event that the Agency decides to sell or otherwise transfer the Bonds, it shall require the new transferee to deliver to the City Treasurer the letter required by the City Resolution as a condition precedent to the consummation of such transfer.

Section 6. Condition of Closing. The City's obligation to sell the Bonds is conditioned upon the Agency's delivery to the City, on or prior to the Closing Date, of a certificate, dated the Closing Date, signed by a duly authorized official of the Agency satisfactory in form and substance to the City and bond counsel with respect to the Bonds, Richards, Watson & Gershon, A Professional Corporation, to the effect that the representations and warranties of the Agency contained herein are true and correct as of the Closing Date.

Section 7. Termination. If the conditions to the City's obligations contained in this Agreement cannot be satisfied at or prior to the Closing Date, this Agreement may be canceled by the City. Notice of such cancellation shall be given to the Agency in writing. Upon any such termination neither the City nor the Agency shall be under any further obligation hereunder.

Section 8. Parties in Interest. This Agreement shall constitute the entire agreement between the Agency and the City and is made solely for the benefit of the Agency and the City (including their successors or assigns). No other person shall acquire or have any right hereunder or by virtue hereof.

Section 9. Governing Law. This Agreement shall be construed and governed in accordance with the laws of the State of California.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the CITY OF PALM DESERT and the PALM DESERT REDEVELOPMENT AGENCY have each caused this Agreement to be signed in its name by its duly authorized officer, all as of the day and year first above written.

CITY OF PALM DESERT

By Robert A. Spiegel
Robert A. Spiegel, Mayor

PALM DESERT REDEVELOPMENT AGENCY

By Justin McCarthy
Justin McCarthy
Interim Executive Director

**PALM DESERT FINANCING AUTHORITY
ENERGY INDEPENDENCE PROGRAM (EIP)
LIMITED OBLIGATION IMPROVEMENT BONDS
SERIES 2009A (TAXABLE)**

Revised Debt Service Schedule (Net of Bond Calls)

Call Date

3/2/2011

Available Call Revenue
Called Bonds
Amount Remaining

154,849.52
(154,000.00)
849.52

Reviewed and agrees to payoffs.

Date	Original Principal	Matured Principal	Bonds Called	Remaining Principal	Rate	Original Interest	Paid Interest	Remaining Interest	Remaining Periodic Debt Service	Remaining Annual Debt Service
5/31/2009										
3/2/2010	80,000	(80,000)	-	-	-	45,673.33	(45,673.33)	-	-	-
9/2/2010						30,225.00	(30,225.00)	-	-	-
3/2/2011						29,025.00	(29,025.00)	-	-	-
9/2/2011	95,000		(8,000)	87,000	3.000	26,715.00	-	26,715.00	113,715.00	113,715.00
3/2/2012						25,410.00	-	25,410.00	25,410.00	-
9/2/2012	100,000		(8,000)	92,000	3.000	25,410.00	-	25,410.00	117,410.00	142,820.00
3/2/2013						24,030.00	-	24,030.00	24,030.00	-
9/2/2013	100,000		(8,000)	92,000	3.000	24,030.00	-	24,030.00	116,030.00	140,060.00
3/2/2014						22,650.00	-	22,650.00	22,650.00	-
9/2/2014	105,000		(8,000)	97,000	3.000	22,650.00	-	22,650.00	119,650.00	142,300.00
3/2/2015						21,195.00	-	21,195.00	21,195.00	-
9/2/2015	100,000		(8,000)	92,000	3.000	21,195.00	-	21,195.00	113,195.00	134,390.00
3/2/2016						19,815.00	-	19,815.00	19,815.00	-
9/2/2016	105,000		(8,000)	97,000	3.000	19,815.00	-	19,815.00	116,815.00	136,630.00
3/2/2017						18,360.00	-	18,360.00	18,360.00	-
9/2/2017	100,000		(8,000)	92,000	3.000	18,360.00	-	18,360.00	110,360.00	128,720.00
3/2/2018						16,980.00	-	16,980.00	16,980.00	-
9/2/2018	100,000		(8,000)	92,000	3.000	16,980.00	-	16,980.00	108,980.00	125,960.00
3/2/2019						15,600.00	-	15,600.00	15,600.00	-
9/2/2019	105,000		(8,000)	97,000	3.000	15,600.00	-	15,600.00	112,600.00	128,200.00
3/2/2020						14,145.00	-	14,145.00	14,145.00	-
9/2/2020	95,000		(8,000)	87,000	3.000	14,145.00	-	14,145.00	101,145.00	115,290.00
3/2/2021						12,840.00	-	12,840.00	12,840.00	-
9/2/2021	95,000		(8,000)	87,000	3.000	12,840.00	-	12,840.00	99,840.00	112,680.00
3/2/2022						11,535.00	-	11,535.00	11,535.00	-
9/2/2022	100,000		(8,000)	92,000	3.000	11,535.00	-	11,535.00	103,535.00	115,070.00
3/2/2023						10,155.00	-	10,155.00	10,155.00	-
9/2/2023	105,000		(8,000)	97,000	3.000	10,155.00	-	10,155.00	107,155.00	117,310.00
3/2/2024						8,700.00	-	8,700.00	8,700.00	-
9/2/2024	105,000		(8,000)	97,000	3.000	8,700.00	-	8,700.00	105,700.00	114,400.00
3/2/2025						7,245.00	-	7,245.00	7,245.00	-
9/2/2025	100,000		(8,000)	92,000	3.000	7,245.00	-	7,245.00	99,245.00	106,490.00
3/2/2026						5,865.00	-	5,865.00	5,865.00	-
9/2/2026	100,000		(8,000)	92,000	3.000	5,865.00	-	5,865.00	97,865.00	103,730.00
3/2/2027						4,485.00	-	4,485.00	4,485.00	-
9/2/2027	105,000		(8,000)	97,000	3.000	4,485.00	-	4,485.00	101,485.00	105,970.00
3/2/2028						3,030.00	-	3,030.00	3,030.00	-
9/2/2028	110,000		(9,000)	101,000	3.000	3,030.00	-	3,030.00	104,030.00	107,060.00
3/2/2029						1,515.00	-	1,515.00	1,515.00	-
9/2/2029	110,000		(9,000)	101,000	3.000	1,515.00	-	1,515.00	102,515.00	104,030.00
Totals	2,015,000	(60,000)	(154,000)	1,761,000		618,748.33	(104,923.33)	513,825.00	2,294,825.00	2,294,825.00

Remaining Principal \$ 1,694,000

BOND PURCHASE AGREEMENT

**\$1,136,000
City of Palm Desert
Energy Independence Program
Limited Obligation Improvement Bond
Series 2009B (Taxable)**

This Bond Purchase Agreement (this "Agreement") is made and entered into as of September 21, 2009, by and between the PALM DESERT REDEVELOPMENT AGENCY, a public body, corporate and politic, duly organized and validly existing under the laws of the State of California (the "Agency") and the CITY OF PALM DESERT, a municipal corporation duly organized and existing under and by virtue of the Constitution and the laws of the State of California (the "City").

Recitals

A. The City Council of the City of Palm Desert, California (the "City") by its Resolution No. 08-75 established the City of Palm Desert Energy Independence Program (the "EIP") to finance the acquisition and construction or installation of distributed generation renewable energy sources and energy efficiency improvements (the "Improvements") on properties in the City through the use of contractual assessments pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (the "Act").

B. The City Council of the City has determined to issue the City's Energy Independence Program Limited Obligation Improvement Bond, Series 2009B (Taxable), in an initial principal amount of \$1,136,000 (the "Bond") pursuant to its Resolution entitled "A Resolution of the City Council of the City of Palm Desert Providing for the Issuance and Sale of Limited Obligation Improvement Bonds in Principal Amount Not to Exceed One Million Five Hundred Thousand Dollars (\$1,500,000), Approving as to Form and Authorizing the Execution and Delivery of a Bond Purchase Agreement in Connection Therewith, and Authorizing Certain Other Matters Relating Thereto" (the "City Resolution").

C. The Agency is a redevelopment agency, a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law of the State of California, being Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code, as amended, and the powers of the Agency include the power to invest any money not required for immediate disbursement in the bonds of any city.

D. The City has determined to sell, and the Agency has determined to invest in and purchase, the Bond pursuant to the terms of this Agreement.

E. All acts and proceedings required by law necessary to make this Agreement, when executed by the Agency and the City, the valid, binding and legal obligation of

the Agency and the City, and to constitute this Agreement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Agreement have been in all respects duly authorized.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto do hereby agree as follows:

Section 1. Definitions. Unless the context clearly requires or unless otherwise defined herein, the capitalized terms in this Agreement shall have the respective meanings which such terms are given in the City Resolution.

Section 2. Purchase of the Bond. Upon the terms and conditions herein set forth, the Agency hereby agrees to purchase, and the City hereby agrees to sell, execute and deliver the Bond to the Agency. The purchase price to be paid by the Agency for the Bond shall be the par value thereof.

Section 3. The Bond. The Bond will be delivered in definitive, fully registered form, registered in the name of the Agency and may be typewritten. The Bond shall be dated the Closing Date (defined below), shall mature on September 2, 2029, and bear interest at 3.0% per annum. Interest on the Bond shall be payable on March 2 and September 2 of each year, commencing March 2, 2010, and the debt service schedule with respect to the Bond shall be as set forth on Exhibit A to this Agreement.

Section 4. Closing. At 9:00 A.M., California time, on September 22, 2009, or at such other time or date as shall have been mutually agreed upon by the City and the Agency (the "Closing Date"), the City will, subject to the terms and conditions hereof, deliver to the Agency, at the office of the Treasurer in City of Palm Desert, California, the Bond in fully registered form, duly executed and registered; and, subject to the terms and conditions hereof, the Agency will accept such delivery and cause the purchase price of the Bond to be paid by check or draft or by interfund transfer, as the case may be.

Section 5. Representations of the Agency – Suitability for Private Placement. The Agency represents, warrants and agrees as follows:

a) The Agency has received and reviewed copies of the City Resolution. The Agency understands that (i) the Bond is a limited obligation of the City secured by and payable solely from Assessment Revenues (as defined in the City Resolution), (ii) no other fund or property of the City is liable for the payment of the Bond, (iii) none of the payment obligations with respect to the Bond are secured by a pledge of any money received or to be received from taxation by the City or any political subdivision thereof, other than the Assessment Revenues, and (iv) there is no reserve fund for the Bond.

b) The Agency has sufficient knowledge and experience in financial and business matters, including in the purchase and ownership of municipal obligations of a nature similar to the Bond, to be able to evaluate the risks and merits of investing in the Bond.

c) The Agency acknowledges that the City has not prepared any offering document with respect to the Bond. The Agency, as a sophisticated investor, has made its own credit inquiry and analyses with respect to the Bond. The Agency has assumed the responsibility for obtaining and making such review as the Agency has deemed necessary or desirable in connection with the Agency's decision to invest in the Bond. The Agency's decision to invest in the Bond did not rely on any information provided by the City (or any representatives or agents of the City) that is not in written form.

d) The Agency has duly determined that (i) the Agency is legally authorized to purchase the Bond, and (ii) the Bond is a lawful investment for the Agency under all applicable laws.

e) The Agency understands that (i) the Bond has not been registered with any federal or state securities agency or commission or otherwise qualified for sale under the "Blue Sky" laws or regulations of any state, (ii) will not be listed on any securities exchange, (iii) will not carry a rating from any rating service, and (iv) may not be readily marketable.

f) The Agency is investing in the Bond for its own account, and at the time of its purchase of the Bond, does not intend to distribute, resell or otherwise dispose of the Bond.

g) The Agency agrees that, in the event that the Agency decides to sell or otherwise transfer the Bond, it shall require the new transferee to deliver to the City Treasurer the letter required by the City Resolution as a condition precedent to the consummation of such transfer.

Section 6. Condition of Closing. The City's obligation to sell the Bond is conditioned upon the Agency's delivery to the City, on or prior to the Closing Date, of a certificate, dated the Closing Date, signed by a duly authorized official of the Agency in form and substance satisfactory to the City and Richards, Watson & Gershon, A Professional Corporation, as bond counsel with respect to the Bond, to the effect that the representations and warranties of the Agency contained herein are true and correct as of the Closing Date.

Section 7. Termination. If the conditions to the City's obligations contained in this Agreement cannot be satisfied at or prior to the Closing Date, this Agreement may be canceled by the City. The City shall give notice of such cancellation to the Agency in writing. Upon any such termination, neither the City nor the Agency shall be under any further obligation hereunder.

Section 8. Parties in Interest. This Agreement shall constitute the entire agreement between the Agency and the City and is made solely for the benefit of the Agency and the City (including their successors or assigns). No other person shall acquire or have any right hereunder or by virtue hereof.

Section 9. Governing Law. This Agreement shall be construed and governed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the CITY OF PALM DESERT and the PALM DESERT REDEVELOPMENT AGENCY have each caused this Agreement to be signed in its name by its duly authorized officer, all as of the day and year first above written.

CITY OF PALM DESERT

By Robert A. Spiegel
Robert A. Spiegel, Mayor

PALM DESERT REDEVELOPMENT AGENCY

By John M. Wohlmuth
John M. Wohlmuth
Executive Director

EXHIBIT A
DEBT SERVICE SCHEDULE

CITY OF PALM DESERT
ENERGY INDEPENDENCE
LIMITED OBLIGATION IMPROVEMENT BOND
SERIES 2009B (TAXABLE)

True Interest Cost: 3.000%

Payment Date	Principal Payment	Interest Payment	Semi-Annual Debt Service Total	Annual Debt Service Total
3/2/2010	--	\$ 15,241.33	\$ 15,241.33	--
9/2/2010	\$ 21,000.00	17,040.00	38,040.00	\$ 53,281.33
3/2/2011	--	16,725.00	16,725.00	--
9/2/2011	49,000.00	16,725.00	65,725.00	82,450.00
3/2/2012	--	15,990.00	15,990.00	--
9/2/2012	51,000.00	15,990.00	66,990.00	82,980.00
3/2/2013	--	15,225.00	15,225.00	--
9/2/2013	52,000.00	15,225.00	67,225.00	82,450.00
3/2/2014	--	14,445.00	14,445.00	--
9/2/2014	54,000.00	14,445.00	68,445.00	82,890.00
3/2/2015	--	13,635.00	13,635.00	--
9/2/2015	55,000.00	13,635.00	68,635.00	82,270.00
3/2/2016	--	12,810.00	12,810.00	--
9/2/2016	57,000.00	12,810.00	69,810.00	82,620.00
3/2/2017	--	11,955.00	11,955.00	--
9/2/2017	59,000.00	11,955.00	70,955.00	82,910.00
3/2/2018	--	11,070.00	11,070.00	--
9/2/2018	60,000.00	11,070.00	71,070.00	82,140.00
3/2/2019	--	10,170.00	10,170.00	--
9/2/2019	62,000.00	10,170.00	72,170.00	82,340.00
3/2/2020	--	9,240.00	9,240.00	--
9/2/2020	60,000.00	9,240.00	69,240.00	78,480.00
3/2/2021	--	8,340.00	8,340.00	--
9/2/2021	62,000.00	8,340.00	70,340.00	78,680.00
3/2/2022	--	7,410.00	7,410.00	--
9/2/2022	64,000.00	7,410.00	71,410.00	78,820.00
3/2/2023	--	6,450.00	6,450.00	--
9/2/2023	65,000.00	6,450.00	71,450.00	77,900.00
3/2/2024	--	5,475.00	5,475.00	--
9/2/2024	67,000.00	5,475.00	72,475.00	77,950.00
3/2/2025	--	4,470.00	4,470.00	--
9/2/2025	56,000.00	4,470.00	60,470.00	64,940.00
3/2/2026	--	3,630.00	3,630.00	--
9/2/2026	58,000.00	3,630.00	61,630.00	65,260.00
3/2/2027	--	2,760.00	2,760.00	--
9/2/2027	60,000.00	2,760.00	62,760.00	65,520.00
3/2/2028	--	1,860.00	1,860.00	--
9/2/2028	61,000.00	1,860.00	62,860.00	64,720.00
3/2/2029	--	945.00	945.00	--
9/2/2029	63,000.00	945.00	63,945.00	64,890.00
Total:	\$1,136,000.00	\$377,491.33	\$1,513,491.33	\$1,513,491.33

SCHEDULE OF SINKING FUND PAYMENTS
SERIES 2009B BOND MATURING SEPTEMBER 2, 2029

Redemption Date (September 2)	Principal Amount
2010	\$21,000
2011	49,000
2012	51,000
2013	52,000
2014	54,000
2015	55,000
2016	57,000
2017	59,000
2018	60,000
2019	62,000
2020	60,000
2021	62,000
2022	64,000
2023	65,000
2024	67,000
2025	56,000
2026	58,000
2027	60,000
2028	61,000
2029 (maturity)	63,000

**PALM DESERT FINANCING AUTHORITY
ENERGY INDEPENDENCE PROGRAM (EIP)
LIMITED OBLIGATION IMPROVEMENT BONDS
SERIES 2009B (TAXABLE)**

Revised Debt Service Schedule (Net of Bond Calls)

Call Date	3/2/2011									
Available Call Revenue	106,522.53 REVIEWED AND AGREES TO PAYOFFS									
Called Bonds	(106,000.00)									
Amount Remaining	522.53									
	Original Principal	Matured Principal	Bonds Called	Remaining Principal	Rate	Original Interest	Paid Interest	Remaining Interest	Remaining Periodic Debt Service	Remaining Annual Debt Service
9/22/2009										
3/2/2010	21,000	(21,000)	-	-	-	15,241.33	(15,241.33)	-	-	-
9/2/2010						17,040.00	(17,040.00)	-	-	-
3/2/2011						16,725.00	(16,725.00)	-	-	-
9/2/2011	49,000		(5,000)	44,000	3.000	15,135.00	-	15,135.00	59,135.00	59,135.00
3/2/2012						14,475.00	-	14,475.00	14,475.00	
9/2/2012	51,000		(5,000)	46,000	3.000	14,475.00	-	14,475.00	60,475.00	74,950.00
3/2/2013						13,785.00	-	13,785.00	13,785.00	
9/2/2013	52,000		(5,000)	47,000	3.000	13,785.00	-	13,785.00	60,785.00	74,570.00
3/2/2014						13,080.00	-	13,080.00	13,080.00	
9/2/2014	54,000		(5,000)	49,000	3.000	13,080.00	-	13,080.00	62,080.00	75,160.00
3/2/2015						12,345.00	-	12,345.00	12,345.00	
9/2/2015	55,000		(5,000)	50,000	3.000	12,345.00	-	12,345.00	62,345.00	74,890.00
3/2/2016						11,595.00	-	11,595.00	11,595.00	
9/2/2016	57,000		(5,000)	52,000	3.000	11,595.00	-	11,595.00	63,595.00	75,190.00
3/2/2017						10,815.00	-	10,815.00	10,815.00	
9/2/2017	59,000		(6,000)	53,000	3.000	10,815.00	-	10,815.00	63,815.00	74,630.00
3/2/2018						10,020.00	-	10,020.00	10,020.00	
9/2/2018	60,000		(6,000)	54,000	3.000	10,020.00	-	10,020.00	64,020.00	74,040.00
3/2/2019						9,210.00	-	9,210.00	9,210.00	
9/2/2019	62,000		(6,000)	56,000	3.000	9,210.00	-	9,210.00	65,210.00	74,420.00
3/2/2020						8,370.00	-	8,370.00	8,370.00	
9/2/2020	60,000		(6,000)	54,000	3.000	8,370.00	-	8,370.00	62,370.00	70,740.00
3/2/2021						7,560.00	-	7,560.00	7,560.00	
9/2/2021	62,000		(6,000)	56,000	3.000	7,560.00	-	7,560.00	63,560.00	71,120.00
3/2/2022						6,720.00	-	6,720.00	6,720.00	
9/2/2022	64,000		(6,000)	58,000	3.000	6,720.00	-	6,720.00	64,720.00	71,440.00
3/2/2023						5,850.00	-	5,850.00	5,850.00	
9/2/2023	65,000		(6,000)	59,000	3.000	5,850.00	-	5,850.00	64,850.00	70,700.00
3/2/2024						4,965.00	-	4,965.00	4,965.00	
9/2/2024	67,000		(6,000)	61,000	3.000	4,965.00	-	4,965.00	65,965.00	70,930.00
3/2/2025						4,050.00	-	4,050.00	4,050.00	
9/2/2025	56,000		(5,000)	51,000	3.000	4,050.00	-	4,050.00	55,050.00	59,100.00
3/2/2026						3,285.00	-	3,285.00	3,285.00	
9/2/2026	58,000		(6,000)	52,000	3.000	3,285.00	-	3,285.00	55,285.00	58,570.00
3/2/2027						2,505.00	-	2,505.00	2,505.00	
9/2/2027	60,000		(6,000)	54,000	3.000	2,505.00	-	2,505.00	56,505.00	59,010.00
3/2/2028						1,695.00	-	1,695.00	1,695.00	
9/2/2028	61,000		(6,000)	55,000	3.000	1,695.00	-	1,695.00	56,695.00	58,390.00
3/2/2029						870.00	-	870.00	870.00	
9/2/2029	63,000		(5,000)	58,000	3.000	870.00	-	870.00	58,870.00	59,740.00
Totals	1,136,000	(21,000)	(106,000)	1,009,000		402,448.33	(104,923.33)	297,525.00	1,306,525.00	1,306,525.00

Remaining Principal \$ 985,000