

# **REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**

## **AGENCY/COUNTY BOARD OF SUPERVISORS**

Bob A. Buster, District 1  
John F. Tavaglione, District 2  
Jeff Stone, District 3  
John J. Benoit, District 4  
Marion Ashley, District 5

## **AGENCY STAFF**

Robert Field, *Executive Director*  
Dan Martinez, *Deputy Executive Director*  
Robert E. Byrd, *Agency Auditor/Controller*  
Pamela J. Walls, *County Counsel*

## **SPECIAL SERVICES**

### **Trustee**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

### **Bond and Disclosure Counsel**

Jones Hall, A Professional Law Corporation  
San Francisco, California

### **Financial Advisor**

C. M. de Crinis & Co. Inc.  
Los Angeles, California

### **Fiscal Consultant**

Urban Analytics, LLC  
San Francisco, California

## TABLE OF CONTENTS

INTRODUCTION .....	1	RISK FACTORS .....	29
Outstanding Parity Bonds .....	3	Reduction in Taxable Value .....	29
Continuing Disclosure .....	3	Reduction in Inflationary Rate .....	29
Professionals Involved in the Offering .....	3	Tax Increment Caps .....	30
FINANCING PLAN .....	4	Levy and Collection .....	30
General .....	4	Additional Bonds .....	31
The Projects .....	4	Concentration of Property Ownership in	
Estimated Sources and Uses of Funds .....	5	Sub-Areas .....	31
THE BONDS .....	6	Impact of Redevelopment Plan	
Description .....	6	Expirations .....	31
Optional Redemption .....	6	Factors Relating to Sub-Prime Loans .....	31
Mandatory Redemption From Sinking		State of California Fiscal Issues; ERAF;	
Fund Payments .....	7	SERAF .....	32
General Redemption Provisions .....	7	AB 1389 Reporting Requirements .....	34
Additional Bonds and Subordinate Debt .....	8	Hazardous Substances .....	3536
Debt Service Schedule .....	9	Seismic Considerations and Natural	
SECURITY FOR THE BONDS .....	11	Calamities .....	3536
Tax Allocation Financing .....	11	Bankruptcy .....	3536
Allocation of Taxes .....	11	Changes in the Law .....	3536
Tax Revenues .....	12	Secondary Market .....	3637
Outstanding Parity Bonds .....	13	LIMITATIONS ON TAX REVENUES .....	3637
Reserve Subaccount .....	15	Property Tax Limitations - Article XIII A .....	3637
THE REDEVELOPMENT AGENCY FOR		Challenges to Article XIII A .....	3738
THE COUNTY OF RIVERSIDE .....	17	Property Taxes; Teeter Plan .....	3738
Authority and Personnel .....	17	Tax Collection Fees .....	3839
Agency Administration .....	17	Unitary Taxation of Utility Property .....	3839
Budgetary Policies .....	18	Future Initiatives .....	3839
THE PROJECT AREA .....	18	MISCELLANEOUS .....	3839
Redevelopment Plans .....	18	Litigation .....	3839
General Description .....	18	Ratings .....	3940
Redevelopment Plan Limitations .....	20	Tax Matters .....	3940
Appeals .....	22	Certain Legal Matters .....	3940
New Development in the Project Area .....	24	Underwriting .....	4044
Land Use in the Project Area .....	24	The Authority .....	4044
Historic Assessed Valuation .....	25	Miscellaneous .....	4044
Largest Taxpayers in the Project Area .....	26		
Projection of Tax Revenues and			
Estimated Coverage .....	26		

APPENDIX A – Report of Fiscal Consultant

APPENDIX B - Audited Financial Statements of the Agency for Fiscal Year Ended June 30, 2009

APPENDIX C – County of Riverside General Information

APPENDIX D - Summary of Certain Provisions of the Indenture

APPENDIX E - Form of Bond Counsel Opinion

APPENDIX F - Form of Continuing Disclosure Certificate

APPENDIX G - Book Entry Only System

**\$31,575,000\***  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Desert Communities Redevelopment Project Area**  
**2010 Tax Allocation Bonds, Series D**

**INTRODUCTION**

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the sale by the Redevelopment Agency for the County of Riverside (the "**Agency**") of its Desert Communities Redevelopment Project Area, 2010 Tax Allocation Bonds, Series D (the "**Bonds**"). This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in "APPENDIX D – Summary of Certain Provisions of the Indenture".

**Purpose**

The proceeds of the Bonds will be used to (i) fund projects of benefit to the Agency's Desert Communities Redevelopment Project Area (the "**Project Area**"), (ii) fund a Reserve Subaccount for the Bonds; and (iii) pay the costs of issuing the Bonds. See "FINANCING PLAN" and "SECURITY FOR THE BONDS" herein.

**Legal Authority**

The Agency is a redevelopment agency existing under the Community Redevelopment Law of the State of California (the "**State**"), constituting Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code, as amended (the "**Redevelopment Law**"). The Bonds are being issued under the Redevelopment Law. The Bonds will be issued pursuant to and will be secured by the terms of an Indenture of Trust (the "**Indenture**"), dated as of July 1, 2010, by and between the Agency and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the "**Trustee**"). The Bonds will be payable from and secured by Tax Revenues (as defined herein) allocated to the Project Area. The Indenture permits, upon satisfaction of certain conditions, the issuance of additional indebtedness ("**Parity Debt**") payable from and secured by Tax Revenues and secured by a lien and charge upon Tax Revenues equal to the lien and charge securing the Bonds. See "FINANCING PLAN " and "APPENDIX D – Summary of Certain Provisions of the Indenture."

The Bonds are being issued for sale to the Riverside County Public Financing Authority (the "**Authority**") pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the "**JPA Law**"). The Bonds purchased by the Authority will be resold concurrently to Stone & Youngberg LLC for itself and on behalf of, Wedbush Securities Inc. and Citigroup Global Markets ~~\_\_\_\_\_ and \_\_\_\_\_~~ as underwriters (the "**Underwriters**").

\* Preliminary, subject to change.

## **Tax Allocation Financing**

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a redevelopment project area. The taxable valuation of a redevelopment project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as indicated above.

The Bonds are secured by a pledge of Tax Revenues. "**Tax Revenues**" generally include the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Redevelopment Law in connection with the Project Area. Tax Revenues are more fully described under the caption "SECURITY FOR THE BONDS -- Tax Revenues". The pledge of Tax Revenues to the payment of the Bonds is on a parity with a prior pledge of Tax Revenues for the payment of debt service due on certain outstanding bonds of the Agency (the "**Outstanding Parity Bonds**"). See "SECURITY FOR THE BONDS – Outstanding Parity Bonds."

Any future decrease in the taxable valuation in the Project Area or in the applicable tax rates could reduce the Tax Revenues allocated to the Agency and correspondingly could have an adverse impact on the ability of the Agency to pay debt service on the Bonds. See "RISK FACTORS" herein.

## **The Project Area**

The Project Area originally contained two separate project areas known as Project Area No. 4 (also known as 4-1986) and 4-1987. On July 20, 1999, the Board of Supervisors of the County (the "**Board**") approved the merger of both project areas with the Airports-1988 project area. The merged project area consists of nine sub-areas, encompassing approximately 27,590 acres. At the same time the merger was approved, the Board approved the addition of more land to the Thousand Palms sub-area, which included approximately 408 additional acres in the community of Thousand Palms. Both the amendment and merger were approved via Ordinances Nos. 794 and 795, respectively. On January 13, 2009, Amendment No. 2 to the Desert Communities Redevelopment Project Area was adopted via Ordinance No. 886, and added 1,975 acres in the 100 Palms, Oasis, Mecca and North Shore communities to the project area. The Project Area currently includes a total of 29,565 acres.

The majority of assessed value in the Project Area is used for single-family residential, with a mixture of agricultural, commercial, industrial and vacant land. The assessed value of the Project Area for fiscal year 2009-10 is approximately \$2,668 million.

See "THE PROJECT AREA" for additional information on land use and property ownership within the Project Area.

## **The County**

The County, which encompasses 7,303 square miles, was organized in 1893 from territory in San Bernardino and San Diego Counties. Located in the southeastern portion of California, Riverside County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the South by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. There are 26 incorporated cities in Riverside County. For certain information regarding the County, see "APPENDIX C - County of Riverside General Information."

## **The Agency**

The Agency was activated by the Board of the County on August 6, 1985 by an ordinance of the Board, at which time the Board declared itself to be the governing board of the Agency. The Project Area is one of eight separate redevelopment project areas of the Agency.

## **Outstanding Parity Bonds**

The Agency currently has Outstanding Parity Bonds with respect to the Project Area. The Agency has pledged Tax Revenues to the repayment of the Outstanding Parity Bonds which is on a parity with the Agency's pledge of Tax Revenues for the payment of debt service on the Bonds. See "SECURITY FOR THE BONDS – Outstanding Parity Bonds."

## **Continuing Disclosure**

The Agency will undertake all responsibilities for continuing disclosure to Owners of the Bonds as described below. The Agency has covenanted in the Indenture and in a Continuing Disclosure Certificate to prepare and deliver an annual report to the Municipal Securities Rule making Board, and to provide certain other information. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX F – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). The Agency has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

## **Professionals Involved in the Offering**

The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, will act as trustee with respect to the Bonds under the Indenture.

C. M. de Crinis & Co., Inc., Los Angeles, California, has acted as Financial Advisor to the Agency in the structuring and presentation of the financing.

Urban Analytics, LLC, San Francisco, California, has acted as Fiscal Consultant to the Agency and has prepared an analysis of taxable values and tax increment revenues in the Project Area. See "APPENDIX A – REPORT OF FISCAL CONSULTANT" herein.

All proceedings in connection with the issuance of the Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall is also acting as Disclosure Counsel. Certain legal matters will be passed on for the Agency by Riverside County Counsel. The fees and expenses of the Financial Advisor, Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

## Other Information

Following in this Official Statement are brief descriptions of the Bonds, the Agency, the County, Tax Revenues, the Project Area, security for the Bonds, risk factors and limitations on Tax Revenues and certain other information relevant to the issuance of the Bonds. All references herein to the Indenture are qualified in their entirety by reference to the Indenture and all references to the Bonds are further qualified by reference to the definitive Bonds and to the terms thereof which are contained in the Indenture. All capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Indenture.

## FINANCING PLAN

### General

The Bonds are being issued to provide funds for various projects of benefit to the Project Area, to fund a Reserve Subaccount for the Bonds, and pay the costs of issuing the Bonds.

### The Projects

The net proceeds of the Bonds will be deposited in the Redevelopment Fund established for the Project Area and held by the Trustee. It is expected that such net proceeds will be used to finance all or a portion of the costs of the following projects. The Agency may, in its discretion, fund other projects within or of benefit to the Project Area.

Area	Project	Estimated Cost
Bermuda Dunes	Sewer Project	\$4,000,000
	Street Beautification Project	500,000
Thermal	Taxiway Alpha and Runway Overlay Project @ JCRA	150,000
	Ultimate Runway Extension @ JCRA & Prop. Acquisition	3,000,000
	Thermal Airport Infrastructure Grant Match	2,000,000
Mecca	Mecca Senior Center	5,000,000
	Mecca Post Office	4,000,000
	Mecca Regional Park	10,000,000
	Parkway Landscape Improvements	2,500,000
	Mecca Overpass at Avenue 66	5,000,000
	Contribution to DACE Shopping Center Proj.	5,000,000
North Shore	Street Improvements	10,000,000
Vista Santa Rosa	New Fire Station	3,000,000
Mesa Verde	Replacement Fire Station	3,000,000
East Blythe	New Fire Station	3,000,000
Oasis, North Shore and Mecca	Water System Improvement Project for CVWD	15,000,000
Total		\$75,150,000

In addition, the Agency may use a portion of the proceeds to pay interest on the Bonds during the period ending three years from the date of delivery of the Bonds. The actual timing and scope of the foregoing projects are unknown and cannot be guaranteed. It is possible that one or more of the above may not occur. The Agency may, consistent with the Redevelopment Law and its covenants set forth in the Indenture, substitute other projects for those which are described above.

### **Estimated Sources and Uses of Funds**

The anticipated sources and uses of funds relating to the Bonds are as follows:

**SOURCES:**

Principal Amount of the Bonds

Less: Underwriters' Discount

Plus (Less): Original Issue Premium/Discount

*Total Sources:*

**USES:**

Costs of Issuance Fund <sup>(1)</sup>

Reserve Subaccount

Redevelopment Fund

*Total Uses:*

---

(1) Includes Trustee fees, Financial Advisor fees, Bond Counsel and Disclosure Counsel fees, printing costs, rating agency fees and other related costs.

## THE BONDS

### Description

The Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the cover page hereof payable semiannually on April 1 and October 1 (each, an **"Interest Payment Date"**), commencing October 1, 2010, and will mature on the dates and in the amounts set forth on the cover page hereof. The Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds will be issued only as one fully registered Bond for each maturity, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (**"DTC"**), as registered owner of all Bonds. See "Book-Entry System" below. Ownership may be changed only upon the registration books maintained by The Bank of New York Mellon Trust Company, N.A. (the **"Trustee"**) as provided in the Indenture. See "Transfer and Exchange of Bonds" below.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before September 15, 2010, in which event it shall bear interest from the date of delivery of the Bonds (the **"Closing Date"**); provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. The Bonds shall mature and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months).

Interest on the Bonds (including the final interest payment upon maturity or redemption) is payable when due by check or draft of the Trustee mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; provided that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of Bonds, which written request is on file with the Trustee as of any Record Date, interest on such Bonds shall be paid on the succeeding Interest Payment Date to such account in the United States as shall be specified in such written request.

**While the Bonds are held in the book-entry only system of DTC, all such payments will be made to Cede & Co., as the registered Owner of the Bonds.** The principal of the Bonds and any premium upon redemption, are payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Trustee. See "APPENDIX G – Book Entry Only System".

### Optional Redemption

The Bonds maturing on or before October 1, 20\_\_, are not subject to optional redemption prior to maturity. The Bonds maturing on and after October 1, 20\_\_, are subject to redemption, at the option of the Agency on any date on or after October 1, 20\_\_, as a whole or in part, by such maturities as shall be determined by the Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.



### **Mandatory Redemption From Sinking Fund Payments**

The Term Bonds maturing October 1, 20\_\_ and October 1, 20\_\_, are also subject to mandatory redemption in part by lot on October 1 in each year, as set forth below, from Sinking Account payments made by the Agency pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the following table. If some but not all of the Bonds have been redeemed pursuant to optional redemption, the total amount of all future Sinking Account payments shall be reduced by the aggregate principal amount of Bonds so redeemed, to be allocated among the Sinking Account payments as are thereafter payable on a pro rata basis in integral multiples of \$5,000 as determined by the Agency.

#### **\$ Term Bonds Maturing October 1, 20\_\_**

<u>Date</u> <u>(October 1)</u>	<u>Amount</u>
-----------------------------------	---------------

#### **\$ Term Bonds Maturing October 1, 20\_\_**

<u>Date</u> <u>(October 1)</u>	<u>Amount</u>
-----------------------------------	---------------

In lieu of mandatory Sinking Account redemption of Bonds, amounts on deposit as Sinking Account payments may also be used and withdrawn by the Trustee, at the written direction of the Agency, at any time for the purchase of Bonds otherwise required to be redeemed on the following October 1 at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any of the Term Bonds so purchased by the Agency and surrendered to the Trustee for cancellation in any twelve-month period ending on August 1 in any year shall be credited towards and shall reduce the par amount of the Bonds otherwise required to be redeemed on the following October 1.

### **General Redemption Provisions**

**Notice of Redemption.** Notice of redemption shall be mailed by the Trustee (by first class mail, postage prepaid) at least thirty but not more than sixty days prior to the redemption date to the respective registered Owners of the Bonds designated for redemption, to one or more Information Services and to the Securities Depositories.

Such notice shall state the redemption date and the redemption price, shall state that such redemption is conditioned upon the timely delivery of the redemption price by the Agency to the Trustee for deposit in the Redemption Account, shall designate the CUSIP number of the Bonds to be redeemed, shall state the individual number of each Bond to be redeemed or shall

state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding are to be redeemed, and shall require that such Bonds be then surrendered at the principal corporate trust office of the Trustee for redemption at the redemption price, giving notice also that interest on such Bonds will no longer accrue from and after the redemption date.

The Agency has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner and to the same recipients as the original notice of redemption was sent.

***Selection of Bonds for Redemption.*** Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Agency thereof to the extent Bonds are no longer held in book-entry form. In the event of redemption by lot of Bonds, the Trustee shall assign to each Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of each such Bond. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

***Transfer and Exchange.*** Any Bond may, in accordance with its terms, be transferred, upon the registration books of the Trustee, upon surrender of such Bond to the Trustee at its Principal Corporate Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Agency shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of like series, interest rate, maturity and principal amount of authorized denomination.

The Trustee may refuse to transfer, either (a) any Bonds during the period fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption.

#### **Additional Bonds and Subordinate Debt**

~~***Issuance of Additional Bonds.*** In addition to the Bonds and the Outstanding Parity Bonds, the Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Debt subject to certain specific conditions, including the following:~~

~~(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 the Indenture; and~~

~~(b) The Tax Revenues for each succeeding Fiscal Year based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the County or a written report of an Independent Redevelopment Consultant plus any Additional Revenues shall be at least equal to one hundred twenty five percent (125%) of Annual Debt Service on the Bonds~~

~~and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt for each applicable succeeding Bond Year.~~

~~*Issuance of Subordinate Debt.* In addition to the Bonds, the Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the certain conditions, including the following:~~

~~(a) The Agency shall be in compliance with all covenants set forth in the Indenture and all Parity Debt Instruments; and~~

~~(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the Plan Limitations on the amount of Tax Revenues, then debt service on all Outstanding Bonds, Parity Debt and Subordinate Debt coming due and payable following the issuance or incurrence of such Subordinate Debt shall not exceed the maximum amount of remaining Tax Revenues permitted to be collected within the Plan Limitations.~~

### **Debt Service Schedule**

Scheduled debt service on the Bonds, without regard to any optional redemption, is shown in the following table. For a schedule showing debt service on the Bonds, together with amounts due on the Agency's Outstanding Parity Bonds (which are payable from Tax Revenues on a parity with the Bonds), see Table 7 herein.

**TABLE 1**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Desert Communities Redevelopment Project Area**  
**Debt Service Schedule**

Bond Year Ending <u>October 1</u>	<u>Annual Principal</u>	<u>Annual Interest</u>	<u>Total Debt Service</u>
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
Total			

## SECURITY FOR THE BONDS

### Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above indicated.

### Allocation of Taxes

As provided in the Redevelopment Plan, and pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670 of the California Health and Safety Code) and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State of California and any city, county, city and county, district or other public corporation (herein collectively referred to as "taxing agencies") for each Fiscal Year beginning after the effective dates of the respective ordinances approving redevelopment plans for the constituent project areas and the additions of territories thereto comprising the merged Project Area, as amended (see Table 2 below for the numbers and dates of the ordinances pertaining to the Project Area) are divided as follows:

1. To other taxing agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior the effective dates of the ordinances referred to above (the "Base Year Amount") shall be allocated to and when collected shall be paid into the funds of the respective taxing agencies in the same manner as taxes by or for the taxing agencies on all other property are paid; and

2. To the Agency: Except for taxes which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to the respective taxing agency, and except for non-subordinated statutory pass-through payments, that portion of the levied taxes each year in excess of the Base Year Amount shall be paid into a special fund of the Agency to pay the principal of and interest on bonds, loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed, or otherwise) incurred by the Agency to finance or refinance, in whole or in part, the Project Area.

When all bonds, loans, advances, and indebtedness, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in the Project Area shall be paid into the funds of the respective taxing agencies as taxes on all other property are paid. See "Tax Revenues," below.

## **Tax Revenues**

*General.* The Bonds are equally secured by a pledge of, security interest in, and lien on all of the Tax Revenues, and a pledge of all of the moneys in the Special Fund on a parity with the Parity Bonds, and of all moneys in the Debt Service Fund, Interest Account, Principal Account, Sinking Account, Capitalized Interest Account, Reserve Subaccount and Redemption Account created pursuant to the Indenture. See "APPENDIX D – Summary of Certain Provisions of the Indenture".

As defined in the Indenture (see "APPENDIX D – Summary of Certain Provisions of the Indenture"), "**Tax Revenues**" means all taxes annually allocated within the Plan Limitations and paid to the Agency with respect to the Project Area following the Closing Date, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Agency with respect to personal property within the Project Area pursuant to Section 16110 *et seq.* as of the California Government Code); and including that portion of such taxes (if any) otherwise required by Section 33334.2 of the Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the Bonds and any Parity Debt (including applicable reserves and financing costs) used to finance or refinance the increasing or improving of the supply of low and moderate income housing within or of benefit to the Project Area, but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund and excluding investment earnings. Tax Revenues shall not include amounts payable by the Agency under agreements entered into pursuant to Section 33401 of the Law, amounts payable by the Agency pursuant to Sections 33607.5 and 33607.7 of the Law (except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds, including any Parity Debt) ~~and amounts required to be paid by the Agency pursuant to the Development Agreements.~~

The Agency's receipt of Tax Revenues is subject to certain limitations ("**Plan Limits**") contained in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.4 of the Redevelopment Law. As described in "THE PROJECT AREA – The Redevelopment Project Plan," "Redevelopment Plan Limitations," the Agency's collection of Tax Revenues in the Project Area is subject to limitations on the respective component project areas (but not with respect to the portion added by Amendment No. 2 in 2009) of the total tax increment collected by the Agency over the life of the Redevelopment Plan. See Table 3 "Redevelopment Plan Limits".

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate, could reduce the amount of Tax Revenues that would otherwise be available to pay debt service on the Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

THE BONDS ARE NOT A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF CALIFORNIA, THE COUNTY OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE STATE, THE COUNTY NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) IS LIABLE THEREON. THE AGENCY HAS NO TAXING POWER. THE BONDS

ARE REVENUE BONDS, PAYABLE EXCLUSIVELY FROM THE TAX REVENUES AND OTHER FUNDS AS PROVIDED IN THE INDENTURE. THE OBLIGATIONS OF THE AGENCY UNDER THE BONDS, OUTSTANDING PARITY BONDS AND ANY ADDITIONAL PARITY DEBT OF THE AGENCY ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA.

### **Outstanding Parity Bonds**

**2004 Desert Communities Bonds.** In December 2004, the Authority issued its \$102,785,000 Riverside County Public Financing Authority 2004 Tax Allocation Bonds (County of Riverside Redevelopment Projects) (the "**2004 Authority Bonds**"), payable, in part, from Agency bonds issued for the Project Area (the "**2004 Desert Communities Bonds**"). Debt service on the 2004 Desert Communities Bonds issued with respect to the Project Area is payable on a parity with debt service on the Bonds and constitutes Parity Debt under the Indenture. As of July 1, 2010, \$95,470,000 of the 2004 Authority Bonds remain outstanding, with \$32,125,000 of such amount relating to the 2004 Desert Communities Bonds.

The remaining \$63,345,000 of the outstanding 2004 Authority Bonds relate to Jurupa Valley Redevelopment Project, Interstate 215 Corridor Redevelopment Project Area, Redevelopment Project Area No. 1 and the Mid-County Redevelopment Project.

**2005 Desert Communities Bonds.** In August 2005, the Authority issued its \$144,075,000 Riverside County Public Financing Authority 2005 Tax Allocation Bonds (County of Riverside Redevelopment Projects) (the "**2005 Authority Bonds**"), payable, in part, from Agency bonds issued for the Project Area (the "**2005 Desert Communities Bonds**"). Debt service on the 2005 Desert Communities Bonds issued with respect to the Project Area is payable on a parity with debt service on the Bonds and constitutes Parity Debt under the Indenture. As of July 1, 2010, \$134,440,000 of the 2005 Authority Bonds remain outstanding, with \$15,985,000 of such amount relating to the 2005 Desert Communities Bonds.

The remaining \$118,455,000 of the outstanding 2005 Authority Bonds relate to Jurupa Valley Redevelopment Project, Interstate 215 Corridor Redevelopment Project Area, Redevelopment Project Area No. 1 and the Desert Communities Redevelopment Project.

**2006 Desert Communities Bonds.** In November 2006, the Authority issued its \$169,720,000 Riverside County Public Financing Authority 2006 Series A Tax Allocation Bonds (Jurupa Valley, Desert Communities and Interstate 215 Corridor Redevelopment Projects) (the "**2006 Authority Bonds**"), payable, in part, from Agency bonds issued for the Project Area (the "**2006 Desert Communities Bonds**"). Debt service on the 2006 Desert Communities Bonds issued with respect to the Project Area is payable on a parity with debt service on the Bonds and constitutes Parity Debt under the Indenture. As of July 1, 2010, \$160,565,000 of the 2006 Authority Bonds remain outstanding, with \$67,775,000 of such amount relating to the 2006 Desert Communities Bonds.

The remaining \$92,790,000 of the outstanding 2006 Authority Bonds relate to Jurupa Valley Redevelopment Project and the Interstate 215 Corridor Redevelopment Project Area.

Set forth below is a summary of the Outstanding Parity Bonds of the Project Area.

2004 Desert Communities Bonds	\$ 32,125,000
2005 Desert Communities Bonds	15,985,000
2006 Desert Communities Bonds	<u>67,775,000</u>
Total	\$115,885,000



***Tax Sharing Agreements and Statutory Tax Sharing.*** The Agency has entered into uniform tax-sharing agreements with taxing entities and school districts with respect to the portions of the Project Area that were adopted prior to 1994 (the “**Tax Sharing Agreements**”). See “APPENDIX A – Report of Fiscal Consultant – Fiscal Agreements” for a description of the Tax Sharing Agreements. In addition, certain sub-areas of the Project Area are subject to the tax sharing provisions of AB 1290. Under Section 33607.5 and Section 33607.7 of the Law (added by AB 1290), any territory added to a project area after 1994 is required to share in tax increment revenues generated by such territory pursuant to a statutory formula (“**Statutory Tax Sharing**”) or, upon amendment of certain plan limitations, is required to pay Statutory Tax Sharing after such limitation otherwise would have been in effect. Prior to the delivery of the Bonds, the Agency will have completed proceedings for the subordination of the Statutory Tax Sharing payments to the payment of debt service on the Bonds. See “APPENDIX A – Report of Fiscal Consultant – Fiscal Agreements” for a description of the Agency’s obligation to make Statutory Tax Sharing payments.

***Other Agreements.*** The Agency has entered into agreements for redevelopment of the Project Area (the “**Reimbursement Agreements**” or “**Owner Participation Agreements**”). See “APPENDIX A – Report of Fiscal Consultant – Fiscal Agreements” ~~and Table \_\_\_\_\_~~ for a description of the Agency’s obligations with respect to these agreements.

#### **Additional Bonds and Subordinate Debt**

**Issuance of Additional Bonds.** In addition to the Bonds and the Outstanding Parity Bonds, the Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Debt subject to certain specific conditions, including the following:

(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 the Indenture; and

(b) The Tax Revenues for each succeeding Fiscal Year based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the County or a written report of an Independent Redevelopment Consultant plus any Additional Revenues shall be at least equal to one hundred twenty five percent (125%) of Annual Debt Service on the Bonds and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt for each applicable succeeding Bond Year.

**Issuance of Subordinate Debt.** In addition to the Bonds, the Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the certain conditions, including the following:

(a) The Agency shall be in compliance with all covenants set forth in the Indenture and all Parity Debt Instruments; and

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the Plan Limitations on the amount of Tax Revenues, then debt service on all Outstanding Bonds, Parity Debt and Subordinate Debt coming due and payable following the issuance or incurrence of such Subordinate Debt shall not exceed the



maximum amount of remaining Tax Revenues permitted to be collected within the Plan Limitations.

### **Reserve Subaccount**

The Indenture of Trust dated as of December 1, 2004, between the Agency and The Bank of New York Trust Company, N.A., as trustee (the "**2004 Indenture**") established a reserve account (the "**2004 Reserve Account**"), which could be maintained in the form of one or more separate sub-accounts established for the purpose of holding separate the reserve accounts of the 2004 Bonds and any Parity Debt.

Pursuant to the 2004 Indenture and the Indenture, the Trustee will establish, maintain and hold in trust, a separate subaccount within the 2004 Reserve Account designated as the "2010 Series E Reserve Subaccount of the Reserve Account" (the "**Reserve Subaccount**"). Amounts on deposit in the Reserve Subaccount shall be available to pay debt service only on the Bonds and any amounts on deposit in the Reserve Account will be available to pay debt service only on the Bonds and any other Parity Debt hereafter issued that the Agency elects to be secured by the Reserve Subaccount. In the event that the Agency elects to secure additional Parity Debt with the Reserve Subaccount, the Agency shall establish subaccounts within the 2004 Reserve Account as needed. See "APPENDIX F - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES –Deposits of Amounts by Trustee - Reserve Account".

The Reserve Subaccount is established and held by the Trustee. "**Reserve Requirement**" is defined in the Indenture to mean, with respect to the Bonds or any Parity Debt (including the 2004 Bonds, 2005 Bonds and the 2006 Bonds), as of any calculation date, the least of (i) ten percent (10%) of the original principal amount of the Bonds or Parity Debt, as applicable, provided that if the original issue discount of the Bonds or Parity Debt exceeds 2% of such original principal amount, then initially ten percent (10%) of the original principal amount of, less original issue discount on, the Bonds or Parity Debt, but excluding from such calculation any proceeds of Parity Debt deposited in an escrow described in the definitions of Annual Debt Service and Maximum Annual Debt Service, (ii) Maximum Annual Debt Service with respect to the Bonds or Parity Debt, as applicable, or (iii) 125% of average Annual Debt Service on the Bonds or Parity Debt, as applicable; provided further that the Agency may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture. For purposes of calculating Maximum Annual Debt Service with respect to determining the Reserve Requirement, variable rate Parity Debt shall be deemed to bear interest at the maximum rate permitted by the Parity Debt Instrument. The calculation of the Reserve Requirement may, at the option of the Agency, be made with respect to the Bonds and all Parity Debt, including the 2004 Bonds, the 2005 Bonds and the 2006 Bonds, on a combined basis, as provided in the Indenture, provided that the Trustee shall establish separate subaccounts for the proceeds of the Bonds, the 2004 Bonds, the 2005 Bonds and the 2006 Bonds to enable the Trustee to track the investment of the proceeds of the 2010 Series E Bonds, the 2004 Bonds, the 2005 Bonds and the 2006 Bonds.

All money in the Reserve Subaccount shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account, the Principal Account and the Sinking Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that for so long as the Agency is not in default under the Indenture, any amount in the Reserve Subaccount in excess of the Reserve Requirement shall be withdrawn from the Reserve Subaccount

semiannually on or before four (4) Business Days preceding each April 1 and October 1 by the Trustee and deposited in the Interest Account.

The Reserve Subaccount may be satisfied with the acquisition of a financial instrument meeting the definition of "Qualified Reserve Account Credit Instrument" set forth in the APPENDIX D – Summary of Certain Provisions of the Indenture". Generally, "Qualified Reserve Account Credit Instrument" is defined to mean 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 that meets certain requirements, including the following: (a) the long-term credit rating of such bank or claims paying ability of such insurance company is AAA or better from S&P and AAA or better from Moody's and, if rated by A.M. Best & Company, is rated in the highest rating category by A.M. Best & Company; (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement; and (d) the Trustee is authorized to draw on the instrument in an amount equal to any deficiencies which may exist from time to time in the Interest Account, the Principal Account or the Sinking Account.

With respect to the portions of the Reserve Requirement attributable to Outstanding Parity Bonds, the Agency has previously deposited with the Trustee Qualified Reserve Account Credit Instruments, as follows:

**Desert Communities Redevelopment Project Area**

Outstanding Parity Debt	Credit Instrument	Stated Amount	Provider
2004 Agency Bonds	Surety Policy	\$2,726,000	XL Capital
2005 Agency Bonds	Surety Policy	1,233,750	XL Capital
2006 Agency Bonds	Surety Policy	4,453,306	MBIA
Total		\$8,413,056	

The Qualified Reserve Account Credit Instruments deposited with respect to Outstanding Parity Bonds are not available to pay the Bonds.

Rating agencies have downgraded or withdrawn the ratings on the claims-paying ability and financial strength of most of the nation's bond insurance companies, including the providers of the Qualified Reserve Account Credit Instruments shown in the table above. Further deterioration in the financial condition of the providers of the Qualified Reserve Account Credit Instruments or a failure to honor a draw by any of these providers under its Qualified Reserve Account Credit Instrument could occur. The Agency is not required under the Indenture to replace a Qualified Reserve Account Credit Instrument with cash or a replacement instrument in the event the ratings of its provider decline or are withdrawn. The Agency currently has no plans to replace such Qualified Reserve Account Credit Instruments with other instruments or cash.

If circumstances should ever cause a Qualified Reserve Account Credit Instrument to be canceled or discharged, such cancellation or discharge could be determined to create a deficiency in the portion of Reserve Requirement previously satisfied by such Qualified Reserve Account Credit Instrument. Under the Indenture, in the event that the amount on deposit in a Reserve Account is less than the Reserve Requirement, the Agency is required to transfer to the Trustee an amount of available Tax Revenues sufficient to maintain the amount in the Reserve Account at the Reserve Requirement. Should the amount of Tax Revenues then available to maintain the Reserve Account at the Reserve Requirement be insufficient for such purpose, such insufficiency would not result in an event of default under the Indenture, but the requirement of the Agency to transfer available Tax Revenues to the Trustee would continue.

No assurance can be given that there would ever be available Tax Revenues sufficient for such purpose.

## **THE REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**

### **Authority and Personnel**

The Agency was established pursuant to the Redevelopment Law and was activated by the Board of Supervisors of the County (the "**Board**") on August 6, 1985, by Ordinance No. 612, at which time the Board declared itself to be the governing board (the "**Board of Directors**") of the Agency. The Agency is charged with the authority and responsibility of redeveloping and upgrading blighted areas of the County. The Agency is a separate public body and exercises governmental functions in planning and carrying out redevelopment projects. Subject to requirements and certain limitations in the Redevelopment Law, the Agency can build public improvements, facilitate the development of on and off-site improvements for private development projects, acquire and re-sell property, and provide services of special benefit to the Project Area.

Members of the Agency and their terms of office are shown below:

<u>Member</u>	<u>Term Expires</u>
Bob A. Buster	January, 2013
John F. Tavaglione	January, 2011
Jeff Stone	January, 2013
John J. Benoit	January, 2011
Marion Ashley	January, 2011

### **Agency Administration**

The Agency each year adopts an administrative budget. A portion of salaries and benefits of certain County staff members are budgeted and paid for by the Agency. The Agency funds administrative costs out of available revenues. Such reimbursement is subordinate to any outstanding bonded indebtedness of the Agency.

The Redevelopment Law requires redevelopment agencies to have an independent financial audit conducted each year. The financial audit is also required to include an opinion of the Agency's compliance with laws, regulations and administrative requirements governing activities of the Agency. The firm of Teaman, Ramirez & Smith, Certified Public Accountants, Riverside, California, prepared a financial statement for the Agency for the fiscal year ended June 30, 2009. The firm's examination was made in accordance with generally accepted auditing standards. The Agency follows fund accounting principles reflecting the modified accrual basis of accounting in which revenue is recognized when earned or otherwise becomes available, and expenditures are recognized when incurred. The firm reported after their examination that they noted no instances of noncompliance for the fiscal year ended June 30, 2009. See "APPENDIX B – Audited Financial Statements for Fiscal Year Ended June 30, 2009". The Agency has not requested nor did the Agency obtain permission from Teaman, Ramirez & Smith to include the audited financial statements as an appendix to this Official Statement. Accordingly, Teaman, Ramirez & Smith has not performed any post-audit review of the financial condition or operations of the Agency.

## **Budgetary Policies**

The Board of Directors of the Agency each year approves a budget submitted by the Executive Director prior to the beginning of the new Fiscal Year. Public hearings are conducted prior to its adoption. The budget is subsequently adopted through the passage of a resolution. Budgets for all three fund types utilized by the Agency are adopted on a basis consistent with generally accepted accounting principles.

## **THE PROJECT AREA**

### **Redevelopment Plan**

Under the Redevelopment Law a city or county that activates its redevelopment agency is required to adopt, by ordinance, a redevelopment plan for each redevelopment project to be undertaken by the redevelopment agency. A redevelopment agency may only undertake those activities within a redevelopment project specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law, rather than a "plan" in the customary sense of the word.

The Redevelopment Plan for the Project Area and sub-areas have two principal purposes (i) the removal of blight from the Project Area and (ii) the provision of low and moderate income housing both within the Project Area and within any other area of the County of Riverside. In order to accomplish these two purposes the Redevelopment Plan provides for the acquisition of property and the demolition of buildings and improvements, the relocation of any displaced occupants and the construction of streets, parking facilities, utilities and other public improvements. In connection with the provision of low and moderate income housing, the Agency may additionally make housing grants and loans and acquire, rehabilitate and sell residential housing to persons and families of low and moderate income. The Redevelopment Plans also allow for redevelopment of land by private enterprise and participation by owners and tenants of properties in the Project Area.

### **General Description**

The Desert Communities Redevelopment Project Area originally contained two separate project areas known as Project Area No. 4 (also known as 4-1986) and 4-1987. The County Board of Supervisors approved the original boundaries of Project Area No. 4 on December 23, 1986 via Ordinance No. 638. Project Area No. 4-1987 was approved by the Board on December 1, 1987 via Ordinance No. 647. The Airports-1988 project area was approved by the Board on December 19, 1988, via Ordinance No. 668 and consists of six general aviation airports. On July 20, 1999, the Board approved the merger of both project areas with the Airports-1988 project area.

The merged pProject aArea consists of nine sub-areas, encompassing approximately 27,590 acres. At the same time the merger was approved, the Board approved the addition of more land to the Thousand Palms sub-area, which included approximately 408 additional acres in the community of Thousand Palms. Both the amendment and merger were approved via Ordinances Nos. 794 and 795, respectively. On January 13, 2009, Amendment No. 2 to the Desert Communities Redevelopment Project Area was adopted via Ordinance No. 886, and added 1,975 acres in the 100 Palms, Oasis, Mecca and North Shore communities to the pProject aArea. The current project area includes a total of 29,565 acres.

**East Blythe.** The East Blythe Sub-Area is comprised of 1,500 acres. A significant portion of the Sub-Area was annexed by the City of Blythe when it extended its city limits to the Colorado River.

**Desert Center.** The Desert Center Sub-Area contains approximately 375 acres in two non-contiguous areas located along Ragsdale and Kaiser Roads, adjacent to the Lake Tamarisk area. The Lake Tamarisk area is made up of residential and recreational uses. The Sub-Area is comprised of irregularly shaped areas, vacant and underutilized parcels. The southern Sub-Area is a combination of developed public and utility land.

**Mecca.** The Mecca Sub-Area is comprised of 350 acres and is located in the eastern Coachella Valley. Recent developments include the extension of water and sewer lines to the north of Mecca along Lincoln Street. These infrastructure extensions have allowed the development of new affordable single-family housing projects including the Village at Mecca (91 units), Las Serenas (87 units), as well as the 106 space Mecca Mobile Home Park, the 31 unit Chapultepec Apartments, and the 128 unit Las Mananitas migrant farm worker housing project. The Agency also has assisted with the 10-acre Mecca Migrant Farm Labor Village located on Avenue 63, east of Lincoln Street. Currently, the Agency is constructing a Mecca Health Clinic, a library, and a Sheriff's Station in the Sub-Area. Additional acreage was added to the Mecca sub-area in January 2009.

**North Shore.** The North Shore Sub-Area is a small residential and retirement community located on the northern end of the Salton Sea and is comprised of 54 acres. Additional acreage was added to the North Shore sub-area in January 2009, expanding the possibility of future development.

**Palm Desert Country Club.** The Palm Desert Country Club Sub-Area is located adjacent to the City of Palm Desert and is primarily commercial and residential in nature. The Sub-Area is approximately 86 acres in size. Recent street improvements, traffic signalization and commercial and retail development in the Sub-Area have attracted new housing and commercial development.

**Ripley.** The Ripley Sub-Area is comprised of 830 acres and is located within a small, rural community that is made up of residential, commercial and agricultural-related industrial land uses. In addition, there are a number of vacant and underutilized properties. A spur of the Atcheson, Topeka and Santa Fe Railroad runs through the northern part of the project area.

**Thermal.** The Thermal Sub-Area is comprised of 17,250 acres located in the eastern Coachella Valley, with approximately 1,600 acres of land located in the northeasterly portion of the Sub-Area being suitable for industrial development. The Sub-Area also includes the 1,800 acre Jacqueline Cochran Regional Airport (formerly Desert Resorts Regional Airport and previously Thermal Airport), a large general aviation facility. The Thermal Sub-Area is at the confluence of the spheres of influence of Coachella, La Quinta, and Indio. It is generally thought that the long-term improvement and development of the Jacqueline Cochran Regional Airport will constitute a major opportunity for the area, and that future industrial development would be enhanced by anticipated airport improvement activities. The Agency has engaged in a number of public infrastructure improvements, including streets, curbs, gutters, flood control, a community center, school facility improvements, and water system improvements.

**Thousand Palms.** The Thousand Palms Sub-Area was originally 285 acres in size. In July of 1999, the Board approved an amendment to allow for the addition of new territory to the Sub-Area. The total acreage of the Sub-Area is 693 acres. The Sub-Area is adjacent to

Interstate 10 north of the City of Rancho Mirage. The Coachella Valley Enterprise Zone was recently extended into this area to encourage new businesses to the area through the provision of state tax credits. The Agency is in the process of developing a new library, fire station and street improvements along Varner Road and Monterey Avenue.

**Oasis.** The Oasis Sub-Area was adopted in January 2009, and is located fairly close to the Salton Sea, and the area is also adjacent to Tribal lands, and can be characterized by sporadic commercial and residential development, as well as vacant land.

**100 Palms.** The 100 Palms sub-area, was adopted in January 2009, and is located adjacent to the existing Thermal sub-area and Tribal lands. Land uses are represented by sporadic commercial and residential development, and vacant land.

**Airports.** The Airports Sub-Area consists of six general aviation airports. The following is a brief description of each of the airports. All of the airports with the exception of Flabob Airport are owned by the County. It should be noted that the Jacqueline Cochran Regional Airport (formerly known as Desert Resorts Regional Airport, and previously Thermal Airport) is within the boundaries of the Thermal Sub-Area.

Blythe Airport is located in the Colorado River Valley in the easternmost part of the County. It is seven miles west of the City of Blythe along Interstate 10. The airport is owned by the County and it is leased to and operated by the City of Blythe.

Chiraco Summit Airport is located in the Coachella Valley and is immediately adjacent to Interstate 10. To the south of the airport are the Orocopia and Chocolate Mountains and the Salton Sea. To the north are the San Bernardino Mountains, Joshua Tree National Park and Eagle Mountain.

Desert Center Airport is located north of Interstate 10 and east of State Highway 177. It is near the unincorporated communities of Desert Center and Lake Tamarisk.

Flabob Airport is located near the community of Rubidoux in the northwestern portion of the County. The airport is privately owned and operated.

French Valley Airport is located in the southwest portion of the County, adjacent to the communities of Temecula, Murrieta and Winchester. The airport is located adjacent to Highway 79 and is only minutes away from Interstates 15 and 215. The major runway is currently being extended to enhance safety margins for aircraft utilizing the airport facility.

Hemet-Ryan Airport is located in the San Jacinto Valley area of the County and provides convenient access to the mid-County region, including the cities of Hemet and San Jacinto and Diamond Valley Reservoir. Highways 74 and 79 provide easy access to the airport.

### **Redevelopment Plan Limitations**

In 1993, the California Legislature made significant changes in the Redevelopment Law by the adoption of AB 1290, Chapter 942, statutes of 1993 ("**AB 1290**"). Among the changes to the Redevelopment Law accomplished by the enactment of AB 1290 was a provision which limits the period of time for incurring and repaying loans, advances and indebtedness which are payable from tax increment revenues. In general and subject to shorter limitations which may be contained in a redevelopment plan, loans, advances and indebtedness may be incurred within the later of January 1, 2004 or 20 years from the date of original adoption of the redevelopment

plan, a redevelopment plan must terminate not later than January 1, 2009 or 40 years following the date of original adoption of the redevelopment plan, and loans, advances and indebtedness must be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan. AB 1290 further required that any redevelopment plan that either did not contain the appropriate limitations or that contained limitations longer than permitted by AB 1290 must be amended by the applicable legislative body.

In addition, the sub-areas added to the Project Area after January 1, 1994 are subject to the special requirements of AB1290, which replaced tax increment caps and negotiated fiscal agreements with finite plan durations and statutory payments to taxing entities, among other requirements. The Redevelopment Plan was subsequently brought into conformance with plan duration and other provisions of AB1290. The California Legislature enacted Senate Bill 1045, Chapter 260, Statutes 2003, effective September 1, 2003 ("**SB 1045**") and Senate Bill 1096, Chapter 211, Statutes of 2004 ("**SB 1096**"). SB 1045 and AB 1096 provide, among other things, that the Redevelopment Plan for the Project Area may be amended to add up to three years on to the effectiveness of the Redevelopment Plan and on to the period for collection of tax increment revenues and the repayment of debt. Pursuant to the authorization contained in SB 1045, the Board of Supervisors adopted Ordinance No. 835 on November 30, 2004, (effective December 30, 2004) extending by one year the date of effectiveness of the Redevelopment Plan and the allowed time to pay indebtedness or receive property taxes. The following table takes into account the effect of Ordinance No. 835. The Redevelopment Plan was adopted too recently to be able to take advantage of the extensions permitted by SB 1096.

The Agency has covenanted in the Indenture that it will annually review, no later than December 1 of each year, the total amount of tax increment revenue remaining available to be received by the Agency under the Plan Limitations, as well as future cumulative Annual Debt Service, payments on obligations of the Agency payable from tax increment revenues that are senior to the Bonds, and payments on obligations that are subordinate to the Bonds. If, based on such review, the allocation of tax increment revenues to the Agency in any of the next three succeeding Fiscal Years will (a) cause an amount equal to ninety-five (95%) of the amount remaining under the Plan Limitations to fall below the sum of (i) remaining cumulative Annual Debt Service, (ii) payments on obligations of the Agency payable from tax increment revenues that are senior to the Bonds, and (iii) payments on obligations that are subordinate to the Bonds or (b) cause the tax increment cap in a sub-area of the Project Area to meet its cap, the Agency shall adopt a plan approved by an Independent Redevelopment Consultant that demonstrates the Agency's continuing ability to pay debt service on the Bonds and Parity Debt. Such plan may include, among other actions, defeasing or redeeming the Bonds or Parity Debt or reducing the amount of tax increment being claimed from one or more sub-areas within the Project Area. In the event that the Agency determines to defease the Bonds or Parity Debt, such defeasance shall be accomplished as provided in the Indenture. Further, in the event the Agency elects to defease or redeem the Bonds or Parity Debt, the Agency shall first notify Moody's and S&P, and such defeasance or redemption shall occur only if the Agency receives confirmation from Moody's and S&P that such defeasance or redemption will not, in and of itself, cause Moody's or S&P to lower the underlying rating then in effect with respect to the Bonds and Parity Debt. The Trustee shall not be responsible for monitoring the Agency's tax increment caps.

**Table 2**  
**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**  
**Summary of Desert Communities Project Area and Constituent Sub-Areas**

	Date of Adoption	Ordinance Number	Termination of Plan Activities	Last Date to Repay Debt	Tax Increment Limit	Acreage
<b>Project Area DCPA</b>						
4-1986 (East Blythe, Mecca, North Shore, Thermal, Palm Desert, Ripley)	12/23/1986	638	12/23/2027	12/23/2037	\$900,000,000	20,155
4-1986 (1000 Palms)	12/23/1986	638	12/23/2027	12/23/2037	150,000,000	285
4-1999 (1000 Palms Amendment)	7/20/1999	794	7/20/2030	7/20/2045	--	408
4-1987 (Desert Center)	12/1/1987	647	12/1/2028	12/1/2038	140,000,000	376
4-1988 (Airports)	12/19/1988	668	12/19/2029	12/19/2039	360,000,000	6,366
3-1008 (1000 Palms/Oasis) (1)	01/13/2009	886	01/13/2039	01/13/2054	N/A	1,975

(1) This sub-area has a debt incurrence limit of 01/13/2029  
Source: The Agency

The California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 ("**SB 211**"). SB 211 provides, among other things, that the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body. Ordinance No. 865, adopted by the Riverside County Board of Supervisors on October 3, 2006, deleted the limitations on incurring indebtedness contained in the pre-January 1, 1994 Redevelopment Plans of the Agency. Adoption of Ordinance No. 865 triggered statutory tax sharing requirements with taxing entities receiving property taxes in the Project Area. Statutory tax sharing is calculated based on the increase in assessed valuation after the year in which the limitation would otherwise have become effective.

SB 211 also authorized the amendment of a redevelopment plan adopted prior to January 1, 1994, in order to extend for not more than 10 years the effectiveness of the redevelopment plan and the time to receive tax increment revenues and to pay indebtedness. Any such extension must meet certain specified requirements, including the requirement that the redevelopment agency establish the existence of both physical and economic blight within a specified geographical area of the redevelopment project and that any additional tax increment revenues received by the redevelopment agency because of the extension be used solely within the designated blighted area. SB 211 authorizes any affected taxing entity, the Department of Finance, or the Department of Housing and Community Development to request the Attorney General to participate in the proceedings to effect such extensions. It also would authorize the Attorney General to bring a civil action to challenge the validity of the proposed extensions.

SB 211 also prescribes additional requirements that a redevelopment agency would have to meet upon extending the time limit on the effectiveness of a redevelopment plan, including requiring an increased percentage of new and substantially rehabilitated dwelling units to be available at affordable housing cost to persons and families of low or moderate income prior to the termination of the effectiveness of the plan. The Agency does not currently expect that the Riverside County Board of Supervisors will undertake proceedings pursuant to SB 211 for the extension of the effectiveness of the Redevelopment Plan or the extension of the period to receipt of tax increment and the payment of indebtedness.

## Appeals

**Proposition 8 Appeals.** Most of the appeals that might be filed in the Project Area



would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that current market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Based on information provided to the Fiscal Consultant, for the 2009-10 roll year, the County Assessor applied Proposition 8 reductions to 384,289 properties in the County in response to economic conditions. The reductions were primarily applied to residential properties. The total decrease in valuation Countywide due to Proposition 8 was \$42.7 billion, or approximately 19% of the 2008-09 Countywide assessed valuation; of this amount, \$33.3 million was for properties in incorporated areas and \$9.4 million for properties in unincorporated areas. The total change in valuation countywide was -10.5% for 2009-10.

The Fiscal Consultant reports that appeals of assessments by property owners in the Project Area can result in reductions in assessed valuations that affect the Agency. However, these reductions do not currently affect the Agency's allocation of regular tax increment revenue due to the Auditor-Controller's practice of deducting taxpayer refunds from supplemental revenue payments to the Agency and not from the regular tax increment apportionment.

The Auditor-Controller's office debits the Agency for tax refunds due to successful property tax appeals by offsetting the Agency's allocation of supplemental roll revenue. The Auditor-Controller's office has stated that current practice is to offset no more than the Agency's supplemental revenue in any given period. Under this system the Agency's regular tax increment revenue, pledged to the bonds, is not reduced by tax refunds. Should this practice change at some future date it would be possible for the Agency's tax increment revenue to be affected.

For the Fiscal Consultant's analysis of the potential impact of Proposition 8 on the projections of assessed valuation for Fiscal Years 2010-11 and 2011-12, see "APPENDIX A – Report of Fiscal Consultant – Table 5—".

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. The State Board of Equalization has approved this reassessment practice and such practice has been used by county assessors statewide. This reassessment practice was approved by the California Court of Appeal, Fourth District, in the recent case of County of Orange et al. v Bezaire, petition for review to the California Supreme Court denied.

**Base Year Appeals.** A second type of assessment appeal is called a Base Year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined

by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Based on information provided to the Fiscal Consultant by the County Assessor's office, there are 1,053 base year appeals pending in the Project Area. The amount of assessed valuation in dispute totals \$197.9 million, primarily from filings for the 2009-10 roll year.

For more specific information about pending and settled appeals in the Project Area, see "APPENDIX A – Report of Fiscal Consultant – Assessment Appeals".

### **New Development in the Project Area**

To date, the primary area of industrial and commercial development in the Project Area has been the Thousand Palms Sub-Area. This area has seen significant investment and job growth in the last several years, primarily in the form of large industrial parks and various types of commercial developments. Future industrial development is expected to be focused upon the Thermal Sub-Area, as there are large tracts of industrially-zoned land in the area surrounding Jacqueline Cochran Regional Airport ("JCRA") that are served by numerous transportation assets, including Highway 86S (the NAFTA Corridor), Interstate 10, a Union Pacific Railroad main line (with a spur extending directly into the community), and the 1,800 acre JCRA property itself, which is capable of handling large cargo-carrying jet aircraft. Also, the Thermal Sub-Area is within the Coachella Valley Enterprise Zone, the Desert Communities Empowerment Zone, and is eligible for inclusion in the Palm Springs Foreign Trade Zone. High value residential and resort development has occurred in the Thermal Sub-Area, including various phases of PGA West. High-end residential development is expected to continue, much of which will likely occur in the Vista Santa Rosa area, which is west of JCRA and south of PGA West.

### **Land Use in the Project Area**

The largest use of the land in the Project Area in terms of assessed value is for residential purposes. The following table shows the land use in the Project Area, based on 2009-10 assessed valuation.

**Table 3**  
**DESERT COMMUNITIES REDEVELOPMENT PROJECT AREA**  
**Land Use; Fiscal Year 2009-10**

Land Use	Secured AV <sup>(1)</sup>	% of AV	No. of Parcels	% of Parcels	Acres	% of Acres
Agricultural	\$ 241,925,132	9.39%	428	5.06%	4,193	15.20%
Commercial	199,832,445	7.75	285	3.37	1,242	4.50
Industrial	135,573,629	5.26	106	1.25	147	0.53
Single-Family Res	1,608,336,185	62.40	3,820	45.18	485	1.76
Other Residential	49,244,543	1.91	522	6.17	1,387	5.03
Vacant	298,590,690	11.59	3,012	35.62	3,258	11.81
Other	43,773,713	1.70	283	3.35	16,878	61.18
<b>Totals:</b>	<b>\$2,577,276,338</b>	<b>100.00</b>	<b>8,456</b>	<b>100.00</b>	<b>27,590</b>	<b>100.00</b>

(1) Valuations include homeowner's exemptions, restored by the Auditor prior to the calculation of tax increment. Acreage is estimated using tax roll data and information provided by the Agency.  
Source: Urban Analytics

## Historic Assessed Valuation

In the Project Area rates of growth over the past five years have ranged from 47.14% in 2006-07 to -4.87% in 2009-10. The decrease in assessed valuation for 2009-10 in the Project Area was principally the result of the Proposition 8 reductions in valuation primarily on residential properties.

The table below shows a five-year history of assessed valuation in the Project Area.

**Table 4**  
**DESERT COMMUNITIES REDEVELOPMENT PROJECT AREA**  
**Historic Assessed Valuation, Tax Revenues and Housing Tax Revenues**

Roll	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Secured</b>					
Land	\$596,071,699	\$935,969,620	\$1,212,580,592	\$1,205,018,066	\$1,085,886,143
Improvements	700,832,803	986,217,428	1,257,564,754	1,466,393,850	1,503,521,173
Personal Property	8,424,470	8,848,820	8,906,105	8,780,964	8,425,957
Exemptions	(9,058,454)	(10,072,272)	(11,111,917)	(13,457,076)	(20,556,935)
Secured Total	1,296,270,518	1,920,963,596	2,467,939,534	2,666,735,804	2,577,276,338
<b>Unsecured</b>					
Land	62,916	57,454	48,879	42,875	32,309
Improvements	18,998,323	20,073,895	27,671,650	25,273,329	30,570,018
Personal Property	80,478,296	111,007,351	84,769,343	115,859,232	60,246,765
Exemptions	(3,254,600)	(2,943,200)	(3,165,461)	(3,052,763)	(4,273)
Unsecured Total	96,284,935	128,195,500	109,324,411	138,122,673	90,844,819
<b>Utility</b>					
Land	206,241	185,778	91,320	91,320	91,320
Improvements	92,107	75,504	0	0	0
Personal Property	50,328	41,336	0	0	0
Exemptions	0	0	0	0	0
Utility Total	348,676	302,618	91,320	91,320	91,320
Totals:	1,392,904,129	2,049,461,714	2,577,355,265	2,804,949,797	2,668,212,477
Percent Change	34.54%	47.14%	25.76%	8.83%	-4.87%
Plus: HOPTR AV	7,633,704	8,614,062	9,516,707	10,337,228	10,615,114
Less: Base AV	(220,417,565)	(220,417,565)	(220,417,565)	(218,348,853)	(218,348,853)
Incremental AV	1,180,120,268	1,837,658,211	2,366,454,407	2,596,938,172	2,460,478,738
Incremental Revenue	11,801,203	18,376,582	23,664,544	25,969,382	24,604,787
Plus: Additional Revenue (1)	3,998,634	4,929,622	3,585,461	495,705	(N.A.)
Tax Increment Collected	15,799,836	23,306,205	27,250,005	26,465,086	(N.A.)
Housing Tax Revenues Collected	3,159,967	4,661,241	5,450,001	5,293,017	(N.A.)

(1) Revenue from unitary and supplemental rolls, debt service levy, prior-year adjustments and other sources.  
Source: Urban Analytics

## Largest Taxpayers in the Project Area

The following table shows the ten largest taxpayers in Project Area.

**Table 5**  
**DESERT COMMUNITIES REDEVELOPMENT PROJECT AREA**  
**Largest Property Tax Payers**

Property Owner	Secured and Utility	Unsecured	Total	Pct of Total
T D Desert Development	\$110,043,071	\$ 0	\$ 110,043,071	4.12%
Griffin Ranch	46,785,336	0	46,785,336	1.75
Coral Option 1	39,373,853	0	39,373,853	1.48
Mission South	22,183,381	0	22,183,381	0.83
Twin Dev	19,430,866	0	19,430,866	0.73
La Quinta Motorcoach Resort Inc	17,605,439	0	17,605,439	0.66
Deutsch Engineered Connect Devices	0	17,595,342	17,595,342	0.66
Msr Resort Golf Course	17,068,479	0	17,068,479	0.64
FKC Palm Desert Parcel 1	14,420,671	0	14,420,671	0.54
Cocopah Nurseries Inc	13,341,989	0	13,341,989	0.50
Total, Top Ten:	300,253,085	17,595,342	317,848,427	11.91
Total, Top Twenty:	392,347,127	17,952,460	418,765,204	15.69
Total, Top Hundred:	712,394,452	48,750,963	763,763,415	28.62
Totals for the Area:	2,577,367,658	90,844,819	2,668,212,477	100.00%

Source: Urban Analytics

T D Desert Development is a golf course and residential development in La Quinta sub-area of the Project Area consisting of 258 parcels. As of the January 1, 2009 lien date, 70 were assessed as single-family residential properties with improvements, 12 as golf course properties and the remainder as undeveloped residential parcels.

## Projection of Tax Revenues and Estimated Coverage

The tables below show (i) a projection of Tax Revenues over the life of the Bonds and (ii) estimated debt service coverage on the Bonds. The projections assume a 3.66% decrease in assessed valuation in the Project Area for 2010-11, a 1.97% increase in assessed valuation for 2011-12 and a return to 2% growth from 2012-13 forward.

**Table 6**  
**DESERT COMMUNITIES REDEVELOPMENT PROJECT AREA**  
**Projected Tax Revenues**

Fiscal Year	Gross Tax Increment	Housing Tax Revenues	Senior Pass-Through Payments	Other Senior Obligations(1)	Net Tax Increment
2009/10	\$24,690,668	\$(4,938,134)	\$(6,257,979)	\$(370,360)	\$13,124,196
2010/11	23,773,129	(4,754,626)	(6,029,002)	(356,597)	12,632,904
2011/12	24,325,683	(4,865,137)	(6,166,895)	(364,885)	12,928,766
2012/13	24,834,294	(4,966,859)	(6,293,821)	(372,514)	13,201,100
2013/14	25,353,078	(5,070,616)	(6,423,287)	(380,296)	13,478,880
2014/15	25,882,238	(5,176,448)	(6,555,341)	(388,234)	13,762,215
2015/16	26,421,981	(5,284,396)	(6,690,037)	(396,330)	14,051,218
2016/17	26,972,518	(5,394,504)	(6,827,427)	(404,588)	14,346,000
2017/18	27,534,067	(5,506,813)	(6,967,564)	(413,011)	14,646,678
2018/19	28,106,846	(5,621,369)	(7,110,504)	(421,603)	14,953,370
2019/20	28,691,081	(5,738,216)	(7,256,303)	(430,366)	15,266,195
2020/21	29,287,000	(5,857,400)	(7,405,018)	(439,305)	15,585,277
2021/22	29,894,839	(5,978,968)	(7,556,707)	(448,423)	15,910,741
2022/23	30,514,833	(6,102,967)	(7,711,430)	(457,722)	16,242,714
2023/24	31,147,228	(6,229,446)	(7,869,248)	(467,208)	16,581,326
2024/25	31,792,270	(6,358,454)	(8,030,222)	(476,884)	16,926,711
2025/26	32,450,214	(6,490,043)	(8,194,415)	(486,753)	17,279,003
2026/27	33,121,316	(6,624,263)	(8,361,892)	(496,820)	17,638,341
2027/28	33,805,841	(6,761,168)	(8,532,719)	(507,088)	18,004,866
2028/29	34,504,055	(6,900,811)	(8,706,962)	(517,561)	18,378,721
2029/30	35,216,234	(7,043,247)	(8,884,690)	(528,244)	18,760,054
2030/31	35,942,657	(7,188,531)	(9,065,973)	(539,140)	19,149,013
2031/32	36,683,608	(7,336,722)	(9,250,881)	(550,254)	19,545,751
2032/33	37,439,378	(7,487,876)	(9,439,488)	(561,591)	19,950,424
2033/34	38,210,264	(7,642,053)	(9,631,867)	(573,154)	20,363,191
2034/35	38,996,567	(7,799,313)	(9,828,093)	(584,949)	20,784,213
2035/36	39,798,597	(7,959,719)	(10,028,243)	(596,979)	21,213,655
2036/37	40,616,667	(8,123,333)	(10,232,397)	(609,250)	21,651,686

(1) Consists of Riverside County administration fee.  
Source: Urban Analytics

**Table 7**  
**DESERT COMMUNITIES REDEVELOPMENT PROJECT AREA**  
**Projected Debt Service Coverage (1)**

Fiscal Year	Net Tax Increment(2)	Outstanding Parity Bonds Debt Service	Bonds Debt Service*	Total Debt Service*	Projected Coverage*
2009/10	\$13,124,196	\$ 7,584,276	\$ 374,666	\$7,958,942	164.9%
2010/11	12,632,904	7,582,501	2,359,228	9,941,729	127.1
2011/12	12,928,766	7,583,951	2,361,353	9,945,304	130.0
2012/13	13,201,100	7,584,694	2,361,753	9,946,447	132.7
2013/14	13,478,880	7,582,669	2,362,453	9,945,122	135.5
2014/15	13,762,215	7,586,769	2,359,165	9,945,934	138.4
2015/16	14,051,218	7,584,719	2,357,065	9,941,784	141.3
2016/17	14,346,000	7,583,819	2,360,115	9,943,934	144.3
2017/18	14,646,678	7,582,456	2,363,725	9,946,181	147.3
2018/19	14,953,370	7,585,394	2,357,388	9,942,782	150.4
2019/20	15,266,195	7,582,331	2,363,035	9,945,366	153.5
2020/21	15,585,277	7,586,282	2,359,355	9,945,637	156.7
2021/22	15,910,741	7,585,906	2,357,715	9,943,621	160.0
2022/23	16,242,714	7,584,956	2,357,765	9,942,721	163.4
2023/24	16,581,326	7,581,956	2,364,140	9,946,096	166.7
2024/25	16,926,711	7,584,706	2,361,180	9,945,886	170.2
2025/26	17,279,003	7,582,456	2,359,050	9,941,506	173.8
2026/27	17,638,341	7,582,294	2,362,350	9,944,644	177.4
2027/28	18,004,866	7,586,376	2,356,710	9,943,086	181.1
2028/29	18,378,721	7,585,475	2,356,730	9,942,205	184.9
2029/30	18,760,054	7,584,369	2,361,790	9,946,159	188.6
2030/31	19,149,013	7,584,263	2,361,270	9,945,533	192.5
2031/32	19,545,751	7,584,075	2,360,170	9,944,245	196.6
2032/33	19,950,424	7,582,088	2,363,180	9,945,268	200.6
2033/34	20,363,191	7,586,775	2,359,680	9,946,455	204.7
2034/35	20,784,213	7,585,100	2,359,670	9,944,770	209.0
2035/36	21,213,655	7,583,525	2,362,530	9,946,055	213.3
2036/37	21,651,686	7,584,650	2,357,640	9,942,290	217.8

(1) Tax Increment projections are shown on a fiscal year basis; all debt service figures are shown on a Bond Year basis (years ending October 1).

(2) See Table 65.

(3) Includes the 2004 Desert Communities Bonds, the 2005 Desert Communities Bonds, and the 2006A Desert Communities Bonds of the Project Area.

\* Preliminary, subject to change.

Source: Urban Analytics

## **RISK FACTORS**

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

To estimate the revenues available to pay debt service on the Bonds, the Agency has made certain assumptions with regard to the assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates or the percentage of taxes collected are less than the Agency's assumptions, the Tax Revenues available to pay debt service on the Bonds will, in all likelihood, be less than those projected.

### **Reduction in Taxable Value**

Tax Revenues allocated to the Agency are determined by the amount of incremental taxable value in the Project Area allocable to the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property caused by economic factors beyond the Agency's control, such as a relocation out of the Project Area by one or more major property owners, or the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Project Area by a person displaced by eminent domain or similar proceedings, or the discovery of hazardous substances on a property within the Project Area (see "Hazardous Substances," below) or the complete or partial destruction of such property caused by, among other eventualities, an earthquake (see "Seismic Considerations," below), flood or other natural disaster, could cause a reduction in the Tax Revenues securing the Bonds. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. See "APPENDIX A – Report of Fiscal Consultant - Section D - Assessment Appeals".

The County's current policy is to allocate 100% of the Project Area's tax increment revenues to the Agency with no offset for taxpayer delinquencies, taxable value adjustments, refunds due to successful assessment appeals or tax roll correction. However, the County could change this policy in the future and begin making deductions for such delinquencies, adjustments, refunds and corrections from tax increment revenues allocated in the Agency. In that event, substantial delinquencies in the payment of property taxes, substantial property tax refunds, significant reductions in taxable value or significant tax roll corrections due to such causes could impair the timely receipt by the Agency of Tax Revenues.

### **Reduction in Inflationary Rate**

As described in greater detail below (see "LIMITATIONS ON TAX REVENUES"), Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation five times: in

fiscal year 1983-84, 1%; in fiscal year 1995-96, 1.19%; in fiscal year 1996-97, 1.11%; in fiscal year 1999-00, 1.85%; and in fiscal year 2004-05, 1.867%. In addition, the inflationary growth rate will be negative 0.237% for 2010-11. The Agency is unable to predict if any further adjustments to the full cash value base of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

### **Tax Increment Caps**

As noted above under the caption "THE PROJECT AREA – Redevelopment Plan Limitations," the Project Area contains certain sub-areas that are subject to limitations on the amount of tax increment that can be derived from such sub-areas (the "tax increment caps"). The Agency is unable to predict whether one or more of these sub-areas will meet its applicable tax increment cap prior to the final maturity date of the Bonds. Whether or not a tax increment cap is met prior to the final maturity of the Bonds will depend on the growth of assessed value in a sub-area, which, in turn, depends on several factors, including the pace of real estate development within such sub-area, the number and types of sales of properties within such sub-area and the prices at which such properties are sold, and the overall strength of the real estate market within such sub-area. Once a tax increment cap is met, absent an amendment to the Redevelopment Plan increasing the tax increment cap, the Agency will no longer receive any tax increment from such sub-area, and, accordingly, no Tax Revenues will be available from such sub-area after its tax increment cap is met.

The Agency has covenanted in the Indenture that it will annually review, no later than December 1 of each year, the total amount of tax increment revenue remaining available to be received by the Agency under the Plan Limitations, as well as future cumulative Annual Debt Service, payments on obligations of the Agency payable from tax increment revenues that are senior to the Bonds, and payments on obligations that are subordinate to the Bonds. If, based on such review, the allocation of tax increment revenues to the Agency in any of the next three succeeding Fiscal Years will (a) cause an amount equal to ninety-five (95%) of the amount remaining under the Plan Limitations to fall below the sum of (i) remaining cumulative Annual Debt Service, (ii) payments on obligations of the Agency payable from tax increment revenues that are senior to the Bonds, and (iii) payments on obligations that are subordinate to the Bonds or (b) cause the tax increment cap in a sub-area of the Project Area to meet its cap, the Agency shall adopt a plan approved by an Independent Redevelopment Consultant that demonstrates the Agency's continuing ability to pay debt service on the Bonds and Parity Debt. Such plan may include, among other actions, defeasing or redeeming the Bonds or Parity Debt or reducing the amount of tax increment being claimed from one or more sub-areas within the Project Area. In the event that the Agency determines to defease the Bonds or Parity Debt, such defeasance shall be accomplished as provided in the Indenture. Further, in the event the Agency elects to defease or redeem the Bonds or Parity Debt, the Agency shall first notify Moody's and S&P, and such defeasance or redemption shall occur only if the Agency receives confirmation from Moody's and S&P that such defeasance or redemption will not, in and of itself, cause Moody's or S&P to lower the underlying rating then in effect with respect to the Bonds and Parity Debt. The Agency shall provide a copy of such plan to Moody's and S&P. The Trustee shall not be responsible for monitoring the Agency's tax increment caps.

### **Levy and Collection**

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues and, accordingly, could have an adverse impact on the ability of the Agency to make debt service payments on the Bonds. Likewise, delinquencies in the



payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments on the Bonds. The County currently allocates 100% of the Tax Revenues collected on the secured property tax roll to the Agency, regardless of the actual amount of payments made by taxpayers (see "Property Taxes; Teeter Plan", below). The County currently allocates Tax Revenues collected with respect to unsecured property to the Agency based upon the tax increment actually collected.

### **Additional Bonds**

As described in "THE BONDS – Additional Bonds and Subordinate Debt," the Agency may issue or incur obligations payable from Tax Revenues on a parity with its pledge of Tax Revenues to payment of debt service on the Bonds. The existence of and the potential for such obligations increases the risks associated with the Agency's payment of debt service on the Bonds in the event of a decrease in the Agency's collection of Tax Revenues.

### **Concentration of Property Ownership in Sub-Areas**

The Project Area is comprised of multiple sub-areas, each of which have their own plan limitations and base years. There are a total of 9 sub-areas (see "THE PROJECT AREA – General Description"). Additionally, some of the sub-areas may have concentration of property ownership that may be greater than the average for the entire Project Area. Accordingly, a decline in the property values in a sub-area, particularly property representing a high concentration of value in such sub-area, could reduce Tax Revenues derived from such sub-area more quickly than would be the case if the Project Area did not have separate sub-areas and had only one base year. Concentration of ownership presents a risk in that, if one or more of the largest property owners in a sub-area were to default on their taxes or were to successfully appeal the tax assessments on property within a sub-area, a substantial decline in Tax Revenues could occur.

### **Impact of Redevelopment Plan Expirations**

The final maturity date of the Bonds is October 1, 2037—. The final maturity date of the Bonds was established taking into account the final dates to collect tax increment and repay debt in the various constituent areas of the Project Area, as set forth in Table 1 "Summary of Project Area and Constituent Sub-Areas". According to the Fiscal Consultant, approximately \_\_\_% of the tax increment revenues currently being generated by the Project Area is derived from Redevelopment Plans for \_\_\_ constituent areas that will terminate on December 23, 2037, and redevelopment plan for one other constituent area will also terminate prior to the final maturity date of the Bonds. As a result of the termination of the Agency's right to collect tax increment and repay debt in various of the constituent areas, the distribution of land uses and the largest assesses among the constituent areas generating Tax Revenues will change while the Bonds are outstanding. The Agency also expects such distribution may change over time as a result of economic and other factors.

### **Factors Relating to Sub-Prime Loans**

From the end of 2002 through the middle of 2006, many homeowners have financed the purchase of their new homes using loans with little or no downpayment and with adjustable interest rates that are subject to being reset at higher rates on a specified date or on the occurrence of specified conditions. Some homeowners who purchased their homes with "sub-prime loans" have experienced difficulty in making their loan payments due to automatic rate

increases on their adjustable loans and rising interest rates in the market, which could lead to increased foreclosures.

In addition, as a result of increasing defaults on "sub-prime loans" in recent months, credit has become more difficult and more expensive to obtain, not only in the residential market, but also in the commercial, retail and industrial sectors. Unavailability of loans for the purchase and development of real property in the Project Area may adversely impact assessed values and, therefore the availability of Tax Revenues to pay debt service on the Bonds. Moreover, as mortgage loan defaults increase, bankruptcy filings are also likely to increase. Bankruptcy filings by property owners with delinquent property taxes would delay the commencement of and completion of foreclosure proceedings to collect delinquent property taxes.

### **State of California Fiscal Issues; ERAF; SERAF**

Information about the State budget and State spending is regularly available from various State offices or on the applicable websites, including the Department of Finance, the Office of the Legislative Analyst and the State Treasurer. However, none of such information is incorporated by such reference.

In connection with its approval of the State budget for the 1992/93, 1993/94, 1994/95, 2002/03, 2003/04, 2004/05, 2005/06, and 2008/09 Fiscal Years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such Fiscal Years for deposit in the Education Revenue Augmentation Fund ("**ERAF**"). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas.

In 2008, the State Legislature adopted, and the Governor of the State signed, legislation, Chapter 751, Statutes 2008 (AB 1389) ("**AB 1389**"), that among other things require redevelopment agencies to pay into ERAF in Fiscal Year 2008/09, prior to May 10, 2009, an aggregate amount of \$350 million. On April 30, 2009, a California superior court in California Redevelopment Association v. Genest (County of Sacramento) (Case No. 34-2008-00028334) held that the required payment by redevelopment agencies into ERAF in Fiscal Year 2008/09 pursuant to AB 1389 violated the California constitution and invalidated and enjoined the operation of the California Health and Safety Code section requiring such payment. On May 26, 2009, the State did file a notice that it would appeal the decision of the superior court. On September 28, 2009, the State noticed its withdrawal of its appeal of California Redevelopment Association v. Genest.

In connection with various legislation related to the budget for the State for its Fiscal Year 2009/10, in late July 2009, the State legislature adopted, and the Governor of the State signed, Assembly Bill No. 26x4 (the "**2009 SERAF Legislation**").

The 2009 SERAF Legislation mandates that redevelopment agencies in the State make deposits to the Supplemental Educational Revenue Augmentation Fund ("**SERAF**") that is established in each county treasury throughout the State the aggregate amounts of \$1.7 billion for Fiscal Year 2009/10, which are due prior to May 10, 2010, and \$350 million for Fiscal Year 2010/11, which are due prior to May 10, 2011.

As noted below, the Agency timely paid the SERAF payment for Fiscal Year 2009/10 in the amount of \$27.8 million and the Agency has preliminarily estimated that the SERAF Payment will be the amount of \$5.7 million for Fiscal Year 2010/11. Pursuant to the 2009 SERAF Legislation, redevelopment agencies may use any funds that are legally available and not legally obligated for other uses, including reserve funds, proceeds of land sales, proceeds of bonds or other indebtedness, lease revenues, interest and other earned income.

The 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness. Health and Safety Code, § 33690 (a) (3) states: "The obligation of any agency to make the payments required pursuant to this subdivision shall be subordinate to the lien of any pledge of collateral securing, directly or indirectly, the payment of the principal, or interest on any bonds of the agency including, without limitation, bonds secured by a pledge of taxes allocated to the agency pursuant to Section 33670 of the California Health and Safety Code."

The 2009 SERAF Legislation imposes various restrictions on redevelopment agencies that fail to timely make the required SERAF payments, including (i) a prohibition on adding or expanding project areas, (ii) a prohibition on the incurrence of additional debt, (iii) limitations on the encumbrance and expenditure of funds, including funds for operation and administration expenses, and (iv) commencing with the July 1 following the due date of a SERAF annual payment that is not timely made, a requirement that the applicable redevelopment agency allocate an additional five percent (5%) of all taxes that are allocated to the redevelopment agency under the Redevelopment Law for low and moderate income housing for the remainder of the time that the applicable redevelopment agency receives allocations of tax revenues under the Redevelopment Law.

The five percent (5%) additional housing set-aside penalty provision referred to in the 2009 SERAF Legislation (the "Penalty Set-Aside Requirement") would be in addition to the twenty percent (20%) of such tax revenues already required to be used for low and moderate income housing purposes. A redevelopment agency that borrows from amounts required to be allocated to its housing set-aside funds to make required SERAF payments but does not timely repay the funds, will also be subject to the Penalty Set-Aside Requirement. If the Agency borrows funds from its Housing Fund to make the SERAF payment in either year, and does not repay the funds within the specified time frame, it would be subject to the Penalty Set-Aside Requirement. Note that, if a redevelopment agency fails to comply with the foregoing described requirements in both Fiscal Year 2009/10 and in Fiscal Year 2010/11, the redevelopment agency will be subject to the Penalty Set-aside Requirement in both such Fiscal Years for a total of ten percent (10%) additional housing set-aside penalty. The Agency does not expect to have to borrow funds from the Housing Fund to pay either of the SERAF payments.

Although the 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness (which would include a subordination of the Agency's obligations with respect to the new SERAF payments to the Agency's obligation to pay debt service on the Bonds), there is no provision in the 2009 SERAF Legislation subordinating the Penalty Set-Aside Requirement to any indebtedness of a redevelopment agency that fails to timely make the SERAF payments mandated by the SERAF Legislation. The Penalty Set-Aside Requirement would be subordinate to prior Parity Bonds because they were issued prior to the adoption of the 2009 SERAF Legislation. However, a court could find the Penalty Set-Aside Requirement is senior to the obligation to pay debt service on the Bonds.

The California Redevelopment Association, the Union City Redevelopment Agency and the Fountain Valley Redevelopment Agency filed a lawsuit in Sacramento Superior Court on October 20, 2009 challenging the constitutionality of the 2009 SERAF Legislation and seeking to prevent the State from taking redevelopment funds for non-redevelopment purposes. On May 4, 2010, the Superior Court ruled that the 2009 SERAF Legislation is constitutional. The Agency timely paid its SEAF Payment by May 10, 2010. However, the California Redevelopment Association has announced that it will appeal the judgment of the Superior Court. The Agency cannot predict whether or not the Court of Appeal will approve or overturn the judgment of the Superior Court or whether or not the Agency will be able to recover the amount of the SERAF payment for fiscal year 2009-10 in the event the judgment of the Superior Court is overturned. Further, the Agency cannot predict whether or not such judgment will be overturned regarding the SERAF payment for fiscal year 2010-11.

Furthermore, the Agency cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures and the repercussions they may have on the Fiscal Year 2009/10 State Budget and future State budgets. These developments at the State level may, in turn, affect local governments and agencies, including the Agency. The State Legislature may adopt other legislation requiring redevelopment agencies to make other payments to ERAF or SERAF or to make other payments. The impact that current and future State fiscal shortfalls will have on the Agency is unknown at this time. In prior years, the State has experienced budgetary difficulties and balanced its budget by requiring local political subdivisions, such as the County and the Agency, to fund certain costs theretofore borne by the State.

#### **AB 1389 Reporting Requirements**

In addition to the provisions described in the preceding section relating to ERAF, AB 1389 also requires redevelopment agencies, under certain circumstances, to submit reports to the office of the county auditor in the county in which they are located. These reports are required to include calculations of the tax increment revenues that redevelopment agencies have received and payments that redevelopment agencies have made pursuant to Tax Sharing Agreements with taxing entities and Statutory Tax Sharing. County auditors are required to review the reports and, if they concur, issue a finding of concurrence. The State Controller is required to review such reports and submit a report to the Legislative Analyst's office and the Department of Finance identifying redevelopment agencies for which county auditors had not issued a finding of concurrence or which have outstanding passthrough payment liabilities to a local educational agency that exceed the amount of outstanding passthrough over payments to the local educational agency. AB 1389 includes penalties for any redevelopment agency listed on the most recent State Controller's report, including a prohibition on issuing bonds or other obligations until the listed agency is removed from the State Controller's report.

The Agency filed the first required report for the five year period ending June 30, 2008 with the County Auditor-Controller. In January 2009, the Agency received notification from the Riverside County Auditor-Controller to the effect that it concurred with the information contained in the Agency's report. In April 2009, the State Controller's office issued a report which included the Agency on the list of redevelopment agencies with respect to which the County Auditor had concurred with their reports.

The report required by AB 1389 for the Fiscal Year ended June 30, 2009 was due by October 1, 2009. The Agency timely filed its report with the Riverside County Auditor-Controller. The County Auditor-Controller has concurred with the information contained in the Agency's Fiscal Year 2008/09 report. The State Controller has not yet issued its report for the reporting

period ending June 30, 2009. The Agency does not expect to be listed on the report when published.

### **Hazardous Substances**

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

### **Seismic Considerations and Natural Calamities**

As with most of Southern California, the most significant safety hazard in Riverside County is due to seismic hazards. Two major faults, the San Andreas and the San Jacinto, pass through the mid-county region to the east of the Project Area. However, according to the draft Safety Element of the Riverside County General Plan, the Project Area does not contain any mapped faults nor any earthquake fault study zones. In addition, the Project Area has a low level of liquefaction susceptibility, with the exception of the areas closest to the Santa Ana River. Lastly, most of the assessed valuation growth in the Project Area is due to new construction built in accordance with the Uniform Building Code which contains standards designed to minimize structural damage caused by seismic events.

From time to time, the County is subject to other natural calamities which could adversely affect economic activity in the County, and which could have a negative impact on the general economy and the values of properties in the Project Area. There can be no assurance that the occurrence of any natural calamity, such as earthquake, flooding or wildfire, would not cause substantial reduction in the assessed valuations of properties in the Project Area. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues that secure the Bonds.

### **Bankruptcy**

The rights of the Owners of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel as to the enforceability of the obligation to make payments on the Bonds will be qualified as to bankruptcy and such other legal events. See "APPENDIX E – Form of Bond Counsel Opinion".

### **Changes in the Law**

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Housing Tax Revenues, and consequently, have an adverse effect on the Agency's ability to pay debt service on the Bonds.

## **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bond can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price. No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

## **LIMITATIONS ON TAX REVENUES**

### **Property Tax Limitations - Article XIII A**

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. Roll adjustments may be made by the County which would affect the Project Area assessed value, under Section 51 of the Revenue and Taxation Code.

Article XIII A further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in August 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1% limitation. On December 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*).

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amended Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Under Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60. As a result, there may be a minor reduction of property tax revenues because there is substantial

residential use within the Project Area.

### **Challenges to Article XIII A**

There have been many challenges to Article XIII A of the California Constitution. Probably the most significant judicial decision with respect to Article XIII A is the United States Supreme Court holding in *Nordlinger v. Hahn*, a challenge relating to residential property. Based upon the facts presented in *Nordlinger*, the United States Supreme Court held that the method of property tax assessment under Article XIII A did not violate the federal Constitution. The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

### **Property Taxes; Teeter Plan**

In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Current tax payment practices by the County provide for payment to the Agency of Tax Revenues periodically throughout the fiscal year, with the majority of Tax Revenues derived from secured property paid to the Agency in January and May, and the majority of Tax Revenues derived from unsecured property paid to the Agency by late September. Unitary roll Tax Revenues and Tax Revenues from supplemental assessments are paid to the Agency in May. A final reconciliation is made after the close of the fiscal year. The difference between the final reconciliation and Tax Revenues previously allocated to the Agency is allocated in late July.

Property tax laws provide for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase.

General taxes, special taxes, tax increments and assessment installments are collected for all taxing entities and redevelopment agencies by the County. In 1993 the County approved a resolution of intent to begin operating under Section 4701-4717 of the California Revenue and Taxation Code (the "**Teeter Plan**"). Under the Teeter Plan, the County will maintain a County Tax Loss Reserve Fund for the purpose of paying each taxing entity 100% of the amounts of secured taxes levied (including tax increments) ~~and 1915 Act assessments posted on the tax bill~~. The County does not include Mello Roos taxes and 1915 Act assessments on the Teeter Plan. The County has the power to unilaterally discontinue its practice of paying 100% of the tax levy to the Agency notwithstanding delinquencies and certain assessment appeals on a countywide basis with respect to one or more categories, including general taxes, special taxes or special assessment installments. The Teeter Plan may also be discontinued by petition of two-thirds (2/3) of the participant taxing agencies.

## **Tax Collection Fees**

Legislation enacted by the State Legislature authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge. The County administration fee amounts to approximately 2% of the tax increment revenues from the Project Area. The calculations of Tax Revenues take such administrative costs into account.

## **Unitary Taxation of Utility Property**

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

AB 454 (Statutes of 1987, Chapter 921) further modifies Chapter 1457 regarding the distribution of property tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited. For additional information see "APPENDIX A – Report of Fiscal Consultant - Unitary Tax Revenue".

## **Future Initiatives**

Article XIII A, Article XIII B and Proposition 62 were each adopted as measures that qualified for the ballot under California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

## **MISCELLANEOUS**

### **Litigation**

There is no litigation pending or, to the Agency's knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the Bonds, to contest the validity of the Bonds, the Indenture or any proceedings of the Agency with respect thereto. In the opinion of the Agency and its counsel, there are no lawsuits or claims pending against the Agency which will materially affect the Agency's finances so as to impair the ability to pay principal of and interest on the Bonds when due.



## **Ratings**

The Bonds have received the rating of “\_\_\_” and “\_\_\_” by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies (“**S&P**”) and Moody's Investors Service (“**Moody's**”), respectively, on the Bonds.

Such ratings reflect only the views of such organizations and an explanation of the significance of such rating may be obtained from S&P and Moody's.

The rating issued reflects only the view of such rating agency, and any explanation of the significance of such rating should be obtained from such rating agency. There is no assurance that such rating will be retained for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the market price of the Bonds.

## **Tax Matters**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The opinions set forth in the preceding paragraph are subject to the condition that the Agency comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

## **Certain Legal Matters**

The legal opinion of Bond Counsel, approving the validity of the Bonds, in substantially the form attached hereto as Appendix E, will be made available to purchasers at the time of original delivery of the Bonds, and a copy thereof will be printed on each Bond. Bond Counsel will, as Disclosure Counsel, also deliver a disclosure letter to the Agency and the Underwriters regarding the contents of this Official Statement. Certain matters will be passed upon for the Agency by Riverside County Counsel, as Agency Counsel.

## Underwriting

The Bonds will be sold to the Authority for concurrent resale to Stone & Youngberg LLC for itself and on behalf of, Wedbush Securities Inc. and Citigroup Global Markets and \_\_\_\_\_, as Underwriters (the "**Underwriters**") under a bond purchase agreement among the Authority, the Agency and the Underwriters (the "**Purchase Contract**"), pursuant to which the Underwriters will agree to purchase all of the Bonds for an aggregate purchase price of \$\_\_\_\_\_ (being an amount equal to the principal amount of the Bonds (\$\_\_\_\_\_), less an underwriters' discount of \$\_\_\_\_\_) and less a net original issue discount of \$\_\_\_\_\_. The Underwriters are committed to purchase all of the Bonds if any are purchased.

The Bonds are offered for sale at the initial prices stated on the cover page of this Official Statement, which may be changed from time to time by the Underwriters. The Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

## The Authority

The Authority is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated as of March 20, 1990 (the "**Joint Powers Agreement**") by and between the County and the Agency. The Joint Powers Agreement was entered into pursuant to the provisions of the California Government Code. The Authority is a separate entity constituting a public instrumentality of the State of California and was formed for the public purpose of assisting its members in financing and refinancing projects and activities. The Authority is governed by a board of five directors, consisting of the members of the Board of Supervisors of the County.

## Miscellaneous

All summaries of the Indenture, applicable legislation, agreements and other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

REDEVELOPMENT AGENCY FOR THE  
COUNTY OF RIVERSIDE

By: \_\_\_\_\_  
Executive Director

**APPENDIX A**  
**REPORT OF FISCAL CONSULTANT**

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY  
FOR FISCAL YEAR ENDED JUNE 30, 2009**

## **APPENDIX C**

### **COUNTY OF RIVERSIDE GENERAL INFORMATION**

Information contained in this Appendix C is presented as general background data. The Bonds are payable solely from the Housing Tax Revenues and other sources as described herein. The taxing power of the County, the State of California or any political subdivision thereof is not pledged to the payment of the Bonds. See "SECURITY FOR THE BONDS BONDS" herein for a description of the security for the Bonds.

#### **General Description and Background**

Riverside County, which encompasses 7,303 square miles, was organized in 1893 from territory in San Bernardino and San Diego Counties. Located in the southeastern portion of California, Riverside County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the South by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. There are 26 incorporated cities in Riverside County.

Riverside County's varying topology includes desert, valley and mountain areas as well as gently rolling terrain. Three distinct geographical areas characterize Riverside County: the western valley area, the higher elevations of the mountains, and the deserts. The western valley, the San Jacinto mountains and the Cleveland National Forest experience the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions. Riverside County is the site for famous resorts, such as Palm Springs, as well as a leading area for inland water recreation. Nearly 20 lakes in Riverside County are open to the public. The dry summers and moderate to cool winters make it possible to enjoy these and other recreational and cultural facilities on a year-round basis.

#### **Population**

According to the State Department of Finance, Demographic Research Unit, Riverside County's population was estimated at 2,139,535 as of January 1, 2010. The largest cities in Riverside County are the cities of Riverside, Moreno Valley, Corona, Hemet, Indio, Palm Springs, Temecula and Cathedral City. The areas of most rapid population growth continue to be those more populated and industrialized cities in the western and central regions of Riverside County and the southwestern unincorporated region of Riverside County between Sun City and Temecula.

The following table sets forth annual population figures, as of January 1, for cities located within Riverside County for each of the years listed:

**RIVERSIDE COUNTY**  
**Population Estimates**

	1980 <sup>(1)</sup>	1990 <sup>(1)</sup>	2000	2006	2007	2008	2009	2010
Banning	14,020	20,570	23,562	28,240	28,293	28,148	28,551	28,751
Beaumont	6,818	9,685	11,384	23,237	28,271	31,317	32,448	34,217
Blythe	6,805	8,428	20,465	22,232	22,636	21,627	21,346	21,812
Calimesa	--	--	7,139	7,444	7,420	7,423	7,504	7,555
Canyon Lake	--	--	9,952	10,982	10,979	10,994	11,143	11,225
Cathedral City	--	30,085	42,647	51,284	52,151	51,972	52,508	52,841
Coachella	9,129	16,896	22,724	35,346	38,515	40,317	41,043	42,591
Corona	37,791	76,095	124,966	145,235	146,147	146,698	148,770	150,416
Desert Hot Springs	5,941	11,668						
Hemet			16,582	23,454	24,907	25,939	26,584	26,811
Indian Wells	22,454	36,094	58,812	71,315	73,299	73,205	74,931	75,820
Indio	1,394	2,647	3,816	4,885	4,945	5,000	5,099	5,144
Lake Elsinore	21,611	36,793	49,116	71,939	77,208	80,962	82,325	83,675
La Quinta	5,982	18,285	28,930	41,150	47,669	49,556	50,324	50,983
Menifee	--	11,215	23,694	38,494	41,125	42,743	43,830	44,421
Moreno Valley	--	--	--	--	--	--	67,819	68,905
Murrieta	--	118,779	142,379	175,262	180,603	182,945	186,515	188,537
Norco	--	--	44,282	93,296	97,329	182,945	100,835	101,487
Palm Desert	19,732	23,302	24,157	27,350	27,375	99,576	27,189	27,370
Palm Springs	11,081	23,252	41,155	49,735	49,789	27,143	51,570	52,067
Perris	32,359	40,181	42,805	46,621	46,893	50,686	47,653	48,040
Rancho Mirage	6,827	21,460	36,189	47,326	50,701	47,019	54,387	55,133
Riverside	6,281	9,778	13,249	16,737	16,957	53,340	16,938	17,008
San Jacinto	170,591	226,505	255,166	288,933	291,611	16,975	300,769	304,051
Temecula	7,098	16,210	23,779	31,190	34,371	296,191	36,521	36,933
Wildomar	--	27,099	57,716	94,300	98,009	35,491	102,713	105,029
Unincorporated	--	--	--	--	--	--	31,374	31,907
County Total	248,009	385,386	420,721	516,814	537,637	553,461	459,193	466,806
	633,923	1,170,413	1,545,387	1,962,801	2,034,840	2,078,601	2,109,882	2,139,535

(1) From U.S. Census.

Source: State Department of Finance estimates (as of January 1).

**Commerce**

Total taxable sales during the first quarter of calendar year 2009 in the County were reported to be \$5,446,210,000, a 17.6% decrease over the total taxable sales of \$6,608,575,000 reported during the first quarter of calendar year 2008. The valuations of taxable transactions in the County are presented in the following table. Annual figures are not yet available for 2009.

The table below shows the number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the County for the last five years for which data is available.

### RIVERSIDE COUNTY Taxable Retail Sales

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2004	20,642	\$18,715,949	42,826	\$25,237,148
2005	22,691	20,839,212	44,222	28,256,491
2006	23,322	21,842,345	43,672	29,816,237
2007	22,918	21,242,516	45,279	29,023,609
2008	23,604	18,689,249	46,272	26,003,595

Source: State Board of Equalization.

### Employment

The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 15.0% in March 2010, up from a revised 14.8% in February 2010, and above the year-ago estimate of 12.3%. The unemployment rate was 15.1% in Riverside County, and 14.8% in San Bernardino County. The following table presents the annual average distribution of persons in various wage and salary employment categories for Riverside-San Bernardino Primary Metropolitan Statistical Area for calendar years 2005 through 2009.

#### RIVERSIDE-SAN BERNARDINO PRIMARY METROPOLITAN STATISTICAL AREA ANNUAL AVERAGE EMPLOYMENT COMPARISON

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Civilian Labor Force <sup>(1)</sup>	1,713,500	1,758,800	1,782,700	1,783,800	1,778,200
Employment	1,622,300	1,672,100	1,678,900	1,636,900	1,541,600
Unemployment	91,200	86,700	103,800	146,900	236,500
Unemployment Rate	5.3%	4.9%	5.8%	8.2%	13.3%
<u>Wage and Salary Employment: <sup>(2)</sup></u>					
Agriculture	18,300	17,300	16,400	15,900	15,200
Mining and Logging	1,400	1,400	1,300	1,200	1,200
Construction	123,300	127,500	112,500	90,700	67,400
Manufacturing	121,000	123,400	118,500	106,900	88,500
Wholesale Trade	49,900	54,200	56,800	54,100	48,300
Retail Trade	165,700	173,200	175,600	168,600	154,900
Transportation, Warehousing and Utilities	60,200	63,800	69,500	70,200	66,500
Information	14,500	15,300	15,400	14,900	14,800
Finance and Insurance	30,100	31,700	30,700	28,000	27,000
Real Estate and Rental and Leasing	18,900	19,900	19,500	18,700	16,600
Professional and Business Services	133,200	142,300	145,000	137,400	127,300
Educational and Health Services	119,900	122,100	127,000	131,500	132,600
Leisure and Hospitality	122,600	128,100	132,600	131,000	123,000
Other Services	40,800	42,500	41,200	40,800	36,700
Federal Government	18,700	19,300	19,400	19,600	20,100
State Government	27,000	27,400	28,700	29,600	29,700
Local Government	174,800	175,700	177,200	180,700	177,500
Total All Industries	1,240,300	1,285,000	1,287,300	1,239,700	1,147,100

(1) Labor force data is by place of residence;.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department.

The 25 largest employers in the County are shown below.

**RIVERSIDE COUNTY  
LARGEST EMPLOYERS  
(As of January 1, 2010)**

<b><u>Employer Name</u></b>	<b><u>Location</u></b>	<b><u>Industry</u></b>
Abbott Vascular	Temecula	Physicians & Surgeons
Agua Caliente Casino	Rancho Mirage	Casino
Corona Regional Medical Center	Corona	Hospital
Corrections Dept	Norco	State Govt-Correctional Institutions
Crossroads Truck Dismantling	Mira Loma	Automobile Wrecking (Whls)
Eisenhower Medical Ctr	Rancho Mirage	Hospitals
Fantasy Springs Resort Casino	Indio	Casino
Handsome Rewards	Perris	Internet & Catalog Shopping
Hemet Valley Medical Ctr	Hemet	Hospitals
Hub International Of CA Ins	Riverside	Insurance
J W Marriott-Desert Spgs Resrt	Palm Desert	Hotels & Motels
La Quinta Resort & Club	La Quinta	Resorts
Morongo Casino Resort & Spa	Cabazon	Casinos
Mountain & Dunes Golf Courses	La Quinta	Golf Courses-Private
Pechanga Development Corp	Temecula	Casinos
Riverside Community Hospital	Riverside	Hospitals
Riverside County Regional Med	Moreno Valley	Hospitals
Riverside Forklift Training	Riverside	Trucks-Industrial (Whls)
Riverside Medical Center	Riverside	Hospital
Robertson's Ready-Mix	Corona	Concrete-Ready Mixed
Starcrest Of California	Perris	Internet & Catalog Shopping
Starcrest Products-California	Perris	Gift Shops
Sun World Intl LLC	Coachella	Fruits & Vegetables-Growers & Shippers
University Of Cal-Riverside	Riverside	Schools-Universities & Colleges Academic
Watson Pharmaceuticals Inc	Corona	Pharmaceuticals

*Source: California Employment Development Dept., America's Labor Market Information System (ALMIS) Employer Database, 2010 2nd Edition*



## Construction Activity

The following is a five year summary of the valuation of building permits issued in the County.

### RIVERSIDE COUNTY Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Permit Valuation</u>					
New Single-family	\$2,972,203.7	\$4,412,255.1	\$1,263,350	\$1,214,753.0	\$892,790.0
New Multi-family	114,787.0	431,580.9	155,820.1	243,741.9	75,756.1
Res. Alterations/Additions	<u>157,825.3</u>	<u>158,099.4</u>	<u>128,336.1</u>	<u>118,488.7</u>	<u>85,148.0</u>
Total Residential	3,244,816.0	5,001,935.4	1,547,506.7	1,576,983.5	1,053,694.1
 New Commercial	 552,666.9	 442,650.9	 569,354.4	 539,943.4	 94,651.4
New Industrial	120,367.6	372,801.3	350,521.0	70,410.8	12,277.6
New Other	344,703.2	237,689.2	190,362.6	138,765.2	107,332.1
Com. Alterations/Additions	<u>274,337.7</u>	<u>268,738.1</u>	<u>255,984.2</u>	<u>292,693.8</u>	<u>162,557.5</u>
Total Nonresidential	1,292,075.4	1,321,879.5	1,366,222.3	1,041,813.1	376,818.6
 <u>New Dwelling Units</u>					
Single Family	15,305	20,692	6,239	3,815	3,431
Multiple Family	<u>1,379</u>	<u>4,519</u>	<u>1,765</u>	<u>2,104</u>	<u>759</u>
TOTAL	16,684	25,211	8,004	5,919	4,190

Source: Construction Industry Research Board, Building Permit Summary.

## Personal Income

The following table is based on effective buying income, as reported in the annual publication "Survey of Buying Power," published by Sales and Marketing Management. Effective buying income is defined as personal income less personal taxes and non-tax payments. Personal income includes wages and salaries, other labor-related income, proprietor's income, rental income, dividends, personal interest income and transfer payments. Deductions are then made for federal, state and local taxes, non-tax payments (such as fines and penalties) and personal contributions for social insurance. The following items are not included in the definition of effective buying income: (1) employer contributions to private pension funds, supplemental unemployment insurance funds and privately administered workers' compensation programs; (2) imputed personal income, which includes the imputed value of services provided by depository institutions and income earned by life insurance carriers and private noninsured pension funds on the principal amounts contributed by policy holders and pension beneficiaries; and (3) imputed rental income of owner-occupied nonfamily dwellings.

Between 2004 and 2008 the County's median household effective buying power increased approximately 16.2%, while at the same time, the County's increased approximately 16.6%, the State's increased approximately 11.5% and there was growth of approximately 7.6% for the United States. The table below summarizes the total effective buying income and the median household effective buying income for the County, the State and the United States from 2004 through 2008.

**RIVERSIDE COUNTY, CALIFORNIA AND UNITED STATES  
PERSONAL INCOME  
For Calendar Years 2004 Through 2008**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2004	Riverside County	\$ 29,468,208	\$40,275
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	Riverside County	\$ 32,004,438	\$41,326
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	Riverside County	\$ 35,656,620	\$43,490
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	Riverside County	\$ 38,631,365	\$45,310
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	Riverside County	\$ 40,935,408	\$46,958
	California	832,531,445	48,952
	United States	6,443,994,426	42,303

*Source: Sales and Marketing Management, Survey of Buying Power for 2004; Claritas Demographics for 2005 and after.*

### **Riverside County Agriculture**

Agriculture remains a leading source of income in Riverside County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, dates, lemons and avocados. Four areas in Riverside County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of Riverside County, the Coachella Valley in the central portion and the Palo Verde Valley near Riverside County's eastern border.

### **Riverside County Transportation**

Easy access to job opportunities in Riverside County and nearby Los Angeles, Orange and San Diego Counties is important to Riverside County's employment picture. Several major freeways and highways provide access between Riverside County and all parts of Southern California. The Riverside Freeway (State Route 91) extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses the width of Riverside County, the western-most portion of which links up with major cities and freeways in the eastern part of Los Angeles County and the southern part of San Bernardino County. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. The Moreno Valley Freeway (U.S. 60) provides an alternate (to Interstate 10) east-west link to Los Angeles County.

Currently, Metrolink provides commuter rail service to Los Angeles and Orange Counties from several stations in Riverside County. Transcontinental passenger rail service is provided

by Amtrak with a stop in Indio. Freight service to major west coast and national markets is provided by two transcontinental railroads – Burlington Northern/Santa Fe and Union Pacific. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Palm Springs and Indio. The City of Banning also operates a local bus system.

The Riverside County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by the Los Angeles Department of Airports. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Force Base, which converted from an active duty base to a reserve-only base on April 1, 1996. Plans for joint military and civilian use of the base thereafter are presently being formulated by the March AFB Joint Powers Authority, comprised of Riverside County and the Cities of Riverside, Moreno Valley and Perris.

**APPENDIX D**  
**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

**APPENDIX E**  
**FORM OF BOND COUNSEL OPINION**

**APPENDIX F**  
**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## **APPENDIX G**

### **BOOK ENTRY ONLY SYSTEM**

The information in this Appendix E concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the Agency and the Authority takes no responsibility for the completeness or accuracy thereof. The Agency and the Authority cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each issue of the Certificates, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock

Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds, distributions, and dividend payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary



practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificate certificates will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereof.

---

## **INDENTURE OF TRUST**

**Dated as of July 1, 2010**

**by and between the**

**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE**

**and**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
as Trustee**

**Relating to**

**\$ \_\_\_\_\_  
Redevelopment Agency for the County of Riverside  
Interstate 215 Corridor Redevelopment Project Area  
2010 Tax Allocation Bonds, Series E**

---

## TABLE OF CONTENTS

ARTICLE I:	
Definitions; Rules Of Construction:	
SECTION 1.01.	Findings and Determinations ..... 3
SECTION 1.02.	Definitions ..... 3
SECTION 1.03.	Rules of Construction ..... 13
ARTICLE II:	
Authorization and Terms of 2010 Series E Bonds:	
SECTION 2.01.	Authorization and Purpose of 2010 Series E Bonds ..... 14
SECTION 2.02.	Terms of the 2010 Series E Bonds ..... 14
SECTION 2.03.	Redemption of 2010 Series E Bonds ..... 16
SECTION 2.04.	Form of 2010 Series E Bonds ..... 18
SECTION 2.05.	Execution, Authentication and Delivery of 2010 Series E Bonds ..... 18
SECTION 2.06.	Transfer of 2010 Series E Bonds ..... 19
SECTION 2.07.	Exchange of 2010 Series E Bonds ..... 19
SECTION 2.08.	Registration Books ..... 19
SECTION 2.09.	Temporary Bonds ..... 19
SECTION 2.10.	2010 Series E Bonds Mutilated, Lost, Destroyed or Stolen ..... 20
SECTION 2.11.	Book Entry Form ..... 20
ARTICLE III:	
DEPOSIT AND APPLICATION OF PROCEEDS OF 2010 SERIES E BONDS	
ISSUANCE OF PARITY DEBT	
SECTION 3.01.	Issuance of 2010 Series E Bonds ..... 23
SECTION 3.02.	Deposit and Application of Proceeds ..... 23
SECTION 3.03.	Costs of Issuance Fund ..... 23
SECTION 3.04.	Redevelopment Fund ..... 23
SECTION 3.05.	Issuance of Parity Debt ..... 24
SECTION 3.06.	Issuance of Subordinate Debt ..... 25
SECTION 3.07.	Validity of Bonds ..... 25
ARTICLE IV:	
SECURITY OF BONDS; FLOW OF FUNDS INVESTMENTS	
SECTION 4.01.	Pledge of Tax Revenues ..... 26
SECTION 4.02.	Special Fund; Deposit of Tax Revenues ..... 26
SECTION 4.03.	Debt Service Fund; Transfer of Amounts to Trustee ..... 27
ARTICLE V:	
OTHER COVENANTS OF THE AGENCY:	
SECTION 5.01.	Punctual Payment ..... 30
SECTION 5.02.	Continuing Disclosure ..... 30
SECTION 5.03.	Limitation on Additional Indebtedness ..... 30
SECTION 5.04.	Extension of Payment of Bonds ..... 30
SECTION 5.05.	Payment of Claims ..... 30
SECTION 5.06.	Books and Accounts; Financial Statements ..... 31
SECTION 5.07.	Protection of Security and Rights of Owners ..... 31
SECTION 5.08.	Payments of Taxes and Other Charges ..... 31
SECTION 5.09.	Disposition of Property; Annexation ..... 31
SECTION 5.10.	Maintenance of Tax Revenues ..... 32
SECTION 5.11.	Tax Covenants Relating to 2010 Series E Bonds ..... 32
SECTION 5.12.	Plan Limitations; Annual Review of Tax Revenues ..... 33
SECTION 5.13.	Compliance with the Law; Low and Moderate Income Housing Fund ..... 33
SECTION 5.14.	Management and Operations of Properties ..... 33
SECTION 5.14.	Further Assurances ..... 34
ARTICLE VI:	
THE TRUSTEE:	
SECTION 6.01.	Duties, Immunities and Liabilities of Trustee ..... 35
SECTION 6.02.	Merger or Consolidation ..... 36
SECTION 6.03.	Liability of Trustee ..... 37

SECTION 6.04.	Right to Rely on Documents.....	38
SECTION 6.05.	Preservation and Inspection of Documents .....	39
SECTION 6.06.	Compensation and Indemnification.....	39
SECTION 6.07.	Deposit and Investment of Moneys in Funds.....	39
SECTION 6.08.	Accounting Records and Financial Statements .....	40
SECTION 6.09.	Appointment of Co-Trustee or Agent .....	41
SECTION 6.10.	No Liability for Agency Performance.....	41
SECTION 6.10.	Other Transactions with Agency.....	42
ARTICLE VII:		
MODIFICATION OR AMENDMENT OF THIS INDENTURE:		
SECTION 7.01.	Authorized Amendments .....	43
SECTION 7.02.	Effect of Supplemental Indenture.....	43
SECTION 7.03.	Endorsement or Replacement of Bonds After Amendment.....	44
SECTION 7.04.	Amendment by Mutual Consent.....	44
SECTION 7.05.	Trustee's Reliance.....	44
SECTION 7.06.	Opinion of Counsel.....	44
SECTION 7.07.	Effect on Owners.....	44
ARTICLE VIII:		
EVENTS OF DEFAULT AND REMEDIES :		
SECTION 8.01.	Events of Default and Acceleration of Maturities .....	45
SECTION 8.02.	Application of Funds Upon Acceleration .....	46
SECTION 8.03.	Power of Trustee to Control Proceedings .....	47
SECTION 8.04.	Limitation on Owners' Right to Sue .....	47
SECTION 8.05.	Non-waiver .....	47
SECTION 8.06.	Actions by Trustee as Attorney-in-Fact.....	48
SECTION 8.07.	Remedies Not Exclusive .....	48
ARTICLE IX:		
MISCELLANEOUS:		
SECTION 9.01.	Benefits Limited to Parties.....	49
SECTION 9.02.	Successor is Deemed Included in All References to Predecessor.....	49
SECTION 9.03.	Defeasance of Bonds.....	49
SECTION 9.04.	Execution of Documents and Proof of Ownership by Owners.....	50
SECTION 9.05.	Disqualified Bonds.....	50
SECTION 9.06.	Waiver of Personal Liability .....	50
SECTION 9.07.	Destruction of Canceled Bonds.....	50
SECTION 9.08.	Notices.....	51
SECTION 9.09.	Partial Invalidity .....	51
SECTION 9.10.	Unclaimed Moneys.....	51
SECTION 9.11.	Payment on Non-Business Days .....	51
SECTION 9.12.	Execution in Counterparts .....	52
SECTION 9.13.	Governing Law .....	52
EXHIBIT A	FORM OF 2010 SERIES E BOND	
EXHIBIT B	FORM OF REDEVELOPMENT FUND DISBURSEMENT REQUEST	

## INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture") is made and entered into as of July 1, 2010, by and between the REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Agency"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee");

### WITNESSETH:

**WHEREAS**, the Agency is a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law"), including the power to issue bonds for any of its corporate purposes; and

**WHEREAS**, a Redevelopment Plan for the Interstate 215 Corridor Redevelopment Project Area in the County of Riverside, California (the "Redevelopment Project") has been adopted in compliance with all requirements of the Law; and

**WHEREAS**, to finance and refinance redevelopment activities with respect to the Redevelopment Project, the Agency has heretofore borrowed money pursuant to a loan (the "1997 Loan") from the Riverside County Public Financing Authority (the "Authority") pursuant to a Loan Agreement in the original principal amount of \$12,890,000, dated as of September 1, 1997, with respect to Project Area No. 5 (now known as Desert Communities Redevelopment Project Area), and being by and between the Agency, the Authority and U.S. Trust Company of California, as succeeded by The Bank of New York Trust Company, N.A. (the "1997 Loan Agreement"); and

**WHEREAS**, to finance activities with respect to the Redevelopment Project, the Agency has heretofore issued its Redevelopment Agency for the County of Riverside Interstate 215 Corridor Redevelopment Project Area 2004 Tax Allocation Bonds, Series E in the aggregate principal amount of \$20,240,000 (the "2004 Bonds"); and

**WHEREAS**, for the purpose of providing funds to refinance the 1997 Loan Agreement and to finance additional redevelopment activities with respect to the Redevelopment Project, the Agency has heretofore issued its Redevelopment Agency for the County of Riverside Interstate 215 Corridor Redevelopment Project Area 2005 Tax Allocation Bonds, Series E in the aggregate principal amount of \$25,420,000 (the "2005 Bonds"); and

**WHEREAS**, for the purpose of providing funds to finance additional redevelopment activities with respect to the Redevelopment Project, the Agency has heretofore issued its Redevelopment Agency for the County of Riverside Interstate 215 Corridor Redevelopment Project Area 2006 Tax Allocation Bonds, Series E in the aggregate principal amount of \$29,255,000 (the "2006 Bonds"); and

**WHEREAS**, for the purpose of providing funds to finance additional redevelopment activities with respect to the Redevelopment Project, the Agency has determine to authorize the issuance of its Redevelopment Agency for the County of Riverside Interstate 215 Corridor Redevelopment Project Area 2010 Tax Allocation Bonds, Series E, in the aggregate principal amount of \$\_\_\_\_\_ (the "2010 Series E Bonds"); and

**WHEREAS**, debt service on the 2010 Series E Bonds will be payable on a parity basis with the payment of debt service on the 2004 Bonds, the 2005 Bonds and the 2006 Bonds; and

**WHEREAS**, in order to provide for the authentication and delivery of the 2010 Series E Bonds, to establish and declare the terms and conditions upon which the 2010 Series E Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and redemption premium (if any) thereon, the Agency and the Trustee have duly authorized the execution and delivery of this Indenture; and

**WHEREAS**, the Agency has determined that all acts and proceedings required by law necessary to make the 2010 Series E Bonds, when executed by the Agency, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Agency, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken;

**NOW, THEREFORE**, in order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Agency and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

## ARTICLE I

### Definitions; Rules Of Construction

**SECTION 1.01. Findings and Determinations.** The Agency has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the 2010 Series E Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Agency is now duly empowered, pursuant to each and every requirement of law, to issue the 2010 Series E Bonds in the manner and form provided in this Indenture.

**SECTION 1.02. Definitions.** Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture, of any Supplemental Indenture, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

**"Additional Revenues"** means, as the date of calculation, the amount of Tax Revenues which, as shown in a report of an Independent Redevelopment Consultant, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made as a result of increases in the assessed valuation of taxable property in the Project Area due to either (a) construction which has been completed and for which a certificate of occupancy has been issued by the County or other appropriate governmental entity but which is not then reflected on the tax rolls, or (b) transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls. For purposes of this definition, the term "increases in the assessed valuation" means the amount by which the assessed valuation of taxable property in the Project Area is estimated to increase above the assessed valuation of taxable property in the Project Area (as evidenced in the written records of the County) as of the date on which such calculation is made.

**"Agency"** means the Redevelopment Agency for the County of Riverside (also known as the Redevelopment Agency of the County of Riverside), a public body corporate and politic duly organized and existing under the Law.

**"Agreement"** means that certain Joint Exercise of Powers Agreement, dated as of March 20, 1990, by and between the County and the Agency, together with any amendments thereof and supplements thereto.

**"Annual Debt Service"** means, for each Bond Year, the sum of (a) the interest payable on the Bonds (including any Parity Debt) in such Bond Year, and (b) the principal amount of the Outstanding Bonds (including any Parity Debt) scheduled to be paid in such Bond Year upon the maturity or mandatory sinking account redemption thereof. For purposes of such calculation, variable rate Parity Debt shall be deemed to bear interest at the maximum rate permitted by the Parity Debt Instrument pursuant to which such Parity Debt is issued. For purposes of such calculation, there shall be excluded debt service payments with respect to the Bonds or any Parity Debt (i) to the extent that amounts due with respect to the Bonds or such Parity Debt are prepaid or otherwise discharged in accordance with this Indenture or the relevant Parity Debt Instrument or (ii) to the extent the proceeds thereof are then deposited in an escrow fund in which amounts are invested in Permitted Investments and from which moneys may not be released to the Agency unless the amount of Tax Revenues for the current Fiscal Year (as

evidenced in the written records of the County) plus Additional Revenues at least meets the requirements of Section 3.05(b).

**"Authority"** means the Riverside County Public Financing Authority, a joint powers authority duly organized and existing under the Agreement and the laws of the State.

**"Bond Counsel"** means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

**"Bond Year"** means any twelve-month period beginning on October 2 in any year and extending to the next succeeding October 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on October 1, 2010.

**"Bonds"** means, collectively, the 2010 Series E Bonds and, if the context requires, the 2004 Bonds, the 2005 Bonds, the 2006 Bonds and any additional Parity Debt.

**"Business Day"** means a day of the year (other than a Saturday or Sunday) on which banks in the State or the State of New York are not required or permitted to be closed, and on which the New York Stock Exchange is open.

**"Certificate of the Agency"** means a certificate in writing signed by the Executive Director, any Deputy Executive Director or the Fiscal Manager of the Agency, or any other officer of the Agency duly authorized by the Agency for that purpose.

**"Closing Date"** means the date on which the 2010 Series E Bonds are delivered by the Agency to the Original Purchaser.

**"Code"** means the Internal Revenue Code of 1986 as in effect on the date of issuance of the 2010 Series C Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the 2010 Series C Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

**"Continuing Disclosure Certificate"** means that certain Continuing Disclosure Certificate, if any, executed by the Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

**"Costs of Issuance"** means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the 2010 Series C Bonds, including but not limited to printing expenses, bond insurance premiums, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the 2010 Series C Bonds and any other cost, charge or fee in connection with the original issuance of the 2010 Series C Bonds.

**"Costs of Issuance Fund"** means the fund by that name established and held by the Trustee pursuant to Section 3.03 hereof.



**"County"** means the County of Riverside, a county duly organized and existing under the Constitution and laws of the State.

**"Debt Service Fund"** means the fund by that name established and held by the Trustee pursuant to Section 4.03.

**"Defeasance Obligations"** means:

- (a) cash;
- (b) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series);
- (c) Direct obligations of the Treasury that have been stripped by the Treasury itself, CATS, TIGRS and similar securities;
- (d) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;
- (e) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P, provided that, if the issue is rated only by S&P (i.e., there is no Moody's rating), then the pre-refunded municipal bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals; and
- (f) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Rural Economic Community Development Administration (formerly the Farmers Home Administration); (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed Title XI financings of the U.S. Maritime Administration; (vii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

**"Depository"** means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.04.

**"Depository System Participant"** means any participant in the Depository's book-entry system.

**"Development Agreements"** (i) the Agreement dated as of November 1, 1990 (and executed as of October 30, 1990) between the Agency and Community Facilities District No. 87-1 of the County of Riverside and (ii) the Agreement dated as of May 1, 1990 between the Agency and Community Facilities District No. 88-8 of the County of Riverside ("CFD No. 88-8"), as amended by the First Amendment to Agreement dated August 22, 1995 between the Agency and CFD No. 88-8.

**"DTC"** means The Depository Trust Company, New York, New York, and its successors and assigns.

**"Event of Default"** means any of the events described in Section 8.01.

**"Fair Market Value"** means, with respect to any investment, the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Agency and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Agency in any written directions of the Agency.

**"Federal Securities"** means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are unconditionally guaranteed by the United States of America.

**"Fiscal Year"** means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the Agency as its official fiscal year period pursuant to a Certificate of the Agency filed with the Trustee.

**"Indenture"** means this Indenture of Trust by and between the Agency and the Trustee, as amended or supplemented from time to time pursuant to any Supplemental Indenture entered into pursuant to the provisions hereof .

**"Independent Accountant"** means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by or acceptable to the Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency; and (c) 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.

**"Independent Fiscal Consultant"** means any consultant or firm of such consultants appointed by or acceptable to the Agency and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the financing of redevelopment projects; (b) is in fact independent and not under domination of the Agency; and (c) 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.

**"Independent Redevelopment Consultant"** means any consultant or firm of such consultants appointed by the Agency, and who, or each of whom:

(a) 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;

(b) is in fact independent and not under the domination of the Agency;

(c) does not have any substantial interest, direct or indirect, with the Agency, other than as original purchaser of the Bonds or any Parity Debt; and

(d) 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.

**"Information Services"** means, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to the redemption of bonds as the Agency may designate in a Request of the Agency filed with the Trustee.

**"Interest Account"** means the account by that name established and held by the Trustee pursuant to Section 4.03(a).

**"Interest Payment Date"** means each April 1 and October 1, commencing October 1, 2010 for so long as any of the Bonds remain unpaid.

**"Low and Moderate Income Housing Fund"** means the fund of the Agency by that name established pursuant to Section 33334.3 of the Redevelopment Law.

**"Maximum Annual Debt Service"** means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year payable on the Bonds or any Parity Debt in such Bond Year. For purposes of such calculation, variable rate Parity Debt shall be deemed to bear interest at the maximum rate permitted by the Parity Debt Instrument pursuant to which such Parity Debt is issued. For purposes of such calculation, there shall be excluded debt service payments with respect to the Bonds or any Parity Debt (i) to the extent that amounts due with respect to the Bonds or such Parity Debt are prepaid or otherwise discharged in accordance with this Indenture or the relevant Parity Debt Instrument or (ii) to the extent the proceeds thereof are then deposited in an escrow fund in which amounts are invested in Permitted Investments and from which moneys may not be released to the Agency unless the amount of Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County) plus Additional Revenues at least meets the requirements of Section 3.05(b).

**"Moody's"** means Moody's Investors Service, Inc., its successors and assigns.

**"Nominee"** means (a) initially, Cede & Co., as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to Section 2.11(a).

**"Office"** means, with respect to the Trustee, the corporate trust office of the Trustee at 700 S. Flower Street, Suite 500, Los Angeles, California 90017, or at such other or additional offices as may be specified by the Trustee in writing to the Agency, provided that for the purposes of maintenance of the Registration Books and presentation of Bonds for transfer,

exchange or payment such term shall mean the office of the Trustee at which it conducts its corporate agency business.

**"Original Purchaser"** means, collectively, \_\_\_\_\_ and \_\_\_\_\_, as the original purchaser of the 2010 Series C Bonds.

**"Outstanding"**, when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.05) all Bonds except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant hereto.

**"Owner"** means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

**"Parity Debt"** means the 2004 Bonds, the 2005 Bonds, the 2006 Bonds and any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency on a parity with the 2010 Series E Bonds, the 2004 Bonds, the 2005 Bonds and the 2006 Bonds pursuant to Section 3.05.

**"Parity Debt Instrument"** means the 2004 Indenture, the 2005 Indenture, the 2006 Indenture and any resolution, indenture of trust, trust agreement or other instrument authorizing the issuance of any Parity Debt and which otherwise complies with all of the terms and conditions of this Indenture, including, without limitation, the provisions of Section 3.05.

**"Permitted Investments"** means [any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any investment direction from the Agency as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State and constitute Permitted Investments), but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) certificates of beneficial ownership of the Farmers Home Administration; (ii) Federal Housing Administration debentures; (iii) participation certificates of the General Services Administration; (iv) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (v) guaranteed Title XI financings of the U.S. Maritime Administration; and (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the Agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii)

participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Fannie Mae; (iv) obligations of the Resolution Funding Corporation; and (v) consolidated system-wide bonds and notes of the Farm Credit System.

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, and a rating by Moody's of Aaa, Aa1 or Aa2 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).

(e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.

(g) Investment and repurchase agreements with (or guaranteed by) financial institutions rated "Aa3" by Moody's and "AA-" by S&P.

(h) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the three highest (four highest in the case of investments in the Redevelopment Fund) rating categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P.

(k) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(l) the County's investment pool.

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

**"Principal Account"** means the account by that name established and held by the Trustee pursuant to Section 4.03(b).

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

**"Qualified Reserve Account 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 4.03(d), provided that all of the following requirements are met by the Agency at the time of delivery thereof to the Trustee: (a) the long-term credit rating of such bank or insurance company is in one of the highest rating categories by S&P and Moody's, and, if rated by A.M. Best & Company, the claims paying ability of such insurance company is rated in the highest rating category by A.M. Best & Company; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) 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 4.03(d); (d) 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 in the Interest Account, the Principal Account or the Sinking Account for the purpose of making payments required pursuant to Section 4.03; and (e) prior written notice is given to the Indenture before the effective date of any such Qualified Reserve Account Credit Instrument.

**"Record Date"** means, with respect to any Interest Payment Date, the close of business on the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such fifteenth (15th) calendar day is a Business Day.

**"Redemption Account"** means the account by that name established and held by the Trustee pursuant to Section 4.03(e).

**"Redevelopment Fund"** means the fund by that name established and held by the Trustee pursuant to Section 3.04.

**"Redevelopment Law"** means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the Health and Safety Code of the State, and the acts amendatory thereof and supplemental thereto.

**"Redevelopment Plan"** means the Redevelopment Plan for the Interstate 215 Corridor Redevelopment Project Area approved by Ordinance No. 639 of the Board adopted December 23, 1986, as heretofore amended, together with any further amendments thereof at any time duly authorized pursuant to the Redevelopment Law.

**"Redevelopment Project"** means the undertaking of the Agency to redevelop the Project Area in accordance with the Redevelopment Plan.

**"Registration Books"** means the records maintained by the Trustee pursuant to Section 2.08 for the registration and transfer of ownership of the 2010 Series E Bonds.

**"Request of the Agency"** means a request in writing signed by the Executive Director, any Deputy Executive Director or the Fiscal Manager of the Agency, or any other officer of the Agency duly authorized by the Agency for that purpose.

**"Reserve Account"** means the account by that name established and held by the Trustee pursuant to Section 4.03(d) of the 2004 Indenture.

**"Reserve Requirement"** means, with respect to the 2010 Series E Bonds or any Parity Debt (including the 2004 Bonds, 2005 Bonds and the 2006 Bonds), as of any calculation date, the least of (i) ten percent (10%) of the original principal amount of the 2010 Series E Bonds or Parity Debt, as applicable, provided that if the original issue discount of the 2010 Series E Bonds or Parity Debt exceeds 2% of such original principal amount, then initially ten percent (10%) of the original principal amount of, less original issue discount on, the 2010 Series E Bonds or Parity Debt, but excluding from such calculation any proceeds of Parity Debt deposited in an escrow described in the definitions of Annual Debt Service and Maximum Annual Debt Service, (ii) Maximum Annual Debt Service with respect to the 2010 Series E Bonds or Parity Debt, as applicable, or (iii) 125% of average Annual Debt Service on the 2010 Series E Bonds or Parity Debt, as applicable; provided further that the Agency may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of Section 4.03(d) hereof. For purposes of calculating Maximum Annual Debt Service with respect to determining the Reserve Requirement, variable rate Parity Debt shall be deemed to bear interest at the maximum rate permitted by the Parity Debt Instrument. The calculation of the Reserve Requirement may, at the option of the Agency, be made with respect to the 2010 Series E Bonds and all Parity Debt, including the 2004 Bonds, the 2005 Bonds and the 2006 Bonds, on a combined basis, as provided in Section 4.03(d), provided that the Trustee shall establish separate subaccounts for the proceeds of the 2010 Series E Bonds, the 2004 Bonds, the 2005 Bonds and the 2006 Bonds to enable the Trustee to track the investment of the proceeds of the 2010 Series E Bonds, the 2004 Bonds, the 2005 Bonds and the 2006 Bonds.

In the event proceeds of the Bonds or Parity Debt are deposited in an escrow described in the definitions of Annual Debt Service and Maximum Annual Debt Service, each such time that moneys are released from such escrow, other than to prepay a portion of the Bonds or Parity Debt, an amount of such released moneys shall be deposited in the applicable Reserve Account as is necessary to ensure that the amount on deposit therein at least equals the Reserve Requirement for the Bonds or Parity Debt after such release.

**"S&P"** means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., its successors and assigns.

**"Securities Depositories"** means The Depository Trust Company and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Agency may designate in a Request of the Agency delivered to the Trustee.

**"Sinking Account"** means the account by that name established and held by the Trustee pursuant to Section 4.03(c).

**"Special Fund"** means the fund by that name established and held by the Agency pursuant to Section 4.02 of this Indenture.

**"State"** means the State of California.

**"Subordinate Debt"** means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency in accordance with the requirements of Section 3.06, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) 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 Bonds.

**"Supplemental Indenture"** means any indenture, agreement or other instrument which amends, supplements or modifies this Indenture and which has been duly entered into by and between the Agency and the Trustee; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

**"Tax Code"** means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

**"Tax Revenues"** means all taxes annually allocated within the Plan Limitations and paid to the Agency with respect to the Project Area following the Closing Date, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Agency with respect to personal property within the Project Area pursuant to Section 16110 *et seq.* as of the California Government Code); and including that portion of such taxes (if any) otherwise required by Section 33334.2 of the Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the Bonds and any Parity Debt (including applicable reserves and financing costs) used to finance or refinance the increasing or improving of the supply of low and moderate income housing within or of benefit to the Project Area, but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund and excluding investment earnings. Tax Revenues shall not include amounts payable by the Agency under agreements entered into pursuant to Section 33401 of the Law, amounts payable by the Agency pursuant to Sections 33607.5 and 33607.7 of the Law (except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds, including any Parity Debt) and amounts required to be paid by the Agency pursuant to the Development Agreements.

**"Term Bonds"** means, collectively, (a) the 2010 Series E Bonds maturing on October 1, 20\_\_, October 1, 20\_\_ and October 1, 20\_\_, and (b) any maturity of Parity Debt which is subject to mandatory Sinking Account redemption pursuant to the Supplemental Indenture authorizing the issuance thereof.

**"Trustee"** means The Bank of New York Trust Company, N.A., as trustee hereunder, or any successor thereto appointed as Trustee hereunder in accordance with the provisions of Article VI.

**"2004 Bonds"** means the Agency's \$20,240,000 aggregate principal amount of Interstate 215 Corridor Redevelopment Project Area 2004 Tax Allocation Bonds, Series E.

**"2004 Indenture"** means the Indenture of Trust dated as of December 1, 2004, between the Agency and The Bank of New York Trust Company, N.A., as trustee.

**"2005 Bonds"** means the Agency's \$25,420,000 aggregate principal amount of Interstate 215 Corridor Redevelopment Project Area 2005 Tax Allocation Bonds, Series E.

**"2005 Indenture"** means the Indenture of Trust dated as of September 1, 2005, between the Agency and The Bank of New York Trust Company, N.A., as trustee.



**"2006 Bonds"** means the Agency's \$29,255,000 aggregate principal amount of Interstate 215 Corridor Redevelopment Project Area 2006 Tax Allocation Bonds, Series E.

**"2006 Indenture"** means the Indenture of Trust dated as of October 1, 2006, between the Agency and The Bank of New York Trust Company, N.A., as trustee.

**"2010 Series E Bonds"** means the Redevelopment Agency for the County of Riverside Interstate 215 Corridor Redevelopment Project Area 2006 Tax Allocation Bonds, Series E issued by the Agency in the aggregate principal amount of \$\_\_\_\_\_ pursuant to Section 2.01.

**"2010 Series E Subaccount of the Reserve Account"** means the subaccount by that name established and held by the Trustee pursuant to Section 4.03(d) hereof.

**SECTION 1.03. Rules of Construction.** All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

### Authorization and Terms of 2010 Series E Bonds

**SECTION 2.01. Authorization and Purpose of 2010 Series E Bonds.** The 2010 Series E Bonds in the aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) are hereby authorized to be issued by the Agency under the Redevelopment Law for the purpose of providing funds to finance and refinance redevelopment activities with respect to the Redevelopment Project. The 2010 Series E Bonds shall be authorized and issued under, and shall be subject to the terms of, this Indenture and the Redevelopment Law. The 2010 Series E Bonds shall be designated the "Redevelopment Agency for the County of Riverside Interstate 215 Corridor Redevelopment Project Area 2010 Tax Allocation Bonds, Series E".

**SECTION 2.02. Terms of the 2010 Series E Bonds.** The 2010 Series E Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no 2010 Series E Bond shall have more than one maturity date. The 2010 Series E Bonds shall be dated the Closing date, shall mature on October 1 in each of the years and in the amounts, and shall bear interest (calculated on the basis of a 360 day year comprised of twelve 30-day months) at the rates, as follows:

## 2010 Series E Bonds

Maturity Date <u>(October 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>
-------------------------------------	----------------------------	-------------------------

Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books as of the preceding Record Date; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any Owner of Bonds in the aggregate amount of \$1,000,000 or more who shall furnish written instructions to the Trustee before the applicable Record Date. Any such written instructions shall remain in effect until rescinded in writing by the Owner. Principal of and premium (if any) on any Bond shall be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Office of the Trustee and shall be payable in lawful money of the United States of America.

Each Bond shall be dated as of the Closing Date and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before September 15, 2010, in which event it shall bear interest from the Closing Date; *provided, however,* that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

### SECTION 2.03. Redemption of 2010 Series E Bonds.

(a) Optional Redemption. The 2010 Series E Bonds maturing on or before October 1, 2020, are not subject to optional redemption prior to maturity. The 2010 Series E Bonds maturing on and after October 1, 2021, are subject to redemption, at the option of the Agency on any date on or after October 1, 2020, as a whole or in part, by such maturities as shall be determined by the Authority, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the 2010 Series E Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Agency shall be required to give the Trustee written notice of its intention to redeem 2010 Series E Bonds under this Section 2.03(a) at least 45 days prior to the date to be fixed for redemption or such later date as shall be permitted by the Trustee and the Agency shall deposit or cause to be deposited all amounts required for any redemption pursuant to this Section 2.03(a) at least one Business Day prior to the date fixed for such redemption.

(b) Mandatory Sinking Account Redemption of 2010 Series E Bonds. The 2010 Series E Bonds maturing on October 1, 20\_\_, October 1, 20\_\_ and October 1, 20\_\_, shall also be subject to redemption in whole, or in part by lot, on October 1 in each of the years as set forth in the following tables, from Sinking Account payments made by the Agency pursuant to Section 4.03(c), at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased pursuant to the succeeding paragraph of this subsection (b), in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; *provided, however,* that if some but not all of such 2010 Series E Bonds have been redeemed pursuant to subsection (a) above, the total amount of all future Sinking Account payments pursuant to this subsection (b) with respect to such 2010 Series E Bonds shall be reduced by the aggregate principal amount of such 2010 Series E Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (written notice of which determination shall be given by the Agency to the Trustee).

2006 Series E Term Bonds Maturing October 1, 20\_\_

Sinking Account  
Redemption Date  
(October 1)

Principal Amount  
To Be Redeemed

20\_\_ (maturity)

2006 Series E Term Bonds Maturing October 1, 20\_\_

Sinking Account  
Redemption Date  
(October 1)

Principal Amount  
To Be Redeemed

20\_\_ (maturity)

2006 Series E Term Bonds Maturing October 1, 20\_\_

Sinking Account  
Redemption Date  
(October 1)

Principal Amount  
To Be Redeemed

20\_\_ (maturity)

In lieu of redemption of the 2010 Series E Bonds pursuant to the preceding paragraph, amounts on deposit in the Special Fund (to the extent not required to be transferred by the Trustee pursuant to Section 4.03 during the current Bond Year) may also be used and withdrawn at the direction of the Agency at any time for the purchase of such 2010 Series E Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any of such 2010 Series E Bonds so purchased by the Agency in any twelve-month period ending on August 1 in any year shall be credited towards and shall reduce the par amount of such 2010 Series E Bonds required to be redeemed pursuant to this subsection (b) on the next succeeding October 1.

(c) Notice of Redemption, Rescission. The Trustee on behalf and at the expense of the Agency shall mail (by first class mail, postage prepaid) notice of any redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, to (i) the Owners of any 2010 Series E Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services designated in a Request of the Agency delivered to the Trustee (by any means acceptable to such depositories and services in substitution of first class mail); *provided, however,* that such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such 2010 Series E Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall, if applicable, designate the CUSIP number of the 2010 Series E Bonds to be redeemed, shall state the individual number of each 2010 Series E Bond to be redeemed or state that all 2010 Series E Bonds between two stated numbers (both inclusive) or shall state that all of the 2010 Series E Bonds Outstanding of one or more maturities are to be redeemed, and shall require that such 2010 Series E Bonds be then surrendered at the Office of the Trustee for redemption at the said redemption price, giving notice also that further interest on the 2010 Series E Bonds to be redeemed will not accrue from and after the date fixed for redemption.

The Agency shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption

shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2010 Series E Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Upon the payment of the redemption price of 2010 Series E Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the 2010 Series E Bonds being redeemed with the proceeds of such check or other transfer.

(d) Partial Redemption of 2010 Series E Bonds. In the event only a portion of any 2010 Series E Bond is called for redemption, then upon surrender thereof the Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new 2010 Series E Bond or Bonds of the same interest rate and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2010 Series E Bond to be redeemed.

(e) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the 2010 Series E Bonds so called for redemption shall have been duly deposited with the Trustee, such 2010 Series E Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

(f) Manner of Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the 2010 Series E Bonds of a maturity, the Trustee shall select the 2010 Series E Bonds of such maturity to be redeemed by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all 2010 Series E Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate 2010 Series E Bonds which may be separately redeemed.

**SECTION 2.04. Form of 2010 Series E Bonds.** The 2010 Series E Bonds the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

**SECTION 2.05. Execution, Authentication and Delivery of 2010 Series E Bonds.** The 2010 Series E Bonds shall be executed on behalf of the Agency by the signature of its Chairman, Executive Director, Deputy Executive Director or Finance Manager and the signature of its Secretary who are in office on the date of execution and delivery of this Indenture or at any time thereafter. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any 2010 Series E Bond ceases to be such officer before the Closing Date, such signature shall nevertheless be as effective as if the officer had remained in office until the Closing Date. Any 2010 Series E Bond may be signed and attested on behalf of the Agency by such persons as at the actual date of the execution of such 2010 Series E Bond shall be the proper officers of the Agency, duly

authorized to execute debt instruments on behalf of the Agency, although on the date of such 2010 Series E Bond any such person shall not have been such officer of the Agency.

Only such of the 2010 Series E Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit A, manually executed and dated by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that such 2010 Series E Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture. In the event temporary 2010 Series E Bonds are issued pursuant to Section 2.09 hereof, the temporary 2010 Series E Bonds may bear thereon a Certificate of Authentication executed and dated by the Trustee, may be initially registered by the Trustee, and, until so exchanged as provided under Section 2.09 hereof, the temporary 2010 Series E Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive 2010 Series E Bonds authenticated and delivered hereunder.

**SECTION 2.06. Transfer of 2010 Series E Bonds.** Any 2010 Series E Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2010 Series E Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Transfer of any 2010 Series E Bond shall not be permitted by the Trustee during the fifteen (15) day period preceding the selection of 2010 Series E Bonds for redemption or if such 2010 Series E Bond has been selected for redemption pursuant to Article IV. Whenever any 2010 Series E Bonds or 2010 Series E Bonds shall be surrendered for transfer, the Board shall execute and the Trustee shall authenticate and shall deliver a new 2010 Series E Bond or 2010 Series E Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the 2010 Series E Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing 2010 Series E Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Agency.

**SECTION 2.07. Exchange of 2010 Series E Bonds.** Any 2010 Series E Bond may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2010 Series E Bonds of other authorized denominations and of like maturity. Exchange of any 2010 Series E Bond shall not be permitted during the fifteen (15) day period preceding the selection of 2010 Series E Bonds for redemption or if such 2010 Series E Bond has been selected for redemption pursuant to Article IV. The Trustee may require the 2010 Series E Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing 2010 Series E Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Agency.

**SECTION 2.08. Registration Books.** The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the 2010 Series E Bonds, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the Agency; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, 2010 Series E Bonds as hereinbefore provided.

**SECTION 2.09. Temporary Bonds.** The 2010 Series E Bonds may be initially issued in temporary form exchangeable for definitive 2010 Series E Bonds when ready for delivery. The temporary 2010 Series E Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Agency, and may contain such reference to any of

the provisions of this Indenture as may be appropriate. Every temporary 2010 Series E Bond shall be executed by the Agency upon the same conditions and in substantially the same manner as the definitive 2010 Series E Bonds. If the Agency issues temporary 2010 Series E Bonds it will execute and furnish definitive 2010 Series E Bonds without delay, and thereupon the temporary 2010 Series E Bonds shall be surrendered, for cancellation, in exchange therefor at the Office of the Trustee, and the Trustee shall deliver in exchange for such temporary 2010 Series E Bonds an equal aggregate principal amount of definitive 2010 Series E Bonds of authorized denominations. Until so exchanged, the temporary 2010 Series E Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive 2010 Series E Bonds authenticated and delivered hereunder.

**SECTION 2.10. 2010 Series E Bonds Mutilated, Lost, Destroyed or Stolen.** If any 2010 Series E Bond shall become mutilated, the Agency, at the expense of the Owner of such 2010 Series E Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2010 Series E Bond of like tenor in exchange and substitution for the 2010 Series E Bond so mutilated, but only upon surrender to the Trustee of the 2010 Series E Bond so mutilated. Every mutilated 2010 Series E Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Agency. If any 2010 Series E Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory and indemnity satisfactory to the Trustee shall be given, the Agency, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2010 Series E Bond of like tenor in lieu of and in substitution for the 2010 Series E Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new 2010 Series E Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any 2010 Series E Bond issued under the provisions of this Section in lieu of any 2010 Series E Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Agency whether or not the 2010 Series E Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other 2010 Series E Bonds issued pursuant to this Indenture.

Notwithstanding any other provision of this Section 2.10, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

**SECTION 2.11. Book Entry Form.** (a) Original Delivery to DTC. The 2010 Series E Bonds shall be initially delivered to DTC in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the 2010 Series E Bonds. Upon initial delivery, the ownership of each such 2010 Series E Bond shall be registered on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding 2010 Series E Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to 2010 Series E Bonds the ownership of which shall be registered in the name of the Nominee, the Agency and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Agency holds an interest in the 2010 Series E Bonds. Without limiting the generality of the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the 2010 Series E Bonds, (ii) the delivery to



any Depository System Participant or any other person, other than a 2010 Series E Bond Owner as shown in the Registration Books, of any notice with respect to the 2010 Series E Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the 2010 Series E Bonds to be redeemed in the event the Agency elects to redeem the 2010 Series E Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a 2010 Series E Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the 2010 Series E Bonds or (v) any consent given or other action taken by the Depository as Owner of the 2010 Series E Bonds. The Agency and the Trustee may treat and consider the person in whose name each 2010 Series E Bond is registered as the absolute owner of such 2010 Series E Bond for the purpose of payment of principal of and premium, if any, and interest on such 2010 Series E Bond, for the purpose of giving notices of redemption and other matters with respect to such 2010 Series E Bond, for the purpose of registering transfers of ownership of such 2010 Series E Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the 2010 Series E Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the 2010 Series E Bonds to the extent of the sum or sums so paid. No person other than a 2010 Series E Bond Owner shall receive a 2010 Series E Bond evidencing the obligation of the Agency to make payments of principal, interest and premium, if any, pursuant to this Indenture. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Agency shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the 2010 Series E Bonds for the Depository's book-entry system, the Agency shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the 2010 Series E Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Agency or the Trustee any obligation whatsoever with respect to persons having interests in the 2010 Series E Bonds other than the 2010 Series E Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Agency may take any other actions, not inconsistent with this Indenture, to qualify the 2010 Series E Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the 2010 Series E Bonds, or (ii) the Agency determines to terminate the Depository as such, then the Agency shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Agency and the Trustee in the issuance of replacement 2010 Series E Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the 2010 Series E Bonds, and by surrendering the 2010 Series E Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement 2010 Series E Bonds are to be issued. The Depository, by accepting delivery of the 2010 Series E Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Agency fails to identify another Securities Depository to replace the Depository, then the 2010 Series E Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners

transferring or exchanging 2010 Series E Bonds shall designate, in accordance with the provisions hereof.

In the event the Agency determines that it is in the best interests of the beneficial owners of the 2010 Series E Bonds that they be able to obtain certificated 2010 Series E Bonds, the Agency may notify the Depository System Participants of the availability of such certificated 2010 Series E Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange 2010 Series E Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Agency shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the 2010 Series E Bonds to any Depository System Participant having 2010 Series E Bonds credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such 2010 Series E Bonds, all at the Agency's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any 2010 Series E Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such 2010 Series E Bond and all notices with respect to such 2010 Series E Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

## ARTICLE III

### DEPOSIT AND APPLICATION OF PROCEEDS OF 2010 SERIES E BONDS ISSUANCE OF PARITY DEBT

**SECTION 3.01. Issuance of 2010 Series E Bonds.** Upon the execution and delivery of this Indenture, the Agency shall execute and deliver 2010 Series E Bonds in the aggregate principal amount of \$\_\_\_\_\_ to the Trustee and the Trustee shall authenticate and deliver the 2010 Series E Bonds to the Original Purchaser upon receipt of a Request of the Agency therefor.

**SECTION 3.02. Deposit and Application of Proceeds.** On the Closing Date, the proceeds of the 2010 Series E Bonds received from the Original Purchaser in the amount of \$\_\_\_\_\_ (being the initial aggregate principal amount of the 2010 Series E Bonds (\_\_\_\_\_), (i) less the underwriter's discount of the Original Purchaser in the amount of \$\_\_\_\_\_, and (ii) plus the net original issue premium on 2010 Series E Bonds in the amount of \$\_\_\_\_\_).

The proceeds of the 2010 Series E Bonds (being \$\_\_\_\_\_) shall be deposited in as follows:

a) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Costs of Issuance Fund.

(b) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the 2010 Series E Subaccount of the Reserve Account created as set forth in Section 4.03, in order to satisfy the Reserve Requirement with respect to the 2010 Series E Bonds; and

(c) The Trustee shall deposit the amount of \$\_\_\_\_\_, being the remainder of the proceeds of the 2010 Series E Bonds, in the Redevelopment Fund.

**SECTION 3.03. Costs of Issuance Fund.** There is hereby established a separate fund to be known as the "Costs of Issuance Fund", which shall be held by the Trustee in trust, and into which shall be deposited or credited the amounts provided for in Section 3.02(a). The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Request of the Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date which is six (6) months following the Closing Date, or upon the earlier Request of the Agency, all amounts (if any) remaining in the Costs of Issuance Fund shall be transferred by the Trustee for deposit in the Redevelopment Fund.

**SECTION 3.04. Redevelopment Fund.** There shall be established with respect to the Redevelopment Project a separate and segregated fund to be known as the "2010 Interstate 215 Corridor Redevelopment Project Area Redevelopment Fund (the "Redevelopment Fund") which shall be held by the Trustee in trust and into which shall be deposited the amount required by Section 3.02(b). The moneys in the Redevelopment Fund shall be used in the manner provided by the Law and the Agency by-laws solely for the purpose of aiding in financing the Redevelopment Project, including, without limitation, the payment of any unpaid Costs of Issuance and interest on the Bonds on or prior to April 1, 2013. The Agency covenants

that no funds on deposit in the Redevelopment Fund shall be applied for any purpose not authorized by the Law.

The Trustee shall disburse amounts on deposit in the Redevelopment Fund promptly after receipt of, and in accordance with a Request of the Agency in the form attached hereto as Exhibit B. Each such Request of the Agency shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Not less than sixty (60) days prior to each Interest Payment Date on and prior to April 1, 2013, the Trustee shall contact the Agency so that the Agency may inform the Trustee whether amounts on deposit in the Redevelopment Fund will be used to pay interest on the non-refunding portion of the Bonds on each such Interest Payment Date. The Agency shall submit a Request of the Agency to the Trustee if the Agency elects to use amounts on deposit in the Redevelopment Fund for the payment of interest on the 2010 Series E Bonds. Each such Request of the Agency shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

**SECTION 3.05. Issuance of Parity Debt.** In addition to the 2010 Series E Bonds and the 2004 Bonds, the 2005 Bonds and the 2006 Bonds, the Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any Parity Debt 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:

(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 Indenture.

(b) The Tax Revenues for each succeeding Fiscal Year based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the County or a written report of an Independent Redevelopment Consultant plus any Additional Revenues shall be at least equal to one hundred thirty percent (130%) of Annual Debt Service on the 2010 Series E Bonds and Parity Debt which will be outstanding immediately following the issuance of such Parity Debt for each applicable succeeding Bond Year; provided that in determining the amount of Tax Revenues for any future Fiscal Year, (i) if any single property owner owns property within the Project Area with an assessed value totaling more than fifteen percent (15%) of the total assessed value in the Project Area, the Agency shall disregard the assessed value in excess of fifteen percent (15%) in determining the Tax Revenues, and (ii) the Agency shall increase the Tax Revenues for the current Fiscal Year by adding thereto amounts which at the time of calculation are payable by the Agency under the Development Agreements but which cease to be so payable for such future Fiscal Year.

(c) 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 subsections (a) and (b) above have been satisfied.

(d) The Agency shall fund a reserve account relating to such Parity Debt in an amount equal to the Reserve Requirement.

**SECTION 3.06. Issuance of Subordinate Debt.** The Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) The Agency shall be in compliance with all covenants set forth in this Indenture and all Parity Debt Instruments;

(b) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the Plan Limitations on the amount of Tax Revenues, then all Outstanding Bonds, Parity Debt and Subordinate Debt coming due and payable following the issuance or incurrence of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted within the Plan Limitations.

(c) The Agency shall deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Subordinate Debt set forth in this Section 3.07 have been satisfied.

**SECTION 3.07. Validity of Bonds.** The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the Redevelopment Project or upon the performance by any person of its obligation with respect to the Redevelopment Project.

## ARTICLE IV

### SECURITY OF BONDS; FLOW OF FUNDS INVESTMENTS

**SECTION 4.01. Pledge of Tax Revenues.** The 2010 Series E Bonds, the 2004 Bonds, the 2005 Bonds, the 2006 Bonds and all other Parity Debt, shall be secured by a pledge of, security interest in and lien on all of the Tax Revenues and all of the moneys on deposit in the Special Fund. In addition, the 2010 Series E Bonds, the 2004 Bonds, the 2005 Bonds, the 2006 Bonds and any other Parity Debt, shall, subject to Section 8.02, be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Redemption Account and the Reserve Account. Such pledge, security interest in and lien shall be for the equal security of the Outstanding Bonds 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 such moneys, no funds of the Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the 2010 Series E Bonds.

In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract between the Agency and the Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or hereinafter.

**SECTION 4.02. Special Fund; Deposit of Tax Revenues.** There has been established by Section 4.02 of the 2004 Indenture a special fund known as the "2004 Interstate 215 Corridor Redevelopment Project Area Special Fund," which is held by the Agency and which is herein referred to as the "2004 Special Fund," there has been established by Section 4.02 of the 2005 Indenture a special fund known as the "2005 Interstate 215 Corridor Redevelopment Project Area Special Fund," which is held by the Agency and which is herein referred to as the "2005 Special Fund," and there has been established by Section 4.02 of the 2006 Indenture a special fund known as the "2006 Interstate 215 Corridor Redevelopment Project Area Special Fund", which is held by the Agency and which is herein referred to as the "2006 Special Fund". There is hereby established another special fund known as the "2010 Interstate 215 Corridor Redevelopment Project Area Special Fund", which is held by the Agency and which is herein referred to as the "Special Fund". The Agency shall transfer all of the Tax Revenues received in any Bond Year ratably to the 2004 Special Fund, to the 2005 Special Fund, to the 2006 Special Fund and to the Special Fund, and to the special funds established with respect to any additional Parity Debt promptly upon receipt thereof by the Agency, until such time during such Bond Year as the amounts (i) on deposit in the 2004 Special Fund equal the aggregate amounts required to be transferred to the Trustee for deposit in such Bond Year pursuant to Section 3.03 of the 2004 Indenture, (ii) on deposit in the 2005 Special Fund equal the aggregate amounts required to be transferred to the Trustee for deposit in such Bond Year pursuant to Section 3.03 of the 2005 Indenture, (iii) on deposit in the 2006 Special Fund equal the aggregate amounts required to be transferred to the Trustee for deposit in such Bond Year pursuant to Section 4.03 of the 2006 Indenture, (iv) on deposit in the Special Fund (taking into account amounts, if any, transferred from the Redevelopment Fund upon the Request of the Agency to pay interest on the Bonds during such Bond Year) equal the aggregate amounts

required to be transferred in such Bond Year into the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to Section 4.03 hereof, and (v) on deposit in the special fund established with respect to any additional Parity Debt equal the aggregate amounts required to be transferred in such Bond Year pursuant to the applicable Parity Debt Instrument. If the amount of Tax Revenues available in any Bond Year shall be insufficient to deposit the full amount required to be deposited pursuant to subsections (i), (ii), (iii) (iv) and (v) of this paragraph, then the Agency shall transfer such Tax Revenues for deposit ratably based on the full amounts required to be so deposited.

**SECTION 4.03. Debt Service Fund; Transfer of Amounts to Trustee.** There is hereby established a special trust fund to be known as the "Debt Service Fund", which shall be held by the Trustee hereunder in trust. Moneys in the Special Fund shall be transferred by the Agency to the Trustee and transferred by the Trustee in the following amounts, at the following times, and into the following respective special accounts within the Debt Service Fund, which accounts are hereby established, or continued, as applicable, with the Trustee to pay debt service on the 2010 Series E Bonds and any Parity Debt not otherwise provided for in a Parity Debt Instrument, in the following order of priority:

(a) Interest Account. On or before the fourth (4th) Business Day preceding each date on which interest on the Bonds becomes due and payable, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture).

(b) Principal Account. On or before the fourth (4th) Business Day preceding each date on which principal of the Bonds becomes due and payable at maturity, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Outstanding Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds upon the maturity thereof.

(c) Sinking Account. On or before the fourth (4th) Business Day preceding each date on which any Outstanding Term Bonds become subject to mandatory Sinking Account redemption, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Term Bonds required subject to mandatory Sinking Account redemption on such date. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for

the sole purpose of paying the principal of the Term Bonds as it shall become due and payable upon the mandatory Sinking Account redemption thereof.

(d) Reserve Account. Amounts on deposit in the 2010 Series E Subaccount of the Reserve Account, which is hereby established and which is to be held by the Trustee, shall be available to pay debt service only on the 2010 Series E Bonds and any other Parity Debt hereafter issued that the Agency elects to be secured by the 2010 Series E Subaccount of the Reserve Account. In the event that the Agency elects to secure additional Parity Debt with the 2010 Series E Subaccount of the Reserve Account, the Agency shall establish subaccounts within the Reserve Account as needed.

In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there shall then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Agency shall be obligated to continue making transfers as Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account, the Principal Account and the Sinking Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Agency is not in default hereunder, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before four (4) Business Days preceding each April 1 and October 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to this Section 4.03 or, (ii) if the Agency shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by this Section 4.03, then, at the Request of the Agency, to the Agency to be applied in accordance with the Redevelopment Law to provide financing for the Redevelopment Project.

The Agency shall have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such Funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account to the Agency to be applied in accordance with the Redevelopment Law



to provide financing for the Redevelopment Project. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall reasonably be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall reasonably be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this subsection (d). Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall be obligated either (i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues.

The Reserve Account may be maintained in the form of one or more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of the Bonds and any Parity Debt in conformity with applicable provisions of the Code to the extent directed by the Agency in writing to the Trustee. Additionally, the Agency may, in its discretion, combine amounts on deposit in the Reserve Account and on deposit in any reserve account relating to any (but not necessarily all) Parity Debt in order to maintain a combined reserve account for the Bonds and any (but not necessarily all) Parity Debt.

(e) Redemption Account. On or before the Business Day preceding any date on which Bonds are subject to redemption, other than mandatory Sinking Account redemption of Term Bonds, the Trustee shall withdraw from the Special Fund for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be so redeemed on such date. The Trustee shall also deposit in the Redemption Account any other amounts received by it from the Agency designated by the Agency in writing to be deposited in the Redemption Account. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds upon the redemption thereof, on the date set for such redemption, other than mandatory Sinking Account redemption of Term Bonds.

## ARTICLE V

### OTHER COVENANTS OF THE AGENCY

**SECTION 5.01. Punctual Payment.** The Agency shall punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and of this Indenture. The Agency shall faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures. Nothing herein contained shall prevent the Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to herein.

**SECTION 5.02. Continuing Disclosure.** The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, if any, executed and delivered by the Agency. Notwithstanding any other provision hereof, failure of the Agency to comply with such Continuing Disclosure Certificate shall not constitute an Event of Default hereunder; *provided, however,* that any Participating Underwriter (as such term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the 2010 Series E Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under this Section 5.02.

**SECTION 5.03. Limitation on Additional Indebtedness.** The Agency hereby covenants that so long as any of the Bonds remain Outstanding, the Agency shall not issue any bonds, notes or other obligations which are otherwise secured on a basis which is senior to the pledge and lien which secures the Bonds. 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 2010 Series E Bonds and Parity Debt, any Subordinate Debt and any obligations entered into pursuant to Section 5.10.

**SECTION 5.04. Extension of Payment of Bonds.** The Agency shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Outstanding Bonds and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Agency to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

**SECTION 5.05. 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 held by the Trustee pursuant hereto, or which might impair the security of the Bonds. 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 5.06. 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 County, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues and the Special Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Owners of not less than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared and delivered to the Trustee annually, within one hundred and eighty (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 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. In accordance with Section 6.03(e), the Trustee shall not be responsible for reviewing such financial statements. The Agency shall furnish a copy of such statements to any Owner upon reasonable request and at the expense of such Owner.

**SECTION 5.07. Protection of Security and Rights of Owners.** The Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of any Bonds, such Bonds shall be incontestable by the Agency.

**SECTION 5.08. 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 said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

**SECTION 5.09. Disposition of Property; Annexation.** (a) 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 Indenture) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in the Project Area unless such disposition is permitted as hereinafter provided in this Section 5.09. If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Fiscal Consultant to report on the effect of said proposed disposition. If the report of the Independent Fiscal Consultant concludes that the security of the Bonds or the rights of the Owners will not be materially adversely impaired by said proposed disposition, the Agency may thereafter make such disposition. If such report concludes that such security will be materially adversely impaired by the proposed disposition, the Agency shall not approve the proposed disposition.

(b) In the event of an annexation of all or any portion of the Project Area or sub-area thereof by a city, all of the Tax Revenues derived from such portion of the Project Area or sub-area will remain pledged to the payment of debt service on the Bonds and paid to the Agency, and such city shall not be entitled to issue or incur any debt or other obligation payable from tax increment or to receive tax increment revenue until all of the Bonds are discharged in full.

**SECTION 5.10. 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 of California. The Agency shall not 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 Bonds. The Agency shall not undertake proceedings for amendment of the Redevelopment Plan if such amendment shall result in payments to one of more taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law unless the Agency shall first obtain a written opinion of an Independent Redevelopment Consultant that such payments will not adversely impair the Agency's ability to pay the 2010 Series E Bonds and all Parity Debt. 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 2010 Series E Bonds and all Parity Debt.

**SECTION 5.11. Tax Covenants Relating to 2010 Series E Bonds.**

(a) Private Activity Bond Limitation. The Agency shall assure that the proceeds of the 2010 Series E Bonds are not so used as to cause the 2010 Series E Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the 2010 Series E Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2010 Series E Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the 2010 Series E Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

(d) Maintenance of Tax-Exemption. The Agency shall take all actions necessary to assure the exclusion of interest on the 2010 Series E Bonds from the gross income of the Owners of the 2010 Series E Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date. This covenant shall remain in full force and effect following defeasance of Bonds pursuant to Section 9.03.

(e) Rebate Requirement. The Agency shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2010 Series E Bonds.

(f) Hedge Bonds. All proceeds of the 2010 Series E Bonds, other than proceeds of the 2010 Series E Bonds deposited into the Debt Service Fund and the 2010 Series E Subaccount of the Reserve Account, will be invested in obligations the interest on which is not includible in gross income for federal income tax purposes under section 103 of the Code and which are not "specified private activity bonds" as defined in Section 57(a)(5)(C) of the Code.

The Trustee shall have no duty to monitor the compliance by the Agency with any of the covenants contained in this Section 5.11.

**SECTION 5.12. Plan Limitations; Annual Review of Tax Revenues.** The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limitations in the amounts and at the times required to enable the Agency to pay the principal of and interest and premium (if any) on the 2004 Bonds, the 2005 Bonds, the 2010 Series E Bonds and any Parity Debt when due.

Additionally, the Agency hereby covenants that it will annually review, no later than December 1 of each year, the total amount of tax increment revenue remaining available to be received by the Agency under the Plan Limitations, as well as future cumulative Annual Debt Service, payments on any obligations of the Agency payable from tax increment revenues that are senior to the 2010 Series E Bonds, and payments on obligations that are subordinate to the 2010 Series E Bonds. If, based on such review, the allocation of tax increment revenues to the Agency in any of the next three succeeding Fiscal Years will (a) cause an amount equal to ninety-five (95%) of the amount remaining under the Plan Limitations to fall below the sum of (i) remaining cumulative Annual Debt Service, (ii) payments on obligations of the Agency payable from tax increment revenues that are senior to the 2010 Series E Bonds, and (iii) payments on obligations that are subordinate to the 2010 Series E Bonds or (b) cause the tax increment cap in a sub-area of the Project Area to meet its cap, the Agency shall adopt a plan approved by an Independent Redevelopment Consultant that demonstrates the Agency's continuing ability to pay debt service on the 2010 Series E Bonds and Parity Debt. Such plan may include, among other actions, defeasing or redeeming the 2010 Series E Bonds or Parity Debt or reducing the amount of tax increment being claimed from one or more sub areas within the Project Area. In the event that the Agency determines to defease 2010 Series E Bonds or Parity Debt, such defeasance shall be accomplished as provided in Section 9.03 hereof. Further, in the event the Agency elects to defease or redeem 2010 Series E Bonds or Parity Debt, the Agency shall first notify Moody's and S&P, and such defeasance or redemption shall occur only if the Agency receives confirmation from Moody's and S&P that such defeasance or redemption will not, in and of itself, cause Moody's or S&P to lower the underlying rating then in effect with respect to the 2010 Series E Bonds and Parity Debt. The Agency shall provide a copy of such plan to Moody's and S&P.

The Trustee shall not be responsible for monitoring or enforcing the requirements of this Section 5.12.

**SECTION 5.13. Compliance with the Law; Low and Moderate Income Housing Fund.** 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 Law, including, without limitation, duly noticing and holding any public hearing required by either Section 33445 or Section 33679 of the Law prior to application of proceeds of the Bonds to any portion of the Redevelopment Project. Without limiting the generality of the foregoing, the Agency covenants that it shall deposit or cause to be deposited in the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Law, all amounts when, as and if required to be deposited therein pursuant to the Law.

**SECTION 5.14. Management and Operations of Properties.** The Agency will manage and operate all properties owned by the Agency and comprising any part of the Redevelopment Project, in a sound and businesslike manner, and will keep such properties insured at all times in conformity with sound business practice.

**SECTION 5.14. 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 Indenture, and for the better assuring and confirming unto the Owners the rights and benefits provided in this Indenture.

## ARTICLE VI

### THE TRUSTEE

#### SECTION 6.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or duties shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

(b) The Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority of the principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of 30 days' written notice of such removal by the Agency to the Trustee, whereupon the Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Agency, and by giving the Owners notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by an instrument in writing.

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

property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Agency shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to S&P and Moody's, and to the Owners at the addresses shown on the Registration Books. If the Agency fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Agency.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall (i) be a company or bank having trust powers, (ii), shall have an office in the State of California or such other state as shall be acceptable to the Agency, (iii) have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least Seventy Five Million Dollars (\$75,000,000), and (iv) be subject to supervision or examination by federal or state authority. If such bank or company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall promptly resign in the manner and with the effect specified in subsection (c) of this Section.

**SECTION 6.02. Merger or Consolidation.** Any bank or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or company shall be eligible under subsection (e) of Section 6.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.



### **SECTION 6.03. Liability of Trustee.**

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Agency, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of any offering memorandum, this Indenture or of the Bonds nor shall incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee shall not be liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of any Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority of the principal amount of the Bonds then Outstanding. The Trustee, either as principal or agent, may engage in or be entrusted in any financial or other transaction with the Agency.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Agency, accompanied by an opinion of Bond counsel, or in accordance with direction of the Owners of not less than a majority of the principal amount of the Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer of the Trustee shall have actual knowledge thereof, or the Trustee shall have received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee shall not be responsible for the Agency's payment of principal and interest on the Bonds, the observance or performance by the Agency of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee pursuant to Section 5.06 and may rely conclusively on the Certificate of the Agency accompanying such financial statements to establish the Agency's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Tax Revenues into the Special Fund and the investment and application of moneys on deposit in the Special Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

(f) No provision in this Indenture shall require the Trustee to risk, expend, or advance its own funds or otherwise incur any financial liability hereunder. However, if the Trustee elects to advance funds it, shall be entitled to receive interest on any moneys advanced by it hereunder, at the maximum rate permitted by law.

(g) The Trustee may establish additional accounts or subaccounts of the funds established hereunder as the Trustee deems necessary or prudent in furtherance of its duties under this Indenture.

(h) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

(i) Before taking any action under Article VIII or this Article at the request of the Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

(j) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(k) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (ii) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (iii) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

**SECTION 6.04. Right to Rely on Documents.** The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the Agency, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is established to the satisfaction of the Trustee.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but shall have no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or Report of any Independent Accountant or Independent Fiscal Consultant appointed by the Agency.

**SECTION 6.05. Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during normal business hours, and upon reasonable prior written notice, to the inspection of the Agency and any Owner, and their agents and representatives duly authorized in writing.

**SECTION 6.06. Compensation and Indemnification.** The Agency shall pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture. The Trustee shall have a first lien on the Tax Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all fees, costs and expenses, including compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in Article VIII.

The Agency further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents affiliates and employees, harmless against any loss, expense, including legal fees and expenses, and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents affiliates or employees. The obligations of the Agency under this Section 6.06 shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

**SECTION 6.07. Deposit and Investment of Moneys in Funds.** Moneys in the Redevelopment Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the 2010 Series E Subaccount of the Reserve Account, the Redemption Account and the Costs of Issuance Fund shall be invested by the Trustee in Permitted Investments as directed by the Agency in the Request of the Agency filed with the Trustee at least two (2) Business Days in advance of the making of such investments, except that moneys in the 2010 Series E Subaccount of the Reserve Account shall not be invested in Permitted Investments having a maturity of more than five (5) years, unless any such Permitted Investment is described in clause (g) of the definition thereof. In the absence of any such Request of the Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out hereunder. Moneys in the Special Fund may be invested only in Permitted Investments which are also obligations in which the Agency is

authorized to invest its own funds (and earnings on such moneys shall be retained in such Fund).

The Trustee shall be entitled to rely conclusively upon the written instructions of the Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. With respect to any restrictions set forth in the list of Permitted Investments which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Trustee shall be entitled to rely conclusively on an opinion of counsel or upon a representation of the provider of such Permitted Investment obtained at the Agency's expense. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder (other than the Reserve Account and the Redevelopment Fund) shall be deposited in the Interest Account; *provided, however*, that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account only to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. Interest or gain derived from the investments of amounts in the Redevelopment Fund shall be retained therein. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Agency or otherwise made in accordance with this Section.

The Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Agency periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder; *provided* that the Trustee shall furnish the Agency, as soon as practicable after the receipt thereof, all statements received by the Trustee with respect to any investment agreement, guaranteed investment contract or similar instrument.

All moneys held by the Trustee shall be held in trust, but need not be segregated from other funds unless specifically required by this Indenture. Except as specifically provided in this Indenture, the Trustee shall not be liable to pay interest on any moneys received by it, but shall be liable only to account to the Agency for earnings derived from funds that have been invested.

The Agency covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the 2010 Series E Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Account shall be valued by the Agency at their present value (within the meaning of section 148 of the Code).

**SECTION 6.08. Accounting Records and Financial Statements.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries

shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee pursuant to this Indenture. Such books of record and account shall be available for inspection by the Agency at reasonable hours, during regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the Agency, at least monthly, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to this Indenture.

**SECTION 6.09. Appointment of Co-Trustee or Agent.** It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co-Trustee. The following provisions of this Section 6.08 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-Trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-Trustee but only to the extent necessary to enable such separate or co-Trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-Trustee shall run to and be enforceable by either of them, provided that in the event of any conflict, the Co-Trustee shall defer to the Trustee.

Should any instrument in writing from the Agency be required by the separate Trustee or co-Trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Agency. In case any separate Trustee or co-Trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate Trustee or co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate Trustee or co-Trustee.

The Trustee may perform any of its obligations or duties hereunder and under any related documents through agents or attorneys and shall not be responsible for the acts of any such agents or attorneys appointed by it with due care.

**SECTION 6.10. No Liability for Agency Performance.** The Trustee shall have no liability or obligation to the Bond Owners with respect to the payment of debt service by the Agency or with respect to the observance or performance by the Agency of the other conditions, covenants, and terms contained in this Indenture, or with respect to the investment of any moneys in any fund or account established, held, or maintained by the Agency pursuant to this Indenture.

**SECTION 6.11. Other Transactions with Agency.** The Trustee, either as principal or agent, may engaged in or be interested in any financial or other transaction with the Agency.

## ARTICLE VII

### MODIFICATION OR AMENDMENT OF THIS INDENTURE

**SECTION 7.01. Authorized Amendments.** This Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without the consent of any Owners, to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Agency contained in this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Agency provided such addition, limit, or surrender shall not materially adversely effect the interest of the Owners as determined by the Agency and certified to the Trustee; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners; or

(c) to provide for the issuance of Parity Debt pursuant to Section 3.05, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 3.05; or

(d) to amend any provision hereof to assure the exclusion from gross income of interest on the 2010 Series E Bonds for federal income tax purposes, in the opinion of Bond Counsel filed with the Agency and the Trustee; or

(e) to comply with the requirements of the provider of a Qualified Reserve Account Credit Instrument.

Except as set forth in the preceding paragraph, this Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of a majority of the principal amount of the Bonds then Outstanding are delivered to the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premium (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

**SECTION 7.02. Effect of Supplemental Indenture.** From and after the time any Supplemental Indenture becomes effective pursuant to this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and

obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

**SECTION 7.03. Endorsement or Replacement of Bonds After Amendment.** After the effective date of any amendment or modification hereof pursuant to this Article VII, the Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Agency, as to such amendment or modification and in that case upon demand of the Agency the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Agency may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the Agency the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

**SECTION 7.04. Amendment by Mutual Consent.** The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

**SECTION 7.05. Trustee's Reliance.** The Trustee may conclusively rely, and shall be protected in relying, upon an opinion of counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Owners.

**SECTION 7.06. Opinion of Counsel.** Prior to executing any Supplemental Indenture, the Trustee shall be furnished an opinion of counsel, upon which it may conclusively rely to the effect that all conditions precedent to the execution of such Supplemental Indenture under this Indenture have been satisfied and such Supplemental Indenture is authorized and permitted under this Indenture and does not adversely affect the exclusion of interest on the 2010 Series E Bonds from gross income for federal income tax purposes or adversely affect the exemption of interest on the 2010 Series E Bonds from personal income taxation by the State.

**SECTION 7.07. Effect on Owners.** Notwithstanding any other provision of this Indenture, in determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee shall consider the effect on Owners as if there were no Insurance Policy.



## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

**SECTION 8.01. Events of Default and Acceleration of Maturities.** Each of the following events shall constitute an Event of Default hereunder:

(a) Failure to pay any installment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Failure by the Agency to observe and perform any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such failure shall have continued for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Agency by the Trustee; *provided, however*, if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Agency within such thirty (30) day period and the Agency shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The Agency shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Subject in all respects to the provisions of Section 8.08, if an Event of Default has occurred and is continuing, the Trustee may, and if requested in writing by the Owners of a majority of the principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and (b) upon receipt of indemnity satisfactory to it from any liability or expense, including payment of the fees and expenses of its counsel and agents, exercise any other remedies available to the Trustee and the Owners in law or at equity. The Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers for the Tax Revenues, if appropriate, and for the revenues, income, product, and profits thereon, if any, *ex parte*, and without notice, and the Agency consents to the appointment of such receiver upon the occurrence of an Event of Default. If any receivership, bankruptcy, insolvency, or reorganization or other judicial proceedings affecting the Agency is filed, the Trustee shall be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Trustee and Owners allowed in such proceedings for the entire amount due and payable under this Indenture at the time of the institution of such proceedings, and also for any additional amount which may become due and payable after such date, without prejudice to the right of any Owner to file a claim on his own behalf. The Trustee shall not be obligated to take any such action unless offered compensation, indemnity for its potential liability, and reimbursement for its legal fees and expenses in accordance with this Section.

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

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the weighted average interest rate then borne by the Outstanding Bonds, and the fees and expenses of the Trustee, including any fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of a majority of the principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

**SECTION 8.02. Application of Funds Upon Acceleration.** All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee hereunder upon the date of the declaration of acceleration as provided in Section 8.01, and all sums thereafter received by the Trustee hereunder, shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all fees, costs and expenses owing to the Trustee pursuant to Section 6.06, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law;

(b) To the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by the Outstanding Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

**SECTION 8.03. Power of Trustee to Control Proceedings.** In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority of the principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however,* that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority of the principal amount of the Bonds then Outstanding opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation accompanied, if requested by the Trustee, by indemnity or confirmation of indemnity as described in Section 8.01.

**SECTION 8.04. Limitation on Owners' Right to Sue.** No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority of the principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy hereunder; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and premium, if any, and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

**SECTION 8.05. Non-waiver.** Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, 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 redemption premium (if any) on the Bonds to the respective Owners when due and payable as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner or 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 and Owners by the Redevelopment Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners and 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, Agency, or Owners, the Agency, Trustee, and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

**SECTION 8.06. Actions by Trustee as Attorney-in-Fact.** Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of Article VI.

**SECTION 8.07. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee or Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given 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.

## ARTICLE IX

### MISCELLANEOUS

**SECTION 9.01. Benefits Limited to Parties.** Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Agency, the Trustee and the Owners, any right, remedy, claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Trustee and the Owners.

**SECTION 9.02. Successor is Deemed Included in All References to Predecessor.** Whenever in this Indenture or any Supplemental Indenture either the Agency or the Trustee 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 Indenture contained by or on behalf of the Agency or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**SECTION 9.03. Defeasance of Bonds.** If the Agency shall pay and discharge the entire indebtedness on any Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee or another fiduciary, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established pursuant to this Indenture, in the opinion or report of an Independent Accountant is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;
- (c) by irrevocably depositing with the Trustee or another 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 any of the funds and accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or
- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any such Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the Agency under this Indenture with respect to such Bonds shall cease and terminate, except only (A) the obligations of the Agency under Section 5.11, (B) the obligation of the Trustee to transfer and exchange Bonds hereunder, (C) the obligation of the Agency to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and (D) the obligations of the Agency to compensate and indemnify the Trustee pursuant to

Section 6.06. Notice of such election shall be filed with the Trustee. In the event the Agency shall, pursuant to the foregoing provisions, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such discharge, including without limitation, selection by lot of Bonds of any maturity of the Bonds that the Agency has determined to pay and discharge in part. Any funds thereafter held by the Trustee, which are not required for said purpose, shall be paid over to the Agency.

**SECTION 9.04. Execution of Documents and Proof of Ownership by Owners.** Any request, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof shall be proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the Agency or the Trustee in good faith and in accordance therewith.

**SECTION 9.05. Disqualified Bonds.** In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Agency (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, *provided however* that the Trustee shall not be deemed to have knowledge that any Bond is owned or held by or for the account of the Agency unless the Agency is the registered Owner or the Trustee has received written notice that any other registered Owner is the owner or is holding for the account of the Agency.

**SECTION 9.06. 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 or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

**SECTION 9.07. Destruction of Canceled Bonds.** Whenever in this Indenture provision is made for the surrender to the Agency of any Bonds which have been paid or canceled pursuant to the provisions of this Indenture, upon receipt by the Trustee of the Request of the Agency a certificate of destruction duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

**SECTION 9.08. Notices.** All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, with prompt written confirmation by mail, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in any other case, upon actual receipt. The Agency or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder .

If to the Agency:	Redevelopment Agency for the County of Riverside c/o Riverside County Economic Development Agency P.O. Box 1180 Riverside, California 92502 Attention: Executive Director Fax: (951) 955-6686
-------------------	---

If to the Trustee:	The Bank of New York Trust Company, N.A. 700 S. Flower Street, Suite 500 Los Angeles, California 90017-4104 Attention: Corporate Trust Division Fax: (213) 630-6215
--------------------	---

So long as the Insurance Policy remains in effect, the Trustee shall furnish to the Insurer, by registered or certified mail or by facsimile or electronic transmission, a copy of any notice required to be given hereunder to the Bond Owners.

**SECTION 9.09. Partial Invalidity.** If any Section, paragraph, sentence, clause or phrase of this Indenture shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The Agency and the Trustee hereby declare that they would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable.

**SECTION 9.10. Unclaimed Moneys.** Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Agency for the payment of the principal of and interest and redemption premium (if any) on such Bonds.

**SECTION 9.11. Payment on Non-Business Days.** In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day.

**SECTION 9.12. Execution in Counterparts.** This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**SECTION 9.13. Governing Law.** This Indenture shall be construed and governed in accordance with the laws of the State.



IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

REDEVELOPMENT AGENCY FOR THE  
COUNTY OF RIVERSIDE

By \_\_\_\_\_  
Executive Director

ATTEST:

\_\_\_\_\_  
Secretary

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A.,  
*as Trustee*

By \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**FORM OF 2010 SERIES E BOND**

No. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

**REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE  
INTERSTATE 215 CORRIDOR REDEVELOPMENT PROJECT AREA  
2010 TAX ALLOCATION BOND, SERIES E**

RATE OF INTEREST:      MATURITY DATE:      ORIGINAL ISSUE DATE:      [CUSIP:]  
[Closing Date]

REGISTERED OWNER:

PRINCIPAL AMOUNT:      DOLLARS

The REDEVELOPMENT AGENCY FOR THE COUNTY OF RIVERSIDE a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "Agency"), for value received, hereby promises to pay (but only out of the Tax Revenues and other moneys and securities hereinafter referred to) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like lawful money from the date hereof, which date shall be the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding such Interest Payment Date (a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to September 15, 2010, in which event it shall bear interest from the Original Issue Date identified above; *provided, however*, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on April 1 and October 1 in each year, commencing October 1, 2010 (the "Interest Payment Dates"), until payment of such Principal Amount in full. The Principal Amount hereof is payable upon presentation hereof at the principal corporate trust office of The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), in Los Angeles, California or such other location as the trustee may designate. Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of such Registered Owner as it appears on the registration books of the Trustee as of the preceding Record Date; provided that at the written request of the owner of at least \$1,000,000 aggregate principal amount of Bonds, which written request is on file with the Trustee prior to any Record Date, interest on such Bonds shall be paid on the

succeeding Interest Payment Date by wire transfer to an account of a financial institution within the United States of America as shall be specified in such written request.

This Bond is one of a duly authorized issue of bonds of the Agency designated as the "Redevelopment Agency for the County of Riverside Interstate 215 Corridor Redevelopment Project Area 2010 Tax Allocation Bonds, Series E" (the "Bonds") of an aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of the Community Redevelopment Law, constituting Part 1 of Division 24 of the California Health and Safety Code (the "Redevelopment Law") and pursuant to an Indenture of Trust, dated as of July 1, 2010, by and between the Agency and the Trustee (the "Indenture"). The Agency may issue or incur additional obligations on a parity with the Bonds, but only subject to the terms of the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Agency) and all supplements thereto and to the Redevelopment Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues, as that term is defined in the Indenture, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Agency thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Agency to finance redevelopment activities of the Agency. This Bond and the interest hereon and all other parity obligations and the interest thereon (to the extent set forth in the Indenture) are payable from, and are secured by a charge and lien on the Tax Revenues derived by the Agency from the Interstate 215 Corridor Redevelopment Project Area in the County of Riverside, California (the "Project Area"), a duly designated redevelopment project under the laws of the State of California, under and in accordance with the Indenture. As and to the extent set forth in the Indenture, all of the Tax Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture and the Redevelopment Law, to the payment of the principal of and interest and premium (if any) on the Bonds and any such parity obligations. The Bonds and any such parity obligations are secured by a pledge on, security interest in and lien on the Tax Revenues which is subordinate to or on a parity with the pledge, security interest and lien on the Tax Revenues in favor of certain outstanding obligations of the Agency, as provided in the Indenture. Notwithstanding the foregoing, certain amounts out of Tax Revenues may be applied for other purposes as provided in the Indenture.

This Bond is not a debt of the County of Riverside, the State of California, or any of its political subdivisions, other than the Agency, and neither said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties other than the Tax Revenues.

The rights and obligations of the Agency and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages of the Bond owners required to effect any such modification or amendment.

The Bonds maturing on or before October 1, 2020, are not subject to optional redemption prior to maturity. The Bonds maturing on and after October 1, 2021, are subject to

redemption, at the option of the Agency on any date on or after October 1, 2020, as a whole or in part, by such maturities as shall be determined by the Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Bonds maturing on October 1, 20\_\_, October 1, 20\_\_ and October 1, 20\_\_, are subject to mandatory sinking account redemption in part by lot, on October 1 in each of the years thereafter as set forth in the following tables, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium; *provided, however*, that if some but not all of such Bonds have been optionally redeemed pursuant to the preceding paragraph, the total amount of all Bonds to be redeemed thereafter from mandatory sinking account payments shall be reduced on a pro rata basis in integral multiples of \$5,000.

Term Bonds Maturing October 1, 20\_\_

Sinking Account Redemption Date <u>(October 1)</u>	Principal Amount <u>To Be Redeemed</u>
--	---

(maturity)

Term Bonds Maturing October 1, 20\_\_

Sinking Account Redemption Date <u>(October 1)</u>	Principal Amount <u>To Be Redeemed</u>
--	---

(maturity)

Term Bonds Maturing October 1, 20\_\_

Sinking Account Redemption Date <u>(October 1)</u>	Principal Amount <u>To Be Redeemed</u>
--	---

(maturity)

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption.

The Agency has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

In lieu of redemption of Bonds amounts on deposit in the Special Fund (as defined in the Indenture) may be withdrawn and used at the direction of the Agency at any time to purchase such Bonds at public or private sale at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any such Bonds so purchased by the Agency in any twelve-month period ending on August 1 will be credited toward, and will reduce the par amount of, Bonds required to be redeemed pursuant to the Indenture on the next succeeding October 1 of such year.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all outstanding Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said corporate trust office of the Trustee in Los Angeles, California or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Agency and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Redevelopment Law and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Agency, does not exceed any limit prescribed by the Redevelopment Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Trustee's Certificate of Authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Redevelopment Agency for the County of Riverside has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its \_\_\_\_\_ and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

REDEVELOPMENT AGENCY FOR THE  
COUNTY OF RIVERSIDE

By: \_\_\_\_\_  
\_\_\_\_\_

ATTEST:

By: \_\_\_\_\_  
Secretary

### TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated: \_\_\_\_\_

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., *as Trustee*

By: \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint

\_\_\_\_\_, attorney,  
to transfer the same on the books of the Trustee, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

NOTICE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

NOTICE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

**EXHIBIT B**

**FORM OF REDEVELOPMENT FUND DISBURSEMENT REQUEST**

DISBURSEMENT REQUEST NO.: \_\_\_\_\_

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

Re: \$ \_\_\_\_\_ Redevelopment Agency for the County of Riverside Interstate  
215 Corridor Redevelopment Project Area 2010 Tax Allocation Bonds, Series E

Ladies and Gentlemen:

In accordance with the terms of an Indenture of Trust, by and between you and the undersigned, dated as of July 1, 2010 (the "Indenture"), you are hereby authorized and requested to make immediate disbursement of funds held by you in the Redevelopment Fund for costs of the Redevelopment Project (as defined in the Indenture) pursuant to Section 3.04 of the Indenture, including the payment of interest on the Bonds on or prior to April 1, 2013.

You are hereby requested to pay from the Redevelopment Fund established by the Indenture, to the person(s), corporation(s) or other entity(ies) designated on Schedule A attached hereto as Payee(s), the sum set forth on said Schedule, in payment of all or a portion of the costs of the Redevelopment Project described on said Schedule.

The undersigned hereby certifies that (i) no part of the amount requested herein has been included in any other request previously filed with you; and (ii) the labor, services and/or materials covered hereby have been performed upon or furnished to the Redevelopment Project and the payment requested herein is due and payable under a purchase order, contract or other authorization.

Dated: \_\_\_\_\_, 200\_

REDEVELOPMENT AGENCY FOR  
THE COUNTY OF RIVERSIDE

By: \_\_\_\_\_



Schedule A

Payee  
(include address)

Description  
of Costs

Amount