

# Orange Countywide Oversight Board

Date: 1/22/2019

Agenda Item No. 5H

From: Successor Agency to the La Palma Redevelopment Agency

Subject: Resolution of the Countywide Oversight Board Approving 2019-20 Recognized Obligation Payment Schedule (ROPS) and Administrative Budget

Recommended Action:

Approve resolution approving FY 2019-20 ROPS and Administrative Budget for the La Palma Successor Agency

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The La Palma Successor Agency requests approval of the 2019-20 Recognized Obligation Payment Schedule (ROPS) and Administrative Budget.

On April 18, 2013, the City received a Finding of Completion from the State of California Department of Finance (DOF). The Finding of Completion allows the Successor Agency Oversight Board to approve the interfund advances from the City to the former CDC on the Recognized Obligation Payment Schedule (ROPS) beginning on July 1, 2014. The Finding of Completion also allows the Successor Agency to utilize proceeds derived from bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants, per HSC Section 34191.4(c). Enforceable obligations of the City's former Community Development Commission (CDC) that are on the ROPS and eligible for RPTTF revenues are as follows:

- Debt Service (principal and interest) 1993 Tax Allocation Bonds – on December 1, 1993, the former CDC issued tax allocation bonds in the amount of \$5,100,000 to finance a portion of the cost of the redevelopment area known as the Former CDC Project Area. The bonds are in denominations of \$5,000 each and bear interest at rates ranging from 3.30% to 6.10%. Principal is payable annually on June 1. Interest is payable semiannually on June 1 and December 1. The remaining outstanding balance is \$268,430. Debt service will be fully amortized as of June 1, 2022.
- Debt Service (principal and interest) 2001 Refunding Tax Allocation Bonds – on December 1, 2001, the former CDC issued tax allocation bonds in the amount of \$6,200,000 to refund \$5,760,000 of 1991 tax allocation bonds previously issued and outstanding by the CDC. The refunding bonds are in denominations of \$5,000 each and bear interest at rates ranging from 2.5% to 5.5%. Principal is payable annually on June 1. Interest is payable semiannually on June 1 and December 1. The remaining outstanding balance is \$1,685,350. Debt service will be fully amortized as of June 1, 2021.
- Related bond expenses (bank fees, arbitrage fees)
- 1999 Loan for Senior Affordable Apartments - During the year ended June 30, 2001, the City Council authorized a \$4,933,000 advance to the former CDC. The CDC then used the proceeds to make a loan to a developer for the construction of a senior citizens affordable rental housing project. Interest on the advance accrues at a rate equal to the rate of return on City investments in LAIF plus 2.375%. Annual principal and interest payments were due from the former CDC over 30 years. The outstanding balance at June 30, 2018, is \$4,028,804 and is recorded as an advance from various City funds. Any payment to repay the advances is to be made from the net income of the Successor Housing Fund. No payments have been made since the dissolution of redevelopment to repay the advances.
- 2002 Loan to former CDC from City - In July 2002, the City loaned \$1,500,000 to the former CDC for the purpose of assisting a third-party business operation to rehabilitate its property, per the scope and guidelines of redevelopment law in force at the time of the loan. The annual payment to the City on the

advance is limited to 50% of the growth in residual revenue amounts above residual revenue for 2012. The balance due to the City consists of the unpaid principal portion as of February 1, 2012, and does not include any accrued interest. The amount of interest that can be charged to the Successor Agency on the advance payable is limited by AB 1X 26 and AB 1484 to the LAIF interest rate. The Successor Agency has projected sufficient cash flow from residual tax increment to pay back the advance by July 1, 2027. As required by statute, 20% of any loan repayment is required to be transferred to the Successor Housing Agency. The outstanding balance of the loan as of June 30, 2018, is \$736,383.

- Administrative costs of the Successor Agency

The Administrative Budget is to include expenses required to carry out Successor Agency activities and administration, legal and consulting expenses, the cost of information technology support, supplies, printing of agendas and agenda packets, posting, insurance, and associated facility costs. Total administrative costs for Fiscal Year 2019-20 is estimated at \$248,900.

The La Palma Successor Agency resolution approving the ROPS and Administrative Budget for FY 2019-20 will be voted upon at the January 15, 2019 City of La Palma Successor Agency regularly scheduled meeting. Successor Agency approval is subject to submittal to and approval by the Oversight Board and then by the State Department and Finance (DOF). The Successor Agency also requests authorization to post the approved Resolution and ROPS and Administrative Budget for FY 2019-20 to the City's website and to transmit the ROPS 2019-20 to the DOF. Further, the City of La Palma's City Manager and her designees, in consultation with legal counsel, shall be authorized to make augmentations, modifications, additions or revisions as may be necessary or directed by DOF.

#### Impact on Taxing Entities

There will be no impact on Taxing Entities beyond the necessary use of RPTTF revenue for repayment of Enforceable Obligations as required by law. All tax RPTTF revenue not used to fulfill Auditor Controller administrative costs; tax sharing obligations; and, Enforceable Obligations will be allocated by the Auditor Controller to all eligible taxing entities.

#### Attachments

- Oversight Board Resolution approving FY 2019-20 ROPS and Administrative Budget
  - Exhibit A 19-20 Recognized Obligation Payment Schedule
  - Exhibit B 19-20 Administrative Budget
- Resolution from La Palma Successor Agency
- Copies of Enforceable Obligations
  - 1993 Tax Allocation Bonds
    - Former CDC Resolution Approving 1993 Bond Issuance
    - 1993 Bond Indenture
  - 2001 Refunding Tax Allocation Bonds
    - Former CDC Resolution Approving 2001 Refunding Tax Allocation Bond Issuance
    - 2001 Refunding Tax Allocation Bond Indenture
  - Resolution of La Palma Oversight Board Recognizing City Loans to CDC as enforceable obligations with accompanying loan agreements

A RESOLUTION OF THE ORANGE COUNTYWIDE OVERSIGHT BOARD  
WITH OVERSIGHT OF THE SUCCESSOR AGENCY TO THE LA PALMA  
REDEVELOPMENT AGENCY APPROVING THE THIRTEENTH  
RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS) 19-20 AND  
ADMINISTRATIVE BUDGET FOR THE PERIOD JULY 1, 2019, THROUGH  
JUNE 30, 2020

WHEREAS, the Community Development Commission of the City of La Palma (Former Agency) was activated by the City Council of the City of La Palma as redevelopment agency , under the California Community Redevelopment Law (Health & Safety Code Section 33000 et seq.); and

WHEREAS, Assembly Bill x1 26 added Parts 1.8 and 1.85 to Division 24 of the California Health and Safety Code (HSC), which caused the dissolution of all redevelopment agencies and wind down of the affairs of former agencies, including as such laws were amended by Assembly Bill 1484 and by other subsequent legislation (“Dissolution Law”); and

WHEREAS, as of February 1, 2012, the Former Agency was dissolved under the Dissolution Law, and as a separate public entity, corporate and politic under HSC Section 34171(g), the Successor Agency to the Community Development Commission (Successor Agency) administers the enforceable obligations of the Former Agency and otherwise unwinds the Former Agency’s affairs; and

WHEREAS, prior to July 1, 2018 under the Dissolution Law, in particular HSC Sections 34179 and 34180, certain actions of the Successor Agency were subject to the review and approval by a local seven-member oversight board, which oversaw and administered the Successor Agency’s activities during the period from dissolution until June 30, 2018; and

WHEREAS, as of, on and after July 1, 2018 under the Dissolution Law, in particular HSC Section 34179(j), the single Orange Countywide Oversight Board was established in compliance with HSC Section 34179(j), which serves as the oversight board to the 25 successor agencies existing and operating in Orange County, including the Successor Agency; and

WHEREAS, every oversight board, both the prior local oversight board and this newly established Orange Countywide Oversight Board, has fiduciary responsibilities to the holders of enforceable obligations and to the taxing entities that benefit from distributions of property tax and other revenues under the Dissolution Law, in particular HSC Section 34188; and

WHEREAS, HSC Section 34177(l)(1) requires the Successor Agency to prepare a Recognized Obligation Payment Schedule (ROPS) and submit to the Oversight Board pursuant to HSC Sections 34177(l)(2)(B) for approval; and

WHEREAS, HSC Sections 34177(o) and 34179 provide that each Recognized Obligation Payment Schedule (“ROPS”) is submitted by the Successor Agency to the Oversight Board and then reviewed and approved by the Oversight Board before final review and approval by the California Department of Finance (“DOF”); and

WHEREAS, the Thirteenth Recognized Obligation Payment Schedule (ROPS 19-20) (Exhibit A) and Administrative Budget (Exhibit B) for the period of July 1, 2019, through June 30, 2020, has been prepared and presented for consideration to the Orange Countywide Oversight Board; and

WHEREAS, the Orange Countywide Oversight Board has reviewed and duly considered the ROPS 19-20 and Administrative Budget for the period of July 1, 2019, to June 30, 2020, and other evidence and testimony presented related thereto.

NOW, THEREFORE, BE IT RESOLVED THAT THE ORANGE COUNTYWIDE OVERSIGHT BOARD does hereby resolve as follows:

SECTION 1. The foregoing recitals are incorporated into this Resolution by this reference, and constitute a material part of this Resolution.

SECTION 2. Pursuant to the Dissolution Law, the Oversight Board hereby approves the Thirteenth Recognized Obligation Payment Schedule (ROPS 19-20) and Administrative Budget for the period July 1, 2019, to June 30, 2020; provided however, that the ROPS 19-20 is subject to the condition that such ROPS is to be submitted to and reviewed by the DOF. Further, the City Manager and/or her authorized designees, in consultation with legal counsel, shall be authorized to discuss this matter with the DOF and make augmentations, modifications, additions, or revisions to the ROPS 19-20 as may be necessary or directed by the DOF.

SECTION 3. The Oversight Board authorizes transmittal of the ROPS 19-20 to the DOF, with copies to the County Executive Office, the County Auditor-Controller, and the State Controller’s Office.

SECTION 4. The City Manager and/or her authorized designee is directed to post this Resolution, including the ROPS 19-20, on the City/Successor Agency website pursuant to the Dissolution Law.

SECTION 5. Under HSC Section 34179(h) written notice and information about certain actions taken by the Orange Countywide Oversight Board shall be provided to the DOF by electronic means and in a manner of DOF’s choosing. The Orange Countywide Oversight Board’s action shall become effective five (5) business days after notice in the manner specified by the DOF unless the DOF requests a review.

SECTION 6. The Clerk of the Orange Countywide Oversight Board shall certify to the adoption of this resolution.



Recognized Obligation Payment Schedule (ROPS 19-20) - Summary  
Filed for the July 1, 2019 through June 30, 2020 Period

Successor Agency:

La Palma

County:

Orange

Current Period Requested Funding for Enforceable Obligations (ROPS Detail)		19-20A Total (July - December)	19-20B Total (January - June)	ROPS 19-20 Total
A	Enforceable Obligations Funded as Follows (B+C+D):	\$ -	\$ 535,262	\$ 535,262
B	Bond Proceeds	-	-	-
C	Reserve Balance	-	535,262	535,262
D	Other Funds	-	-	-
E	Redevelopment Property Tax Trust Fund (RPTTF) (F+G):	\$ 753,475	\$ 417,215	\$ 1,170,690
F	RPTTF	629,025	292,765	921,790
G	Administrative RPTTF	124,450	124,450	248,900
H	Current Period Enforceable Obligations (A+E):	\$ 753,475	\$ 952,477	\$ 1,705,952

Certification of Oversight Board Chairman:  
Pursuant to Section 34177 (o) of the Health and Safety code, I  
hereby certify that the above is a true and accurate Recognized  
Obligation Payment Schedule for the above named successor  
agency.

NameTitle

/s/

SignatureDate

La Palma Recognized Obligation Payment Schedule (ROPS 19-20) - ROPS Detail																						
July 1, 2019 through June 30, 2020																						
(Report Amounts in Whole Dollars)																						
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
Item #	Project Name/Debt Obligation	Obligation Type	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Retired	ROPS 19-20 Total	19-20A (July - December)					19-20A Total	19-20B (January - June)					19-20B Total
											Fund Sources						Fund Sources					
											Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF		Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	
								\$ 3,900,581		\$ 1,705,952	\$ 0	\$ 0	\$ 0	\$ 629,025	\$ 124,450	\$ 753,475	\$ 0	\$ 535,262	\$ 0	\$ 292,765	\$ 124,450	\$ 952,477
1	1993 Tax Allocation Bonds	Bonds Issued On or Before	12/1/1993	6/1/2022	US Bank	Tax Increment Bond Pledge	All	268,430	N	\$ 44,030				7,015		\$ 7,015				37,015		\$ 37,015
2	2001 Tax Allocation Ref. Bonds	Bonds Issued On or Before	12/1/2001	6/1/2021	US Bank	Tax Increment Bond Pledge	All	1,685,350	N	\$ 825,525				42,763		\$ 42,763		535,262		247,500		\$ 782,762
3	1999 Loan Agreement (Seasons)	City/County Loan (Prior 06/28/11), Other	10/28/1999	10/28/2029	City of La Palma	Senior Affordable Apartments	All		N	\$ -						\$ -						\$ -
4	2002 Loan Agreement (Unisource)	City/County Loan (Prior 06/28/11), Other	5/21/2002	6/1/2022	City of La Palma	Site Rehabilitation Loan	All	513,739	N	\$ 40,735				40,735		\$ 40,735						\$ -
9	TAB Fees	Fees	12/1/1993	6/1/2022	U.S. Bank	1993, 2001 TAB Fees	All	13,750	N	\$ 8,250						\$ -				8,250		\$ 8,250
10	Arbitrage Calculations	Fees	8/12/2003	6/1/2022	Willdan Financial Svcs	Arbitrage Calculations	All	9,050	N	\$ 3,250				3,250		\$ 3,250						\$ -
16	AB 1X26 Adminstrative Allowance	Admin Costs	7/1/2016	6/30/2017	City of La Palma	Administrative Cost Allowance	All	875,000	N	\$ 248,900					124,450	\$ 124,450					124,450	\$ 124,450
19	1993 Tax Allocation Bonds	Reserves	12/1/1993	6/1/2022	US Bank	Tax Increment Bond Pledge	All		N	\$ -						\$ -						\$ -
20	2001 Tax Allocation Ref. Bonds	Reserves	12/1/2001	6/1/2021	US Bank	Tax Increment Bond Pledge	All	535,262	N	\$ 535,262				535,262		\$ 535,262						\$ -
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La Palma Recognized Obligation Payment Schedule (ROPS 19-20) - Report of Cash Balances  
July 1, 2016 through June 30, 2017  
(Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. For tips on how to complete the Report of Cash Balances Form, see <a href="#">Cash Balance Tips Sheet</a> .							
A	B	C	D	E	F	G	H
	ROPS 16-17 Cash Balances (07/01/16 - 06/30/17)	Fund Sources					Comments
		Bond Proceeds		Reserve Balance	Other Funds	RPTTF	
		Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS RPTTF and Reserve Balances retained for future period(s)	Rent, Grants, Interest, etc.	Non-Admin and Admin	
1	Beginning Available Cash Balance (Actual 07/01/16) RPTTF amount should exclude "A" period distribution amount	879,874			8,481	7,438	
2	Revenue/Income (Actual 06/30/17) RPTTF amount should tie to the ROPS 16-17 total distribution from the County Auditor-Controller	5,971			5,695	1,212,266	
3	Expenditures for ROPS 16-17 Enforceable Obligations (Actual 06/30/17)	6,905			955	1,211,757	
4	Retention of Available Cash Balance (Actual 06/30/17) RPTTF amount retained should only include the amounts distributed as reserve for future period(s)	878,940			8,481		
5	ROPS 16-17 RPTTF Prior Period Adjustment RPTTF amount should tie to the Agency's ROPS 16-17 PPA form submitted to the CAC	No entry required					
6	Ending Actual Available Cash Balance (06/30/17) C to F = (1 + 2 - 3 - 4), G = (1 + 2 - 3 - 4 - 5)	\$ 0	\$ 0	\$ 0	\$ 4,740	\$ 7,947	



**Successor Agency to the Former  
City of La Palma Community Development Commission  
Administrative Budget  
July 1, 2019 to June 30, 2020**

<b>CATEGORY</b>	<b>2019-20</b>
Salaries and Benefits	98,000
Agency Operations (Utilities, Office Supplies, Equipment, Maintenance, etc.)	45,700
Legal Services	10,300
Annual Audit Services	2,800
Consultant Services (HdL, Contract Accountant)	2,800
Risk Management (General Liability/Workers Comp/Property Ins.)	62,900
Technology (Maintenance & other equipment related expenses)	26,400
<b>TOTAL</b>	<b>248,900</b>

RESOLUTION NO. SA 2019-02

January 16, 2019  
Kemberly Kanny, Clerk  
Deputy

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
LA PALMA ACTING AS THE SUCCESSOR AGENCY TO  
THE DISSOLVED COMMUNITY DEVELOPMENT  
COMMISSION OF THE CITY OF LA PALMA APPROVING  
THE THIRTEENTH RECOGNIZED OBLIGATION PAYMENT  
SCHEDULE (ROPS) 19-20, AND ADOPTING AND  
APPROVING THE SUCCESSOR AGENCY'S  
ADMINISTRATIVE BUDGET FOR THE PERIOD JULY 1,  
2019, THROUGH JUNE 30, 2020**

**WHEREAS**, the Community Development Commission of the City of La Palma (Former Agency) was activated by the City Council of the City of La Palma as redevelopment agency, under the California Community Redevelopment Law (Health & Safety Code Section 33000 et seq.); and

**WHEREAS**, Assembly Bill x1 26 added Parts 1.8 and 1.85 to Division 24 of the California Health and Safety Code (HSC), which caused the dissolution of all redevelopment agencies and wind down of the affairs of former agencies, including as such laws were amended by Assembly Bill 1484 and by other subsequent legislation ("Dissolution Law"); and

**WHEREAS**, as of February 1, 2012, the Former Agency was dissolved under the Dissolution Law, and as a separate public entity, corporate and politic under HSC Section 34171(g), the Successor Agency to the Community Development Commission (Successor Agency) administers the enforceable obligations of the Former Agency and otherwise unwinds the Former Agency's affairs; and

**WHEREAS**, HSC Section 34177(l)(1) requires the Successor Agency to prepare a Recognized Obligation Payment Schedule (ROPS) and submit to the Oversight Board pursuant to HSC Sections 34177(l)(2)(B) for approval; and

**WHEREAS**, the Thirteenth Recognized Obligation Payment Schedule (ROPS 19-20 A/B) (Exhibit A) and Administrative Budget (Exhibit B) for the July 1, 2019, through June 30, 2020 period has been prepared and presented for consideration to the Successor Agency; and

**WHEREAS**, Health and Safety Code Section 34177(o)(1) of the Health and Safety Code requires a successor agency to submit an oversight board-approved ROPS to the Department of Finance and the County Auditor-Controller no later than February 1 of each year; and

**WHEREAS**, as of, on and after July 1, 2018, under the Dissolution Law, in particular HSC Section 34179(j), the County of Orange through the Orange County

Auditor-Controller established the single Orange Countywide Oversight Board in compliance with HSC Section 34179(j), which serves as the oversight board to the 25 successor agencies existing and operating in Orange County, including the Successor Agency; and

**WHEREAS**, the City Council acting as the Successor Agency has reviewed and duly considered the Staff Report, and the ROPS 19-20 and Administrative Budget for the period of July 1, 2019, to June 30, 2020, and other evidence and testimony presented related thereto.

**NOW, THEREFORE**, the City Council of the City of La Palma Acting as the Successor Agency to the Dissolved Community Development Commission resolves as follows:

**SECTION 1.** The foregoing recitals are incorporated into this Resolution by this reference, and constitute a material part of this Resolution.

**SECTION 2.** The City Council acting as the Successor Agency, hereby approves the Thirteenth Recognized Obligation Payment Schedule (ROPS 19-20) for the period July 1, 2019, to June 30, 2020, as attached hereto as Exhibit "A" and incorporated herein by this reference.

**SECTION 3.** The City Council acting as the Successor Agency, hereby approves the proposed Administrative Budget, attached hereto as Exhibit "B" and incorporated herein by this reference.

**SECTION 3.** The City Manager and/or her authorized designees are hereby authorized to submit the ROPS 19-20 and Administrative Budget for the period July 1, 2019, to June 30, 2020, to the Orange Countywide Oversight Board for its approval.

**SECTION 4.** The City Manager and/or her authorized designees are hereby authorized to submit the ROPS 19-20 for the period July 1, 2019, to June 30, 2020, to the Orange County Auditor-Controller, the California State Controller, and the California Department of Finance, upon approval by the Orange Countywide Oversight Board and shall also post the ROPS 19-20 on the City's website.

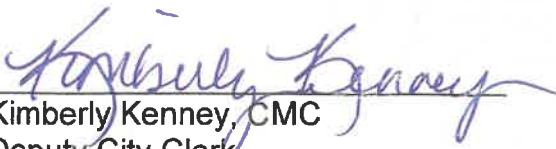
**PASSED, APPROVED, AND ADOPTED** this 15<sup>th</sup> day of January 2019.



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Marshall Goodman  
Mayor

ATTEST:

  
Kimberly Kenney, CMC  
Deputy City Clerk

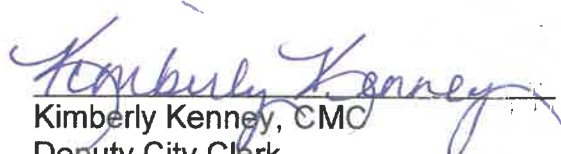


STATE OF CALIFORNIA )  
COUNTY OF ORANGE ) SS  
CITY OF LA PALMA )

I, KIMBERLY KENNEY, Deputy City Clerk of the City of La Palma, HEREBY DO CERTIFY that the foregoing resolution was adopted at a regular meeting of the City Council of the City of La Palma, held on this 15<sup>th</sup> day of January 2019.

AYES: Goedhart, Goodman, Kim, Patel, and Steggell

NOES: None

  
Kimberly Kenney, CMC  
Deputy City Clerk

Recognized Obligation Payment Schedule (ROPS 19-20) - Summary  
Filed for the July 1, 2019 through June 30, 2020 Period

Successor Agency:

La Palma

County:

Orange

Current Period Requested Funding for Enforceable Obligations (ROPS Detail)		19-20A Total (July - December)	19-20B Total (January - June)	ROPS 19-20 Total
A	Enforceable Obligations Funded as Follows (B+C+D):	\$ -	\$ 535,262	\$ 535,262
B	Bond Proceeds	-	-	-
C	Reserve Balance	-	535,262	535,262
D	Other Funds	-	-	-
E	Redevelopment Property Tax Trust Fund (RPTTF) (F+G):	\$ 753,475	\$ 417,215	\$ 1,170,690
F	RPTTF	629,025	292,765	921,790
G	Administrative RPTTF	124,450	124,450	248,900
H	Current Period Enforceable Obligations (A+E):	\$ 753,475	\$ 952,477	\$ 1,705,952

Certification of Oversight Board Chairman:  
Pursuant to Section 34177 (o) of the Health and Safety code, I  
hereby certify that the above is a true and accurate Recognized  
Obligation Payment Schedule for the above named successor  
agency.

NameTitle

/s/

SignatureDate

La Palma Recognized Obligation Payment Schedule (ROPS 19-20) - ROPS Detail																						
July 1, 2019 through June 30, 2020																						
(Report Amounts in Whole Dollars)																						
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
Item #	Project Name/Debt Obligation	Obligation Type	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Retired	ROPS 19-20 Total	19-20A (July - December)					19-20A Total	19-20B (January - June)					19-20B Total
											Fund Sources						Fund Sources					
											Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF		Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	
								\$ 3,900,581		\$ 1,705,952	\$ 0	\$ 0	\$ 0	\$ 629,025	\$ 124,450	\$ 753,475	\$ 0	\$ 535,262	\$ 0	\$ 292,765	\$ 124,450	\$ 952,477
1	1993 Tax Allocation Bonds	Bonds Issued On or Before	12/1/1993	6/1/2022	US Bank	Tax Increment Bond Pledge	All	268,430	N	\$ 44,030				7,015		\$ 7,015				37,015		\$ 37,015
2	2001 Tax Allocation Ref. Bonds	Bonds Issued On or Before 12/31/10	12/1/2001	6/1/2021	US Bank	Tax Increment Bond Pledge	All	1,685,350	N	\$ 825,525				42,763		\$ 42,763		535,262		247,500		\$ 782,762
3	1999 Loan Agreement (Seasons)	City/County Loan (Prior 06/28/11), Other	10/28/1999	10/28/2029	City of La Palma	Senior Affordable Apartments	All		N	\$ -						\$ -						\$ -
4	2002 Loan Agreement (Unisource)	City/County Loan (Prior 06/28/11), Other	5/21/2002	6/1/2022	City of La Palma	Site Rehabilitation Loan	All	513,739	N	\$ 40,735				40,735		\$ 40,735						\$ -
9	TAB Fees	Fees	12/1/1993	6/1/2022	U.S. Bank	1993, 2001 TAB Fees	All	13,750	N	\$ 8,250						\$ -				8,250		\$ 8,250
10	Arbitrage Calculations	Fees	8/12/2003	6/1/2022	Willdan Financial Svcs	Arbitrage Calculations	All	9,050	N	\$ 3,250				3,250		\$ 3,250						\$ -
16	AB 1X26 Adminstrative Allowance	Admin Costs	7/1/2016	6/30/2017	City of La Palma	Administrative Cost Allowance	All	875,000	N	\$ 248,900					124,450	\$ 124,450					124,450	\$ 124,450
19	1993 Tax Allocation Bonds	Reserves	12/1/1993	6/1/2022	US Bank	Tax Increment Bond Pledge	All		N	\$ -						\$ -						\$ -
20	2001 Tax Allocation Ref. Bonds	Reserves	12/1/2001	6/1/2021	US Bank	Tax Increment Bond Pledge	All	535,262	N	\$ 535,262				535,262		\$ 535,262						\$ -
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La Palma Recognized Obligation Payment Schedule (ROPS 19-20) - Report of Cash Balances  
July 1, 2016 through June 30, 2017  
(Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177 (l), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. For tips on how to complete the Report of Cash Balances Form, see <a href="#">Cash Balance Tips Sheet</a> .							
A	B	C	D	E	F	G	H
	ROPS 16-17 Cash Balances (07/01/16 - 06/30/17)	Fund Sources					Comments
		Bond Proceeds		Reserve Balance	Other Funds	RPTTF	
		Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS RPTTF and Reserve Balances retained for future period(s)	Rent, Grants, Interest, etc.	Non-Admin and Admin	
1	Beginning Available Cash Balance (Actual 07/01/16) RPTTF amount should exclude "A" period distribution amount	879,874			8,481	7,438	
2	Revenue/Income (Actual 06/30/17) RPTTF amount should tie to the ROPS 16-17 total distribution from the County Auditor-Controller	5,971			5,695	1,212,266	
3	Expenditures for ROPS 16-17 Enforceable Obligations (Actual 06/30/17)	6,905			955	1,211,757	
4	Retention of Available Cash Balance (Actual 06/30/17) RPTTF amount retained should only include the amounts distributed as reserve for future period(s)	878,940			8,481		
5	ROPS 16-17 RPTTF Prior Period Adjustment RPTTF amount should tie to the Agency's ROPS 16-17 PPA form submitted to the CAC	No entry required					
6	Ending Actual Available Cash Balance (06/30/17) C to F = (1 + 2 - 3 - 4), G = (1 + 2 - 3 - 4 - 5)	\$ 0	\$ 0	\$ 0	\$ 4,740	\$ 7,947	

[illegible]

## EXHIBIT B

**Successor Agency to the Former  
City of La Palma Community Development Commission  
Administrative Budget  
July 1, 2019 to June 30, 2020**

<b>CATEGORY</b>	<b>2019-20</b>
Salaries and Benefits	98,000
Agency Operations (Utilities, Office Supplies, Equipment, Maintenance, etc.)	45,700
Legal Services	10,300
Annual Audit Services	2,800
Consultant Services (HdL, Contract Accountant)	2,800
Risk Management (General Liability/Workers Comp/Property Ins.)	62,900
Technology (Maintenance & other equipment related expenses)	26,400
<b>TOTAL</b>	<b>248,900</b>

RESOLUTION NO. CDC 93-25

A RESOLUTION OF THE LA PALMA COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF LA PALMA APPROVING THE ISSUANCE OF ITS LA PALMA COMMUNITY DEVELOPMENT PROJECT NO. 1, 1993 TAX ALLOCATION BONDS, A FORM OF INDENTURE, A FORM OF A BOND PURCHASE AGREEMENT, A FORM OF AN ESCROW DEPOSIT AND TRUST AGREEMENT, A FORM OF AN OFFICIAL STATEMENT, AND MAKING CERTAIN DETERMINATIONS RELATING THERETO

WHEREAS, the Community Development Commission of the City of La Palma (the "Commission") is a redevelopment agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law, being Section 33000 and following of the Health and Safety Code of the State of California, and the Powers of the Agency include the power to issue bonds for any of its corporate purposes; and

WHEREAS, a redevelopment plan, known as the Community Development Plan for the La Palma Community Development Project No. 1, has been adopted and approved by Ordinance No. 83-7, which was adopted on May 3, 1983, was amended on May 5, 1987 and was further amended on June 23, 1992; and

WHEREAS, the Commission, in order to provide additional financing for the Project, has determined to issue its not to exceed \$6,000,000.00 principal amount of its La Palma Community Redevelopment Project No. 1, 1993 Tax Allocation Bonds, (the "Bonds") for the purpose of advance refunding its La Palma Community Development Project No. 1, 1988 Tax Allocation Bonds (the "1988 Bonds"); and

WHEREAS, the Commission caused a noticed public hearing to be conducted on October 19, 1993, for the purpose of receiving public comment concerning the facilities to be financed by the Bonds, as required by the Internal Revenue Code of 1986, and the terms of the notice for such hearing (the "TEFRA Notice") are hereby incorporated by this reference; and

WHEREAS, there has been presented at this meeting a form of Supplemental Trust Indenture No. 2, a Bond Purchase Agreement, and an Escrow Deposit and Trust Agreement providing for the issuance of the Bonds; and

NOW, THEREFORE, BE IT RESOLVED by the Community Development Commission of the City of La Palma as follows:

SECTION 1. APPROVAL OF ISSUANCE OF BONDS. The issuance of its La Palma Community Development Commission, La Palma Community Development Project No. 1, 1993 Tax Allocation Bonds in a principal amount not to exceed \$6,000,000.00 to advance refund the 1988 bonds, to establish a reserve fund, to pay the costs of issuance of the Bonds, and for other purposes related thereto as set forth in the TEFRA Notice, all of which constitute a "redevelopment activity,"

as such term is defined in Health and Safety Code Section 33678, is hereby authorized and approved. Said approval is also intended to satisfy the requirement of Section 147(f) of the Internal Revenue Code of 1986, regarding public approval by the issuer of bonds.

SECTION 2. Approval of Supplemental Trust Indenture. The form of Trust Indenture No. 2 dated as of October 1, 1993 by and between the Commission and Bank of America National Trust and Savings Association, as trustee (the "Indenture") presented at this meeting is hereby approved and the Chairperson or Vice Chairperson or Executive Director and the Secretary are hereby authorized and directed, for and in the name of and on behalf of the Commission, to execute, acknowledge and deliver said Indenture in substantially the form presented at this meeting with such changes therein as the officers executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 3. Approval of the Bond Purchase Agreement. The form of the Bond Purchase Agreement relating to the purchase of the Bonds by Miller & Schroeder Financial, Inc., (the "Underwriter") a copy of which will be on file with the Secretary of the Commission, be and is hereby approved, or with such changes as may be approved by the Chairperson or any Vice Chairperson or Executive Director of the Commission, said execution thereof to constitute conclusive evidence of said officer's approval of all changes from the form presented to this meeting, and the Chairperson or any Vice Chairperson or Executive Director of the Commission be and is hereby authorized, together or alone, to execute and deliver said Agreement and to insert in the aforesaid Agreement the dollar amount which reflects the provisions of said Bond Purchase Agreement. Provided, however, that (1) the aggregate principal amount of the Bonds shall not exceed \$6,000,000.00; and (2) the Agency shall have received from the Underwriter prior to the sale of the Bonds its confirmation that the Bonds will have a net interest cost (computed on the face amount thereof without discount) of not more than seven percent (7%), with an initial underwriter's discount of no more than two percent (2%) exclusive of any original issue discount.

SECTION 4. Approval of Escrow Deposit and Trust Agreements. The proposed form of the Escrow Deposit and Trust Agreement (the "Escrow Agreement") in substantially the form on file with the Secretary, with any amendments approved by the Executive Director, is hereby approved. The Chairperson or Executive Director are hereby authorized and directed to execute and deliver, and the Secretary is hereby authorized and directed to attest and affix the seal of the Commission to, the Escrow Agreement in substantially said form, with such additions thereto or changes therein as are approved by the Executive Director upon consultation with Bond Counsel, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of the Escrow Agreement by the Chairperson or Executive Director.

SECTION 5. Appointment of Trustee. Bank of America National Trust and Savings Association is hereby appointed as Trustee pursuant to the Indenture, to take any and all action provided therein to be taken by the Trustee.

SECTION 6. Official Statement Authorized. The Preliminary Official Statement relating to the Bonds, prepared by the Underwriter is approved for



distribution by the Underwriter to municipal bond broker-dealers, to banking institutions, and to members of the general public who may be interested in purchasing the Bonds. The Executive Director is authorized to approve the amendment of the Preliminary Official Statement, from time to time, pending distribution of the Preliminary Official Statement as shall be required to cause such Preliminary Official Statement to contain any further information necessary to accurately describe the Bonds and the Executive Director is authorized to deem final the Preliminary Official Statement as of its date for the purchase of Rule 15c2-12 under the Securities Exchange Act of 1934 as amended. The final Official Statement relating to the Bonds shall be submitted to the Executive Director for approval and signature.

SECTION 7. Fiscal Redevelopment Consultant and Bond Counsel. The consulting firm of Rosenow Spejacek Group, Inc. and the law firm of Rutan & Tucker are hereby retained as Fiscal Redevelopment Consultant and Bond Counsel, respectively.

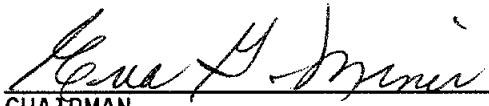
SECTION 8. Filing of CDAC Notice. The Commission hereby approves the filing by the Underwriter or Bond Counsel of a notice of the Commission's intent to sell the Bonds with the California Debt Advisory Commission pursuant to Section 8855 of the California Government Code.

SECTION 9. Designation of Bonds. The Bonds are hereby designated as "qualified tax-exempt obligations" pursuant to and as defined in Section 265(b) (3) of the Internal Revenue Code of 1986.

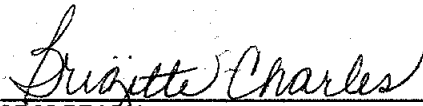
SECTION 10. Other Acts. The officers and staff of the Commission are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, which in consultation with Bond Counsel, they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds, or otherwise effectuate the purposes of this Resolution, and any and all such actions previously taken by such officers or staff members are hereby ratified and confirmed.

SECTION 11. Effective Date. This Resolution shall take effect upon adoption.

ADOPTED AND APPROVED by the Community Development Commission of the City of La Palma this 19th day of OCTOBER, 1993.

  
CHAIRMAN

ATTEST:

  
SECRETARY

APPROVED:

  
EXECUTIVE DIRECTOR

STATE OF CALIFORNIA     )  
COUNTY OF ORANGE     )   SS.  
CITY OF LA PALMA     )

I, BRIGITTE CHARLES, Secretary of the Community Development Commission of the City of La Palma, California, DO HEREBY CERTIFY that the foregoing Resolution was adopted by the Community Development Commission at a regular meeting of the Commission held on the 19th day of October, 1993, and that it was so adopted by called vote as follows:

AYES:       Herman, Lim, Linn, Miner, Schuster

NOES:       None

ABSENT:     None

  
BRIGITTE CHARLES, SECRETARY

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**SUPPLEMENTAL TRUST INDENTURE NO. 2**

**By and Between**

**LA PALMA COMMUNITY DEVELOPMENT COMMISSION**

**and**

**BANK OF AMERICA NATIONAL TRUST AND SAVINGS  
ASSOCIATION,**

**as Trustee**

**Dated as of December 1, 1993**

**Relating to**

**\$5,100,000.00 La Palma Community Development Project No. 1  
1993 Tax Allocation Refunding Bonds**

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SUPPLEMENTAL TRUST INDENTURE NO. 2

THIS SUPPLEMENTAL TRUST INDENTURE NO. 2 (the "Indenture") is made and entered into as of December 1, 1993, by and between the La Palma Community Development Commission, a public body, corporate and politic, organized and existing under, and by virtue of the laws of the State of California (the "Commission"), and Bank of America National Trust and Savings Association, a national banking association organized and existing under the laws of the United States of America and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States with a corporate trust office located in Los Angeles, California, as trustee (the "Trustee"),

W I T N E S S E T H:

WHEREAS, the Commission is a redevelopment agency, a public body, corporate and politic, duly created, 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, including the power to issue bonds, notes and other obligations for any of its corporate purposes;

WHEREAS, a Community Development Plan for the La Palma Community Development Project No. 1 has been adopted in compliance with all requirements of law;

WHEREAS, the Commission has by Resolution No. CDC 93-25, adopted October 19, 1993 (the "Resolutions"), authorized the issuance of its La Palma Community Development Project No. 1, 1993 Tax Allocation Refunding Bonds, in the principal amount of \$5,100,000.00 to advance refund its La Palma Community Development Project No. 1, 1988 Tax Allocation Bonds (the "1988 Bonds") and finance the cost of certain public improvements to be constructed and installed within and without La Palma Community Development Project No. 1 and other expenditures authorized by the law;

WHEREAS, the Commission has now determined to issue the Bonds and to enter into this Indenture to secure the Bonds by a pledge and assignment of the Tax Revenues (subject to the limitations hereinafter set forth in Section 4.01) and certain proceeds of the Bonds; and

WHEREAS, all things necessary to cause the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, to be valid, binding and legal special obligations of the Commission in accordance with their terms, and to constitute this Indenture a valid assignment and pledge of the Tax Revenues pledged to the payment of principal of and interest and any redemption premium on the Bonds (subject to the limitations hereinafter set forth in Section 4.01), and all things necessary to cause the creation, execution and delivery of this Indenture and the

creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

WHEREAS, the Commission desires to issue the Bonds on parity with its La Palma Community Development Project No. 1, 1991 Tax Allocation Bonds (the "1991 Bonds");

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:

#### GRANTING CLAUSES

The Commission, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Owners thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and interest and any redemption premium on the Bonds according to their tenor and effect and to secure the performance and observance by the Commission of all the covenants expressed or implied herein and in the Bonds, does hereby assign and pledge unto, and grant a security interest in the following (the "Trust Estate") to Bank of America National Trust and Savings Association, as Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Commission hereinafter set forth:

#### GRANTING CLAUSE FIRST

Subject to the limitations set forth in Section 4.01 hereof, all right, title and interest of the Commission in and to the Tax Revenues, including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any Tax Revenues payable to or receivable by the Commission under the Constitution of this State and the Law and any other applicable laws of this State or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the Commission is or may become entitled to do thereunder, subject to the terms hereof.

#### GRANTING CLAUSE SECOND

All monies and securities and all other rights of every name and nature from time to time herein or hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security hereunder to the Trustee by the Commission or by anyone in its behalf, or with its written consent, and to hold and apply the same, subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever for the benefit



of the Bondowners and such pledge shall constitute a lien on and security interest in such Trust Estate;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Bonds issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds;

PROVIDED, HOWEVER, that if the Commission, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest and any redemption premium on the Bonds due or to become due thereon, at the times and in the manner provided in the Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as herein provided, this Indenture and the rights hereby granted shall cease, determine and be void; otherwise this Indenture shall remain in full force and effect.

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all said property, rights and interests, including, without limitation, the Tax Revenues hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Commission has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners, from time to time, of the Bonds, or any part thereof, as follows:

## ARTICLE I

### STATUTORY AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Indenture. This Indenture is entered into pursuant to the provisions of the Law and Resolution No. CDC 93-25, adopted by the Commission on October 19, 1993.

Section 1.02. Indenture Constitutes Contract. In consideration of the purchase and acceptance of any and all of the Bonds issued hereunder by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract among the Commission, the Trustee and the Owners of the Bonds. The pledge made in this Indenture and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Commission shall be for the equal benefit, protection

and security of the Owners of any and all of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Indenture.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Indenture, of any Additional Supplemental Indenture, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

#### Additional Bonds

"Additional Bonds" means all bonds or notes ranking on a parity with the 1991 Bonds and the Bonds issued hereunder and issued under and pursuant to Section 3.04 and an Additional Supplemental Indenture.

#### Additional Supplemental Indenture

"Additional Supplemental Indenture" or "Supplemental Indenture" or "Additional Supplemental Resolution" means any indenture or resolution then in full force and effect which has been duly approved or adopted by the Commission under the Law, or any act supplementary thereto or amendatory thereof, at a meeting of the Commission duly convened and held, at which a quorum was present and acted thereon, amendatory of or supplemental to the 1991 Indenture and not including this Indenture; but only if and to the extent that such Additional Supplemental Indenture is specifically authorized hereunder.

#### Annual Debt Service

"Annual Debt Service" means for each Bond Year, the sum of (1) the interest falling due on the Outstanding Bonds of all series in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (2) the principal amount of the Outstanding Bonds falling due by their terms in such Bond Year, using for such determination of principal amount with respect to Term Bonds, the amount of Sinking Account payments falling due in such Bond Year.

#### Articles, Sections

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.

### 1988 Bonds

"1988 Bonds" means the La Palma Community Development Project No. 1, 1988 Tax Allocation Bonds in the amount of \$4,950,000.00.

### 1991 Bonds

"1991 Bonds" means the La Palma Community Development Project No. 1, 1991 Tax Allocation Bonds in the amount of \$6,500,000.00.

### Bond Counsel

"Bond Counsel" means any attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

### Bonds, Serial Bonds, Term Bonds

"Bonds" means the La Palma Community Development Commission, La Palma Community Development Project No. 1, 1993 Tax Allocation Refunding Bonds authorized by, and at any time Outstanding pursuant to this Indenture.

"Serial Bonds" means Bonds for which no mandatory Sinking Account payments are provided.

"Term Bonds" means Bonds which are payable on or before their specified maturity dates from mandatory Sinking Account payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

### Bond Proceeds Fund

"Bond Proceeds Fund" means the fund by that name established by Section 3.02.

### Bond Year

"Bond Year" means the twelve (12) month period commencing on June 2 of each year and continuing through the following June 1 of the next succeeding year, provided that the first Bond Year shall extend from the Closing Date to June 1, 1994.

### Business Day

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Trustee has its principal corporate trust office, or in the City of New York, New York are authorized or obligated by law or executive order to be closed.

### Chairperson

"Chairperson" means the chairman of the Commission appointed pursuant to Section 33113 of the Health and Safety Code of the State of California, or other duly appointed officer of the Commission authorized by the Commission by resolution or by-law to perform the functions of the chairperson in the event of the chairperson's absence or disqualification.

### Closing Date

"Closing Date" means the day when the Bonds, duly authenticated by the Trustee, are delivered to the original purchaser thereof.

### Code

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations adopted thereunder by the Internal Revenue Service.

### Commission

"Commission" means the La Palma Community Development Commission, a public body, corporate and politic, established under the Law.

### Cost of Issuance

"Cost of Issuance" means items of expense payable or reimbursable directly or indirectly by the Commission and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Trustee, including Trustee counsel fees, expenses incurred by the Commission in connection with the issuance of the Bonds, underwriter's discount, legal fees and charges, including Bond Counsel, special tax counsel and financial consultants's fees, costs of verifications, rating agency fees, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

### Cost of Issuance Account

"Cost of Issuance Account" means the account by that name established by Section 3.02.

### County

"County" means the County of Orange.

### County Assessor

"County Assessor" means the person who holds the office in the County in which the Commission is located designated as the County Assessor, or one of his duly appointed deputies, or any person or persons performing substantially the same duties in the event said office is ever abolished or changed.

### County Auditor-Controller

"County Auditor-Controller" means the person who holds the office in the County in which the Commission is located designated as the County Auditor-Controller, or one of his duly appointed deputies, or any person or persons performing substantially the same duties in the event said office is ever abolished or changed.

### Escrow Agreement

"Escrow Agreement" means that Escrow Deposit and Trust Agreement between the Commission and the Escrow Agent dated as of December 1, 1993.

### Escrow Agent

"Escrow Agent" means Bank of America National Trust and Savings Association appointed pursuant to the Escrow Agreement.

### Escrow Fund

"Escrow Fund" means that fund established pursuant to Section 3 of the Escrow Agreement.

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"Excess Earnings Account Fund" means that account established pursuant to Section 6.09 hereof.

### Excess Investment Earnings

"Excess Investment Earnings" has the meaning ascribed in Section 6.09 hereof.

### Federal Securities

"Federal Securities" means any of the following which are noncallable and which at the time of investment are legal investments under the laws of the State for trust funds held by the Trustee:

- (a) Direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America (including state and

local government series), including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

- (b) Any of the following obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank, (ii) certificates of beneficial ownership issued by the Farmers Home Administration, (iii) participation certificates issued by the General Services Administration, (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (v) project notes issued by the United States Department of Housing and Urban Development, and (vi) public housing notes and bonds guaranteed by the United States of America; or
- (c) Obligations of states or of any political subdivisions thereof, provided that the payment of principal thereof and interest thereon is fully secured by obligations described in (a) and/or (b) above.

#### Fiscal Year

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both inclusive, or any other twelve-month period hereafter selected and designated by the Commission as its official fiscal year period.

#### Gross Proceeds

"Gross Proceeds" has the meaning given to such term in Section 148(f)(6)(B) of the Code.

#### 1988 Indenture

"1988 Indenture" means that Trust Indenture by and between the La Palma Community Development Commission and Bank of America National Trust and Savings Association dated as of May 1, 1988.

#### 1991 Indenture

"1991 Indenture" means that Supplemental Trust Indenture No. 1 by and between the La Palma Community Development Commission and Bank of America National Trust and Savings Association dated as of October 1, 1991.

#### Indenture

"Indenture" means this Supplemental Trust Indenture No. 2, as it may be amended or supplemented by any Additional Supplemental Indenture adopted pursuant to the provisions hereof.

### Independent Certified Public Accountant

"Independent Certified Public 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 of California, appointed by the Commission, and who, or each of whom:

(1) is in fact independent and not under domination of the Commission;

(2) does not have any substantial interest, direct or indirect, with the Commission; and

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

### Independent Financial Consultant

"Independent Financial Consultant" means any financial consultant or firm of such consultants appointed by the Commission, and who, or each of whom:

(1) is in fact independent and not under domination of the Commission;

(2) does not have any substantial interest, direct or indirect, with the Commission; and

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

### Interest Account

"Interest Account" means the account by that name established pursuant to Section 4.03.

### Interest Payment Date

"Interest Payment Date" means June 1 and December 1 of each year while the Bonds are Outstanding.

### Investment Account

"Investment Account" means the account by that name established pursuant to Section 6.09.

### Investment Agreement

"Investment Agreement" means an investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an

agreement among the Commission, the Trustee and a financial institution or governmental agency or instrumentality.

#### Investment Earnings

"Investment Earnings" means all interest earned and any gains and losses on the funds and accounts established by this Indenture (excluding the Rebate Fund) and held by the Trustee.

#### Law

"Law" means 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, and the acts amendatory thereof and supplemental thereto.

#### Letter of Instructions or Rebate Certificate

"Letter of Instructions" or "Rebate Certificate" means the letter or certificate delivered on the Closing Date regarding compliance with the Code, and as it may be supplemented or amended from time to time.

#### Maximum Annual Debt Service

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

#### Non-Purpose Obligations

"Non-Purpose Obligations" has the meaning given to such term in Section 148(f)(6)(A) of the Code.

#### Outstanding

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 7.04) all Bonds except--

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Commission pursuant to the Indenture or any Additional Supplemental Indenture.



### Owner, Bondowner

"Owner" or "Bondowner" means any person who shall be the registered owner of any Outstanding fully registered Bond.

### Permitted Investments

"Permitted Investments" mean: (1) Federal Securities; (2) any of the following obligations of federal agencies not guaranteed by the United States of America: (a) debentures issued by the Federal Housing Administration; (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation or Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks or Banks for Cooperatives); (c) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds of any federal home loan bank established under said act and bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation; and bonds, notes or other obligations issued or assumed by the International Bank for Reconstruction and Development; (3) interest-bearing demand or time deposits (including certificates of deposit) in federal or State chartered banks (including the Trustee), provided that (i) in the case of a savings and loan association, such demand or time deposits shall be fully insured by an agency of the United States, or the unsecured obligations of such savings and loan association shall be rated in one of the top two rating categories by Moody's Investors Service, and (ii) in the case of a bank, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such bank (or the unsecured obligations of the parent bank holding company of which such bank is the lead bank) shall be rated in one of the top two rating categories by Moody's Investors Service; (4) repurchase agreements with a registered broker/dealer subject to the Securities Investors' Protection Corporation liquidation in the event of insolvency, or any commercial bank provided that: (i) the unsecured obligations of such bank shall be rated in one of the top two rating categories by Moody's Investors Service, or such bank shall be the lead bank of a banking holding company whose unsecured obligations are rated in one of the top two rating categories by Moody's Investors Service; (ii) the most recent reported combined capital, surplus and undivided profits of such bank shall be not less than \$100 million; (iii) the repurchase obligation under any such repurchase obligation shall be required to be performed in not more than thirty (30) days; (iv) the entity holding such securities as described in clause (iii) shall have a pledged first security interest therein for the benefit of the Trustee under the California Commercial Code or pursuant to the book entry procedures described by 31 C.F.R. 306.1 et. seq. or 31 C.F.R. 350.0 et. seq. and are rated in one of the top two rating categories by Moody's Investors Service; (5) bankers acceptances endorsed and guaranteed by banks described in clause (4) above; (6) obligations, the interest on which is exempt from federal income taxation under

Section 103 of the Code and which are rated in the one of the top two rating categories by Moody's Investors Service; (7) any Investment Agreement approved by a nationally recognized bond counsel with any investment agreement provider that is rated in one of the top two rating categories by Moody's Investors Service; or (8) units of a taxable government money market portfolio composed solely of (or fully secured by) obligations listed in (1) above.

#### Principal Account

"Principal Account" means the Account by that name established by Section 4.03.

#### Project, Redevelopment Project

"Project" or "Redevelopment Project" means the undertaking of the Commission pursuant to the Redevelopment Plan, as amended, and the Law for the redevelopment of the Project Area, as amended.

#### Project Area, Redevelopment Project Area

"Project Area" or "Redevelopment Project Area" means the La Palma Community Development Project Area No. 1 described in the Redevelopment Plan, as amended on May 3, 1987, June 2, 1987, July 7, 1992 and hereafter.

#### Rebate Fund

"Rebate Fund" means the fund by that name established and held by the Trustee pursuant to Section 6.09 hereof.

#### Redemption Account

"Redemption Account" means the account by that name established by Section 4.03.

#### Redevelopment Fund

"Redevelopment Fund" means the fund by that name established by Section 3.03.

#### Redevelopment Plan, Plan

"Redevelopment Plan" or "Plan" means the Community Development Plan for the La Palma Community Development Project No. 1 approved and adopted by Ordinance No. 83-7, adopted by the City Council of the City of La Palma on May 3, 1983, as amended on May 5, 1987 and Ordinance No. 87-03 adopted by the City Council of the City of La Palma on June 2, 1987, as amended by Ordinance No. 92-06 on July 7, 1992, and as hereafter amended in accordance with the Law.

## Report

"Report" means a report in writing signed by an Independent Financial Consultant and including --

(1) a statement that the person or firm making or giving such report has read the pertinent provisions of this Indenture to which such report relates;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the report.

## Reserve Account

"Reserve Account" means the account by that name established by Section 4.03.

## Reserve Requirement

"Reserve Requirement" means as of the date of calculation an amount equal to the lesser of ten percent (10%) of the original principal amount (less any underwriter's discount) of the Bonds and any Additional Bonds or the Maximum Annual Debt Service on the Bonds and any Additional Bonds.

## Sinking Account

"Sinking Account" the account by that name established pursuant to Section 4.03.

## Special Fund

"Special Fund" means the fund by that name established by Section 4.02.

## 1988 Special Fund

"1988 Special Fund" means the fund by that name established in Section 4.02 of the 1988 Indenture.

## 1991 Special Fund

"1991 Special Fund" means the fund by that name established in Section 4.02 of the 1991 Indenture.

## State

"State" means the State of California.

### Surplus Account

"Surplus Account" means the account by that name established pursuant to Section 4.03.

### Tax Increment Revenues

"Tax Increment Revenues" means that portion of taxes in the Redevelopment Project and received by the Commission, which is allocated to and paid into a special fund of the Commission pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, excluding that portion of Tax Increment Revenues required by Section 33334.2 of the Law to be used by the Commission for increasing and improving the supply of low and moderate income housing, all as more particularly set forth hereafter in this Indenture and in any Additional Supplemental Indenture authorizing the issuance of Additional Bonds.

### Tax Revenue Certificate

"Tax Revenue Certificate" means a certificate of the Commission, executed by the Executive Director or the Treasurer of the Commission, stating the amount of Tax Revenues received or to be received by the Commission in the then current Fiscal Year, accompanied, in the case of a statement of Tax Revenues to be received, by a statement from the County Auditor-Controller or from an Independent Financial Consultant of Tax Revenues to be paid to the Commission.

### Tax Revenues

"Tax Revenues" means (a) Tax Increment Revenues received by the Commission, (b) Investment Earnings, and (c) reimbursements, subventions, but excluding payments to the Commission with respect to personal property within the Redevelopment Project pursuant to Section 16110, et seq., of the Government Code, and other payments made by the State with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such property from such taxes. Tax Revenues shall not include amounts payable by the Commission under agreements entered into pursuant to Section 33401 of the Law.

### Treasurer

"Treasurer" means the treasurer of the Commission appointed pursuant to the Law, or other duly appointed officer of the Commission authorized by the Commission by resolution or bylaw to perform the functions of the treasurer including, without limitation, the Assistant Treasurer of the Commission.

#### 1988 Trustee

"1988 Trustee" means Bank of America National Trust and Savings Association as Trustee pursuant to the 1988 Indenture.

#### 1991 Trustee

"1991 Trustee" means Bank of America National Trust and Savings Association as trustee pursuant to the 1991 Indenture.

#### Trustee

"Trustee" means the Trustee appointed by the Commission as herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01.

#### Written Request of the Commission

"Written Request of the Commission" means an instrument in writing signed by the Chairperson or Executive Director or by any other officer of the Commission duly authorized by the Commission for that purpose.

#### Yield

"Yield" has the meaning given to such term in Section 148 of the Code.

#### Yield on the Bonds or Bond Yield

"Yield on the Bonds" or "Bond Yield" means 7.0832064% per annum.

### ARTICLE II

#### THE BONDS

Section 2.01. Authorization. There are hereby authorized to be issued by the Commission under and subject to the terms of this Indenture and the Constitution and laws of the State of California, specifically including the Law, the Bonds in the aggregate principal amount of Five Million One Hundred Thousand Dollars (\$5,100,000.00). This Indenture constitutes a continuing agreement with the Owners of all of the Bonds issued hereunder and then Outstanding to secure the full and final payment of principal and premiums, if any, and the interest on all Bonds which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The Bonds shall be designated the "La Palma Community Development Commission, La Palma Community Development Project No. 1, 1993 Tax Allocation Refunding Bonds."

Section 2.02. Terms of Bonds.

(1) The Bonds shall be issued as fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof, but in an amount not to exceed the aggregate principal amount of Bonds maturing in the year of maturity of the Bond for which the denomination is specified. Bonds shall be numbered as determined by the Trustee from one (1) consecutively upwards in order of issuance.

(2) Date of Authentication of Bonds. The Bonds shall be dated as of the date of authentication thereof, except that each Bond delivered to the purchaser designated in Section 3.01 shall be dated as of December 1, 1993.

(3) CUSIP Identification Numbers: "CUSIP" identification numbers shall be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the Commission to use such CUSIP numbers in any notice to Owners of the Bonds shall not constitute an event of default or any violation of the Commission's contract with such Owners.

(4) Maturities. The Bonds shall mature and become payable on June 1 of each year, as follows:

MATURITY SCHEDULE

<u>Principal Amount</u>	<u>Maturity Date June 1 of</u>	<u>Interest Rate</u>
\$210,000	1994	3.30%
100,000	1995	3.90%
105,000	1996	4.25%
110,000	1997	4.45%
115,000	1998	4.80%
115,000	1999	5.00%
125,000	2000	5.20%
130,000	2001	5.40%
135,000	2002	5.50%
145,000	2003	5.60%
150,000	2004	5.70%
160,000	2005	5.80%
165,000	2006	5.90%
180,000	2007	6.00%

\$3,155,000 - 6.10% Term Bonds due June 1, 2022

(5) Interest. The Bonds shall bear interest at the rates designated by the Commission at the time of the sale of the Bonds

and as set forth above in the preceding subsection, payable on June 1, 1994, and thereafter semiannually on June 1 and December 1 in each year (the "Interest Payment Dates"), if any interest shall be due and owing. Such interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it shall bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before May 15, 1994, in which event it shall bear interest from December 1, 1993; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(6) Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable on the Interest Payment Date by check of the Trustee mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Trustee at the close of business on the fifteenth day of the month preceding the Interest Payment Date, whether or not such day is a Business Day. Principal of the Bonds is payable in lawful money of the United States of America upon presentment at the principal corporate trust office of the Trustee in Los Angeles, California.

#### Section 2.03. Redemption.

(1) Optional Redemption. Bonds maturing on or before June 1, 2002, shall not be subject to optional redemption before their stated maturity. Bonds maturing by their terms on or after June 1, 2003 are subject, at the option of the Commission, to call for redemption prior to their stated maturities on any Interest Payment Date commencing June 1, 2002, in whole or in part in inverse order of maturity and by lot within a maturity, from any available source of funds deposited in the Redemption Account, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the redemption date, if any is due and owing, plus a premium as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
June 1, 2002 and December 1, 2002	102.0%
June 1, 2003 and December 1, 2003	101.5%
June 1, 2004 and December 1, 2004	101.0%
June 1, 2005 and December 1, 2005	100.5%
June 1, 2006 and thereafter	100.0%

The Commission shall give the Trustee written notice of its intention to redeem Bonds pursuant to this subsection (1) not less than sixty (60) days prior to the applicable redemption date.

(2) Sinking Account Redemption. The Term Bonds maturing on June 1, 2022 are subject to mandatory redemption prior to their maturity date in part, by lot, from, and to the extent of, the Sinking Account payments commencing on June 1, 2008 and June 1 each year thereafter, according to the schedule of Sinking Account payments set forth and as provided in Section 4.03(3), at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest, if any, to the date fixed for redemption, without premium:

<u>June 1</u>	<u>Principal Amount</u>	<u>June 1</u>	<u>Principal Amount</u>
2008	\$185,000	2016	\$285,000
2009	190,000	2017	295,000
2010	205,000	2018	325,000
2011	220,000	2019	230,000
2012	230,000	2020	30,000
2013	240,000	2021	0
2014	255,000	2022*	200,000
2015	265,000		

\*Maturity

(3) Redemption Procedure. The Trustee shall cause notice of any redemption to be mailed, first class mail, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the respective registered owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the office of the Trustee; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest accrued on the redemption date.

Such notice shall state the redemption date and the redemption price; if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each of the Bonds or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption; and shall require that such Bonds be then surrendered at the office of the Trustee, for redemption at the said redemption price; and shall state that further interest on such Bonds will not accrue from and after the redemption date.

Upon surrender of Bonds redeemed in part only, the Commission shall execute and the Trustee shall authenticate and deliver to the



registered Owner at the expense of the Commission a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

From and after the date fixed for redemption, if notice of such redemption shall have been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price and no interest shall accrue thereon on or after the redemption date specified in such notice.

Whenever any Bonds are to be selected for redemption by lot, the Trustee shall determine, in any manner deemed by it to be fair, the serial numbers of the Bonds to be redeemed and shall notify the Commission thereof.

All Bonds redeemed pursuant to this section and all Bonds purchased by the Trustee pursuant to Section 4.03 shall be canceled and shall be surrendered to the Commission.

Section 2.04. Form of Bonds. The Bonds, the form of Trustee's certificate of authentication and registration, and assignment to appear thereon, shall be substantially in the form set forth on Exhibit A hereto, respectively, with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

Section 2.05. Execution of Bonds. The Bonds shall be executed on behalf of the Commission by the facsimile signatures of its Chairperson or Executive Director and its Secretary who are in office on the date of adoption of this Indenture or at any time thereafter, and the seal of the Commission shall be impressed, imprinted or reproduced by facsimile thereon. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the purchaser. Any Bond may be signed and attested on behalf of the Commission by such persons as at the actual date of the execution of such Bond shall be the proper officers of the Commission although at the nominal date of such Bond any such person shall not have been such officer of the Commission.

Only such Bonds as shall bear thereon a certificate of authentication and registration in the form hereinbefore recited, 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 the Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.06. Intentionally Omitted.

Section 2.07. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.09, by the person in whose name it is registered in person or by his duly authorized attorney, upon surrender of such Bond 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 transfer, the Commission shall execute and the Trustee shall deliver a new Bond or Bonds for like aggregate principal amount of authorized denominations.

No transfers of Bonds shall be required to be made with respect to a Bond after such Bond has been selected for redemption.

Section 2.08. Exchange of Bonds. Bonds of each series may be exchanged at the principal corporate trust office of the Trustee in Los Angeles, California, for a like aggregate principal amount of Bonds of each series of authorized denominations and of the same maturity. The Commission shall pay all exchange costs and charges including the cost of printing any new Bonds and the Trustee shall require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) fifteen days prior to the selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Section 2.09. Bond Register. The Trustee will keep or cause to be kept, at its principal corporate trust office in Los Angeles, California sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Commission during normal business hours upon reasonable notice; 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 said books Bonds as hereinbefore provided.

Section 2.10. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Commission, and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Commission upon the same conditions and in substantially the same manner as the definitive Bonds. If the Commission issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation in exchange therefor at the principal corporate trust office of the

Trustee in Los Angeles, California, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.11. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated the Commission, at the expense of the Owner of said Bond shall execute, and the Trustee shall thereupon deliver a new Bond of like series, tenor and principal amount in exchange and substitution for the Bond so mutilated but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Commission. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Commission and the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the Commission at the expense of the Owner shall execute, and the Trustee shall thereupon deliver a new Bond of like series, tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Commission may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this section and of the expenses which may be incurred by the Commission and the Trustee in the premises. Any Bond issued under the provisions of this section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Commission whether or not the 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 Bonds issued pursuant to this Indenture.

### ARTICLE III

#### ISSUE OF BONDS, ADDITIONAL BONDS

Section 3.01. Issuance and Delivery of Bonds. At any time after the execution of this Indenture the Commission may issue and deliver Bonds in the aggregate principal amount of Five Million One Hundred Thousand Dollars (\$5,100,000.00). In accordance with the provisions of Resolution No. CDC 93-25, adopted by the Commission on October 19, 1993, the Bonds have been sold to Miller & Schroeder Financial, Inc. (the "Purchaser"). The Chairperson and Vice-Chairperson of the Commission, the Secretary of the Commission, the Executive Director of the Commission, the General Counsel and other proper officers of the Commission, as designated in writing by the Chairperson/Executive Director, are hereby authorized and directed to deliver any and all documents and instruments, to authorize the payment of Cost of Issuance and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Bonds to the Purchaser.

Section 3.02. Application of Proceeds of Sale of Bonds and Other Monies. : There is hereby established a fund to be known as the "La Palma Community Development Commission, La Palma Community Development Project No. 1, 1993 Tax Allocation Refunding Bonds, Bond Proceeds Fund" and within such Fund, an Account to be known as the Cost of Issuance Account, which Fund and Account shall be held in trust by the Trustee. Upon the delivery of the Bonds to the purchaser thereof, the Trustee, on behalf of the Commission, will receive from the 1988 Trustee, the monies remaining in the Special Fund created pursuant to the 1988 Indenture, including any accounts therein, in an amount as set forth in a Written Request of the Commission, from which the Trustee will deposit a portion to the Reserve Account and transfer the balance to the Escrow Agent for deposit in the Escrow Fund as directed by the Commission.

Upon receipt of payment for the Bonds, the proceeds thereof shall be paid to the Trustee, along with a cash deposit of \$53,793.47 and a transfer of \$460,062.00 from the 1988 Bonds Debt Service Reserve Fund and \$83.00 from the 1988 Bonds Principal Account who shall set aside, pay over and deposit such proceeds as follows:

(1) Deposit in the Interest Account of the Special Fund \$4,855.71, equaling the accrued interest paid by the Purchaser of the Bonds;

(2) Deposit in the Reserve Account of the Special Fund \$377,890.00;

(3) Deposit in the Cost of Issuance Account of the Bond Proceeds Fund the amount of \$70,000.00; and

(4) Transfer to the Escrow Agent for deposit in the Escrow Fund created pursuant to the Escrow Agreement the sum of \$4,926,270.39 for application to the defeasance of the 1988 Bonds in accordance with the 1988 Indenture; and

(5) The remaining balance of such proceeds shall be transferred by the Trustee to the Commission and shall be deposited by the Commission in the Redevelopment Fund.

The Trustee shall pay all Cost of Issuance upon receipt of such a requisition containing the respective amounts to be paid to the designated payees signed by the Executive Director or a financial officer of the Commission designated in writing by the Chairperson/Executive Director and delivered to the Trustee, concurrently with the delivery of the Bonds or thereafter. The Trustee shall maintain the Cost of Issuance Account for a period of 180 days from the date of delivery of the Bonds and then shall transfer any monies remaining therein to the Redevelopment Fund, which shall be held by the Treasurer of the Commission for the payment of any unpaid Costs of Issuance and every invoice and requisition received thereafter by the Trustee shall be submitted to the Commission for payment.

Section 3.03. Redevelopment Fund. There is hereby created a special fund to be known as the "La Palma Community Development Commission, La Palma Community Development Project No. 1 1993, Tax Allocation Refunding Bonds, Redevelopment Fund" (the "Redevelopment Fund"), which the Commission hereby covenants and agrees to cause to be maintained and which shall be held in trust by the Treasurer of the Commission. The monies in such fund shall be used in the manner provided by law solely for the purpose of aiding in financing the Project.

The Commission warrants that no withdrawal shall be made from the Redevelopment Fund for any purpose not authorized by law. All or any monies in excess of that amount required to complete the Project may also be transferred from the Redevelopment Fund to the Commission for any lawful Commission purpose.

Section 3.04. Issuance of Additional Bonds. In addition to the Bonds, the Commission may, by resolution authorizing the issuance thereof and the execution of an Additional Supplemental Indenture with respect thereto, provide for the issuance of one or more series of Additional Bonds on a parity with the 1991 Bonds and for Bonds issued pursuant to this Indenture to finance the Redevelopment Project in such principal amount as will be determined by the Commission. The Commission may deliver Additional Bonds subject to the following specific conditions which are conditions precedent to the delivery of any such Additional Bonds.

(a) The Trustee will receive prior to the delivery of Additional Bonds:

(i) Copies of the resolution authorizing the issuance thereof and the Additional Supplemental Indenture pursuant to which such Additional Bonds are authorized to be issued, each certified by an authorized officer of the Commission.

(ii) An opinion of Bond Counsel stating (1) that the resolution and Additional Supplemental Indenture pursuant to which such Additional Bonds are authorized to be issued are valid and enforceable in accordance with their terms; (2) that the resolution authorizing the issuance thereof and the Additional Supplemental Indenture pursuant to which such Additional Bonds are authorized to be issued create a valid pledge of that which they purport to pledge; and (3) that the total principal amount of Bonds to be issued and then Outstanding will not exceed any limit imposed by law;

(iii) A Written Request of the Commission stating that the Commission is not, at the time of issuance of such Additional Bonds, in default under the 1991 Indenture, this Indenture, or any Additional Supplemental Indenture directing the Trustee to deliver such Additional Bonds, as authorized, and stating the amounts to be deposited in the various applicable funds and accounts;

(iv) With respect to such Additional Bonds, a Written Request of the Commission (which the Trustee shall have no responsibility for the review or verification thereof) showing:

(a) The total Maximum Annual Debt Service with respect to the Bonds and 1991 Bonds reasonably expected to be Outstanding, including the Additional Bonds then being delivered and any other notes, bonds or other obligations issued by the Commission secured on a parity with the 1991 Bonds, the Bonds, and Additional Bonds.

(b) For the then current Fiscal Year, the Tax Revenues to be received by the Commission based upon the most recent taxable valuation of property in the Redevelopment Project furnished by the appropriate officer of the County or an Independent Financial Consultant as shown by the report of an Independent Financial Consultant, as shown by the report of an Independent Financial Consultant.

(c) That for the current Fiscal Year for the Bond Year commencing in such Fiscal Year, the Tax Revenues referred to in item (b) above are at least 1.25 times the Maximum Annual Debt Service referred to in item (a) above.

(d) That upon the delivery of the proposed Additional Bonds, an amount equal to the Reserve Requirement for such Additional Bonds will be credited to the Reserve Account as partial security for such Additional Bonds.

(e) That unless the Commission has determined that a maturity date and that Interest Payment Dates other than those of the Bonds will not adversely affect the interests of the Owners of such Bonds then Outstanding, the Additional Bonds will mature on June 1, and interest thereon will be payable June 1 and December 1 of each year.

(f) That the Commission has reviewed the limitation upon the amount of taxes which may be allocated to the Commission under the Redevelopment Plan and certifies that the pledge of Tax Revenues to the payment of the Additional Bonds will not impair the ability of the Commission to pay debt service on the 1991 Bonds, the Bonds and the Additional Bonds in accordance with its covenants contained in this Indenture.

Any Additional Bonds may be made subject to redemption prior to maturity, as a whole or in part, at such time or times, and upon payment of the principal amount thereof and accrued interest thereon plus such premium or premiums, if any, as may be determined

by the Commission in the resolution or Additional Supplemental Indenture providing for the issuance thereof. Such resolution or Additional Supplemental Indenture will provide that in the event that some but less than all of the Bonds and of said Additional Bonds are to be redeemed at any one time, such Additional Bonds redeemed will be in the proportion that the principal amount of Outstanding Additional Bonds bears to the total principal amount of all the then Outstanding 1991 Bonds, the Bonds and Additional Bonds.

The Commission may issue refunding bonds with respect to the Bonds for the purpose of paying or retiring such Outstanding Bonds subject to applicable redemption provisions.

If the Commission is in compliance with all covenants set forth in the Indenture, the Commission may for any purpose issue obligations having a lien on the Tax Revenues which is subordinate to the Bonds and which are payable solely from "surplus" Tax Revenue as defined in Section 4.03(5) of this Indenture, but only if the pledge of Tax Revenues to the payment of such obligations will not impair the ability of the Commission to pay future Annual Debt Service on the 1991 Bonds, the Bonds and any Additional Bonds.

Section 3.05. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the Project or upon the performance by any person of his obligation with respect to the Project.

#### ARTICLE IV

##### THE TAX REVENUES; SPECIAL FUND AND ACCOUNTS; SURPLUS

Section 4.01. Pledge of Tax Revenues. The Bonds shall be secured by a pledge, on parity with the 1991 Bonds, (which pledge shall be effected in the manner and to the extent hereinafter provided) of all of the Tax Revenues, and, as of the date hereof, by a pledge of all of the monies in the Special Fund, including the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account. The Tax Revenues deposited with the Trustee shall be allocated pro rata solely to the payment of the principal and interest, and redemption premium, if any, of the 1991 Bonds and the Bonds and to the Reserve Account for the purposes set forth in Section 4.03; except that out of the Tax Revenues may be apportioned such amounts for such other purposes as are expressly permitted by Section 4.03. The pledge and allocation of Tax Revenues deposited with the Trustee is for the exclusive benefit of the 1991 Bonds and the Bonds and shall be irrevocable until all of the 1991 Bonds and the Bonds have been paid and retired or until monies have been set aside irrevocably for that purpose.

Section 4.02. Special Fund. There is hereby created the "La Palma Community Development Commission, La Palma Community

Development Project No. 1, 1993 Tax Allocation Refunding Bonds Special Fund"; herein called "Special Fund", which shall be maintained by the Trustee as a separate account, distinct from all other funds of the Commission, and into which shall be paid on receipt thereof by the Trustee, the Tax Revenues in an amount equal to the deposits required to be made by the Trustee pursuant to Section 4.03 or, if sufficient Tax Revenues are not available to make all deposits required by Section 4.03, Tax Revenues shall be allocated pro rata between the 1991 Special Fund and the Special Fund. The Commission hereby covenants to deposit with the Trustee, on or before May 15 and November 15 of each year while the Bonds are Outstanding, Tax Revenues in an amount at least sufficient to make all deposits required to be made by the Trustee on such May 15 or November 15 pursuant to Section 4.03.

While the Bonds are Outstanding or any interest thereon is unpaid the Special Fund shall be administered and disbursements made in the manner and in the order progressively set forth in Section 4.03 hereof.

Section 4.03. Establishment and Maintenance of Accounts for Tax Revenues: Use and Withdrawal of Tax Revenues. All Tax Revenues deposited in the Special Fund shall be transferred and set aside by the Trustee in the following respective special accounts (each of which is hereby created and each of which the Commission covenants and agrees to cause to be maintained) in the following order of priority:

- (1) Interest Account,
- (2) Principal Account,
- (3) Sinking Account,
- (4) Reserve Account,
- (5) Surplus Account, and
- (6) Redemption Account.

All Tax Revenues in each of said accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section 4.03.

(1) Interest Account. On or before the 15th day of each May and November of each year the Bonds are Outstanding, commencing May 15, 1994, the Trustee shall transfer from the Special Fund and set aside in the Interest Account an amount which, when added to the amount contained in the Interest Account on that date will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on the next succeeding Interest Payment Date. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of



the Bonds issued hereunder and then Outstanding. All monies 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).

(2) Principal Account. On or before the 15th day of each May the Bonds are Outstanding, commencing May 15, 1994, the Trustee shall transfer from the Special Fund and set aside in the Principal Account an amount which, when added to the amount contained in the Principal Account on that date, will be equal to the principal becoming due and payable on the next succeeding June 1 on the Outstanding Serial Bonds. No deposit need be made into the Principal Account if the amount contained therein is at least equal to the principal to become due on the next succeeding June 1 upon all of the Serial Bonds issued hereunder and then Outstanding. All monies in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Serial Bonds as it shall become due and payable.

(3) Sinking Account. On or before the 15th day of each May, commencing May 15, 2008 the Trustee shall transfer from the Special Fund and set aside and deposit in the Sinking Account an amount which, when added to the amount contained in the Sinking Account on that date, will be equal to the Sinking Account payment required to be on deposit therein on the next succeeding June 1. All monies in the Sinking Account shall be used solely for the redemption or purchase of the Term Bonds maturing June 1, 2022 as set forth below. The required Sinking Account payments for the Term Bonds maturing June 1, 2022 are listed in the following table:

<u>June 1</u>	<u>Principal Amount</u>	<u>June 1</u>	<u>Principal Amount</u>
2008	\$185,000	2016	\$285,000
2009	190,000	2017	295,000
2010	205,000	2018	325,000
2011	220,000	2019	230,000
2012	230,000	2020	30,000
2013	240,000	2021	0
2014	255,000	2022*	200,000
2015	265,000		

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\*Maturity

Monies in the Sinking Account on June 1 of any year, commencing June 1, 2008, in the amounts as set forth in the foregoing table shall be used and withdrawn by the Trustee on such date and applied for the redemption prior to maturity or payment at maturity of the Term Bonds maturing on June 1, 2022, at a

redemption price equal to the principal amount thereof to be redeemed, without premium.

In the event of optional redemption of the Term Bonds maturing June 1, 2022, pursuant to Section 2.03(1), Sinking Account payments payable pursuant to Section 2.03(2) as listed above shall be reduced pro rata as set forth in writing by the Commission.

Additionally, monies in the Sinking Account may be used and withdrawn by the Trustee upon the Written Request of the Commission for the purchase of any Outstanding Bonds at public or private sale as and when and at such price (including brokerage and other charges but excluding accrued interest which is payable from the Interest Account) as it may in its discretion determine, but not to exceed the principal amount of such Bonds being redeemed plus the applicable redemption premium, if any.

In the event that available Tax Revenues shall in any year be insufficient to make such Sinking Account payments then required to be made, such deficiency shall be made up from the first available Tax Revenues in succeeding years. The failure to make such payment in full shall not be deemed to be an Event of Default under this Indenture.

(4) Reserve Account. On or before the 15th day of each May and November when the Bonds are Outstanding commencing May 15, 1994, and after the deposits required pursuant to the preceding subparagraphs have been made, the Trustee shall transfer from the Special Fund and set aside in the Reserve Account an amount which, when added to the amount contained in the Reserve Account on that date, will be equal to the Reserve Requirement or such larger amount as shall be required to be maintained in the Reserve Account by any Additional Supplemental Indenture. No deposit need be made in the Reserve Account so long as there shall be on deposit therein a sum equal to at least the amount required by this subparagraph to be on deposit therein. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account, the Principal Account or the Sinking Account in such order in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money of the Commission is lawfully available therefor, or for the retirement of all the Bonds then Outstanding.

Notwithstanding the foregoing, any monies on deposit in the Reserve Account on any May 15 and November 15 in excess of the Reserve Requirement shall be withdrawn semiannually from the Reserve Account and deposited in the Special Fund for use in the same manner as are other monies in the Special Fund.

(5) Surplus Account. Provided that:

(a) an Event of Default has not occurred;

(b) all of the deposits provided for in subsections 1, 2, and 3 above to the Interest, Principal and Sinking Accounts shall be made as scheduled;

(c) the deposits provided for in subsection 4 above to the Reserve Account shall be made as necessary to maintain a balance therein equal to the Reserve Requirement;

(d) all deposits required by Section 4.03 of the 1991 Indenture into the 1991 Special Fund have been made; and

(e) the Trustee shall have received Tax Revenues in an amount sufficient, together with funds already on deposit in the Special Fund (not including amounts in the Reserve Account), to pay interest, principal and scheduled Sinking Account payments coming due in the then current Bond Year with respect to the Bonds then Outstanding, and to restore the Reserve Account to an amount equal to the Reserve Requirement, if required;

then additional Tax Revenues received in respect of such Bond Year and other amounts on deposit in the Special Fund (exclusive of the Interest Account, the Principal Account, the Sinking Account, and the Reserve Account) will be declared "Surplus" and transferred to the Surplus Account. Provided that no Event of Default under the Indenture has occurred and is continuing, such Surplus may be withdrawn at any time by the Commission upon Written Request of the Commission, and used by the Commission for any lawful purpose.

(6) Redemption Account. The Redemption Account shall be maintained by the Trustee as a separate account distinct from all other funds of the Commission to pay for the prior redemption or purchase of the Bonds.

Any funds legally available may at any time on or after June 1, 2002, at the option of the Commission, be paid to the Trustee for deposit in the Redemption Account and applied to the prior redemption of Bonds on June 1, 2002, or any Interest Payment Date thereafter pursuant to Section 2.03(1).

The principal amount of any Term Bonds so purchased shall be credited against the Sinking Account payment due next succeeding the date of such purchase, pursuant to the foregoing tables, and shall reduce the corresponding principal amount of Bonds to be redeemed.

Additionally, monies in the Redemption Account may be used and withdrawn by the Trustee upon the Written Request of the Commission for the purchase of any Outstanding Bonds at public or private sale as and when and at such prices (including brokerage and other charges but excluding accrued interest which is payable from the Interest Account) as the Commission may in its discretion determine, but not to exceed the principal amount of such Bonds being redeemed plus the applicable redemption premium, if any.

## ARTICLE V

### OTHER COVENANTS OF THE COMMISSION

Section 5.01. Punctual Payment. The Commission will punctually pay or cause to be paid the principal, and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Additional Supplemental Indentures and of the Bonds. Nothing herein contained shall prevent the Commission from making advances of its own monies howsoever derived to any of the uses or purposes permitted by law.

Section 5.02. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the Commission will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded whether or not with the consent of the Commission, such claim for interest so extended or funded shall not be entitled, in case of default hereunder to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 5.03. Against Encumbrances. The Commission will not encumber, pledge or place any charge or lien upon any of the Tax Revenues superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by this Indenture.

Section 5.04. Management and Operations of Properties. The Commission will manage and operate all properties owned by the Commission and comprising any part of the Project in a sound and businesslike manner and will keep such properties insured at all times in conformity with sound business practice.

Section 5.05. Payment of Claims. The Commission will 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 Commission or upon the Tax Revenues or any part thereof or upon any funds in the hands of the Trustee or which might impair the security of the Bonds. Nothing herein contained shall require the Commission to make any such payment so long as the Commission in good faith shall contest the validity of said claims.

Section 5.06. Books and Accounts; Financial Statement. The Commission will keep, or cause to be kept, proper books of record

and accounts separate from all other records and accounts of the Commission and the City of La Palma in which complete and correct entries shall be made of all transactions relating to the Project and to the Tax Revenues. 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%) of the principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Commission will cause to be prepared and filed with the Trustee annually, within one hundred and eighty (180) days after the close of that Fiscal Year so long as any of the Bonds are Outstanding complete financial statements with respect to that Fiscal Year showing the Tax Revenues, all disbursements from the Tax Revenues and the financial condition of the Project, including the balances in all funds and accounts relating to the Project, as of the end of such Fiscal Year which statement shall be accompanied by a certificate or opinion in writing of an Independent Certified Public Accountant. The Commission will furnish a copy of such statements to any Bondowner of at least 5% in aggregate principal amount upon request. The Trustee will have no duties or obligations with respect to such financial statements other than to act as custodian thereof.

Section 5.07. Protection of Security and Rights of Bondowners. The Commission will preserve and protect the security of the Bonds and the rights of the Bondowners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the Commission, the Bonds' validity and enforceability shall not be contested by the Commission in any judicial or administrative proceeding.

Section 5.08. Payments of Taxes and Other Charges. Subject to the Provisions of Section 5.11 hereof, the Commission will punctually 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 Commission or the properties then owned by the Commission in the Project Area, or upon the revenues therefrom, when the same shall become due. Nothing herein contained shall require the Commission to make any such payment so long as the Commission in good faith shall contest the validity of said taxes, assessments or charges. The Commission will duly observe and conform with all valid requirements of any governmental authority relative to the Project or any part thereof.

Section 5.09. Compliance with Law, Completion of Project. The Commission will comply with all applicable provisions of the Law in completing the Project including, without limitation, duly noticing and holding any public hearing required by either Section 33445 or 33679 of the Law prior to application of proceeds of the Bonds to any portion of the Project subject to either Section 33445 or 33679. In addition, the Commission will comply in a timely manner with the public hearing and further requirements of Section

33334.6. The Commission will commence, and will continue to completion, with all practicable dispatch, the Project and the Project will be accomplished and completed in a sound and economical manner and in conformity with the Redevelopment Plan and the Law.

Section 5.10. Amendment of Redevelopment Plan and Disposition of Property.

(1) The Commission will not authorize 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 planned for such 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 the Redevelopment Plan is amended as hereinafter provided in this Section 5.10. If the Commission proposes to make such a disposition, it shall propose an amendment to such Redevelopment Plan which expressly provides for the disposition of such real property with such an effect and shall give written notice thereof to the Trustee. The Commission shall thereupon appoint a reputable Independent Financial Consultant and direct said consultant to report on the effect of said proposed disposition, a copy of which Report shall be provided to the Trustee. If the Report of the Independent Financial Consultant concludes that the security of the Bonds or the rights of the affected Bondowners will not be materially impaired by said proposed disposition and that Tax Increment Revenues allocated to the Commission will not be significantly diminished by the proposed disposition, the Commission may thereafter adopt the amendment (pursuant to all applicable provisions of the Law) and make the disposition. If said Report concludes that Tax Increment Revenues allocated to the Commission will be significantly diminished or that such security will be materially impaired by said proposed disposition, the Commission shall not adopt the amendment. The Commission shall have the sole and exclusive authority to appoint said consultant.

(2) In the event subsection (1) hereof does not apply, the Commission shall not dispose of any 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 planned for such ownership or use by the Redevelopment Plan in effect on the date of this Indenture), without imposing the following requirements on such new owner or owners:

(a) Said new owner or owners shall pay to the Treasurer, so long as any of the Bonds are Outstanding, an amount equal to the amount that would have been received by the Treasurer as Tax Increment Revenues allocated to the Commission if the property were assessed and taxed in the same manner as privately owned nonexempt property; and

(b) Such payment shall be made to the Treasurer within thirty (30) days after taxes for each year would become payable to the taxing agencies for nonexempt property and in any event prior to the delinquency date of such taxes established by law.

All such payments in lieu of taxes to the Treasurer shall be treated as Tax Revenues allocated to the Commission and shall be deposited by the Trustee in the Special Fund to the extent required by Section 4.03.

Section 5.11. Single Sum Payments in Lieu of Taxes. As an alternative to payment to the Treasurer pursuant to subsection (2)(b) of Section 5.10, the new owner or owners of property becoming exempt from taxation provided for in Section 5.10 may elect to make payment to the Commission in a single sum equal to the amount estimated by the Independent Financial Consultant to be receivable from taxes on said property from the date of said payment to the maturity date of the Bonds, less a reasonable discount value. All such single sum payments in lieu of taxes shall be treated as Tax Revenues allocated to the Commission and shall be deposited by the Trustee in the Special Fund to the extent required by Section 4.03.

Section 5.12. Tax Revenues. The Commission shall comply with all requirements of the 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 shall forward information copies of each such filing to the Trustee. The Trustee shall have no duties with respect to such statements other than to act as custodian thereof. The Commission will not amend the Plan or reduce the Project Area in any manner which will impair the availability of Tax Revenues to pay Annual Debt Service.

Section 5.13. Eminent Domain. The net proceeds received by the Commission from any eminent domain proceeding may be, but shall not be required to be deposited by the Commission in the Special Fund; provided that the net proceeds received by the Commission from the taking of any property in the Project Area the redevelopment of which was financed by the Commission through the issuance of revenue obligations shall be deposited, used and applied in the manner provided by the resolution or indenture authorizing the issuance of such lease revenue obligations.

Section 5.14. Further Assurances. The Commission 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 of the Bonds of the rights and benefits provided in this Indenture.

Section 5.15. Taxation of Leased Property. Whenever any property in the Redevelopment Project has been redeveloped and

thereafter is leased by the Commission to any person or persons (other than the City of La Palma or the County or any other public agency) or whenever the Commission leases real property in the Redevelopment Project to any person or persons for redevelopment the property shall be assessed and taxed in the same manner as privately owned property (in accordance with Section 33673 of the Health and Safety Code of the State) and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of his or its leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease or contract shall be less than the taxes which would have been payable upon the assessed value of the entire property if the property were assessed and taxed in the same manner as privately owned property, the lessee shall pay such difference to the Commission within thirty (30) days after the taxes for such year become payable to the taxing agencies and in any event prior to the delinquency date of such taxes established by law. All such payments to the Commission shall be promptly delivered to the Trustee and shall be deposited by the Trustee in the Special Fund to the extent required by Section 4.03.

Section 5.16. Non-Arbitrage Bonds. The Commission covenants it will make no use of the proceeds of the Bonds which will cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code. To that end, so long as any of the Bonds are Outstanding, the Commission with respect to the proceeds of the Bonds, shall comply with all requirements of said Section 148 and all regulations of the United States Department of the Treasury issued thereunder, including specifically the requirement that any arbitrage subject to rebate be paid from time to time to the United States Treasury to the extent that such requirements are, at the time, applicable and in effect.

Section 5.17. Private Activity Bonds. The Commission covenants that as to the portion of the proceeds of the Bonds which are not used for refunding purposes, it will make no use of such proceeds of the Bonds as will cause such Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Code. To this end; (i) no amount in excess of five percent (5%) of such proceeds of the Bonds shall be used directly or indirectly to make loans to persons other than governmental units and (ii) no amount in excess of ten percent (10%) of the amount of interest and principal payable on the portion of the Bonds allocable to such proceeds shall be directly or indirectly payable from sources other than Tax Revenues and no amount in excess of ten percent (10%) of such proceeds of the Bonds shall be used for any private business use, provided, however, that under no circumstances shall an amount in excess of five percent (5%) of such proceeds be used for a private business use which is not related to the governmental use of such proceeds, unless in any of said cases the Commission first obtains an opinion of Bond Counsel to the effect that such action



will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Bonds.

Section 5.18. Compliance with the Code. The Commission covenants to take any or all action and to refrain from taking any action which is necessary in order to comply with the Code or any technical corrections thereto having the same effective date as the Code and the Letter of Instructions in order to maintain the exclusion from gross income for purposes of federal income taxation pursuant to Section 103 of the Code of the interest on the Bonds paid by the Commission and received by the Bondowners.

Section 5.19. Federal Guarantee Prohibition. The Commission shall take no action nor permit nor suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Section 5.20. Amendment of Payment Schedule. The Commission shall, upon direction of Bond Counsel, increase, but not decrease, the transfers from the Special Fund to the Sinking Accounts so that all amounts required to be transferred to the Sinking Accounts to redeem Term Bonds maturing June 1, 2022 will be transferred by the last day on which the Commission can lawfully collect Tax Increment Revenues.

## ARTICLE VI

### THE TRUSTEE

Section 6.01. Appointment of Trustee. Bank of America National Trust and Savings Association, at its corporate trust office in Los Angeles, California, is hereby appointed Trustee for the Commission to act as the depository of the Commission for the purpose of receiving all monies required to be paid to the Trustee hereunder to allocate, use and apply the same, to hold, receive and disburse the Tax Revenues and other funds pledged or held hereunder, and otherwise to hold all the offices and perform all the functions and duties provided in this Indenture to be held and performed by the Trustee. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing this Indenture and by executing and delivering such acceptance, the Trustee shall be deemed to have accepted such duties and obligations, but only upon the terms and conditions set forth in this Indenture.

The Commission may remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company doing business and having an office in the State, having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust

company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Commission and to the Bondowners by first class mail. Upon receiving notice of such resignation the Commission shall promptly appoint a successor Trustee by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee.

If the Commission does not appoint a successor Trustee within sixty (60) days following the giving of any notice of removal or receipt of any notice of resignation, the removed or resigning Trustee or any Bondowner on behalf of himself and all other Bondowners may petition any appropriate court having jurisdiction to appoint a successor Trustee.

Section 6.02. Compensation and Indemnity. The Commission agrees to pay the Trustee for its services (this payment shall not be limited by any provision of law affecting the compensation of a Trustee). Further the Commission shall pay or reimburse the Trustee upon its request for all reasonable expenses of the Trustee, including the reasonable compensation and the expenses of its counsel. The Commission agrees to indemnify and hold harmless the Trustee against all claims demands, losses, damages liabilities or expenses (including but not limited to reasonable attorneys' fees) relating to (i) the Trustee exercising its rights or performing its duties under this Indenture, (ii) the Trustee being appointed and serving as such under this Indenture, or (iii) otherwise relating to this Indenture or the Bonds, except to the extent resulting from the Trustee's own negligence or willful misconduct. The Trustee is not accountable for the use by the Commission of funds which the Trustee releases to the Commission or which the Commission otherwise receives, or for the adequacy or validity of any collateral or security interest securing this Indenture or the Bonds. The Trustee has no obligation to incur individual financial or other liability or risk in performing any duty or in exercising any right. The Trustee, in its individual or other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not the Trustee.

The Trustee shall not be deemed to have knowledge of any Event of Default hereunder until it has actual knowledge that an Event of Default as such exists or has received written notice that an Event of Default as such exists, at its corporate trust office in Los Angeles, California. The Trustee shall not be bound to ascertain or inquire as to the performance or observance by any other party of any of the terms conditions, covenants or agreements herein or in any of the documents executed in connection with the Bonds.

All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees, and agents of the Trustee.

Section 6.03. Liability of Agents. The recitals of facts covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the Commission and the Trustee assumes no responsibility for the correctness of the same nor makes any representations as to the validity or sufficiency of this Indenture or of the Bonds, nor shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct.

Section 6.04. Merger of Trustee. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a part or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 6.01, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 6.05. Survival of Rights. The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Bonds.

Section 6.06. Notice to Agents. The Trustee shall be protected in acting upon any notice, resolution, request, consent order certificate, report, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Trustee may consult with counsel, who may be counsel to the Commission, 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 it hereunder in good faith and 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 satisfactorily established if disputed.

Whenever in the administration of its duties under 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, in the absence of bad faith on the part of the Trustee be deemed to be conclusively proved and established by a certificate of the Commission and such

certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture or any Additional Supplemental Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 6.07. Deposit and Investment of Monies in Funds or Accounts. All money held by the Commission or Trustee in any of the funds or accounts established pursuant to this Indenture shall be invested and reinvested in Permitted Investments. The investments held by the Trustee shall be valued by the Trustee not less than quarterly, at the market value thereof. Investments of money in the Special Fund (including money in the Interest Account, the Principal Account, or the Sinking Account) must mature no later than the date at which such money is estimated to be required to be paid out hereunder. Investments of money in the Redevelopment Fund must mature not later than the date on which such money is estimated to be required to be paid out hereunder. Monies in the Reserve Account shall be invested in Permitted Investments which will by their terms mature within such time as may be recommended by an Independent Financial Consultant. Subject to Section 6.09 hereof, all Investment Earnings on monies held by the Commission in the Redevelopment Fund received prior to the completion of the financing of the Redevelopment Project on any money so invested shall be applied to the Project. All Investment Earnings on money in the Special Fund and the accounts therein shall be retained in the Special Fund and such accounts shall be applied in the same manner as other monies therein, except as may be required by Section 6.09. Monies or sums held by the Trustee in any account or subaccount established pursuant to the terms of this Indenture may be employed by the Trustee to purchase Permitted Investments as directed, in writing, by the Chairman or an authorized representative of the Commission. To the extent that direction is not received by the Trustee with respect to monies or sums then available for investment, the Trustee shall invest such monies or sums in Permitted Investments described in clause (8) thereof. If investments cannot be obtained at a rate below the Yield on the Bonds, such monies or sums shall be invested in tax exempt municipal obligations constituting Permitted Investments solely as directed by the Commission.

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 industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Bonds, the Tax Revenues and all funds and accounts established by it pursuant to this Indenture. Such books of record and account shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each Permitted Investment (a) its purchase price, (b) identifying information, including par amount,

coupon rate and payment dates, (c) the amount received at maturity or its sale price, as the case may be, (d) the amounts and dates of any payments made with respect thereto and (e) such documentation as is required to be obtained by the Trustee as evidence to establish that the following requirements have been met:

(a) Certificate of deposit. With respect to the purchase or sale of a certificate of deposit issued by a commercial bank, the price at which it is purchased or sold, as the case may be, shall be the bona fide bid price quoted by a dealer who maintains an active secondary market in such certificates of deposit. If there is no active secondary market in such certificates of deposit, the purchase or sale price of a certificate of deposit must produce a yield thereon (1) as high or higher than the yield on comparable obligations traded on an active secondary market, as certified by a dealer who maintains such a market, and (2) as high or higher than the yield available on comparable obligations offered by the U. S. Treasury Department. The certification described in the preceding sentence must be executed by a dealer who maintains an active secondary market in comparable certificates of deposit and must be based on actual trades adjusted to reflect the size and term of that certificate of deposit and the stability and reputation of an entity issuing the certificate of deposit.

(b) Investment Contracts. With respect to investment contracts (e.g., any agreement to deposit proceeds of the Bonds with a particular bank, with the deposits to bear interest at an agreed rate) the Commission must obtain (1) at least 3 bids on the investment contract from persons other than those with an interest in the issue e.g., underwriters), (2) a certification by the person whose bid is accepted stating that, based on that person's expectations on the date that the contract is entered into, Permitted Investments will not be purchased pursuant to the investment contract at a price in excess of their fair market value or sold pursuant to the investment contract at a price less than their fair market value, (3) evidence that the yield on the investment contract is at least equal to the yield offered under the highest bid received from non-interested parties, and (4) evidence that the yield on the investment contract is at least equal to the yield offered on similar obligations under similar investment contracts (e.g., the yield on investment contracts entered into by issuers of qualified mortgage bonds).

(c) Other Investments That Are Traded in Established Markets. With respect to Permitted Investments other than those described in (a) or (b) above, which are traded in an established market, the purchase or disposition price thereof shall be that price achieved in an arm's-length transaction between the purchaser and the seller. Any evidence of such price shall be retained. For United States Treasury obligations purchased directly from the Treasury, however, proof of the price paid therefor shall be sufficient evidence.

(d) With respect to any determinations required to be made pursuant to (a), (b) or (c) above, the Trustee may request and the Commission shall provide such determination, upon which determination the Trustee may conclusively rely.

Such books of record and account shall be available for inspection by the Commission and any Bondowner, or his agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

The Trustee shall file and furnish to the Commission within thirty days after the end of each month, a statement (which need not be audited) covering receipts, disbursements, allocation and application of Tax Revenues and any other monies (including proceeds of Bonds) in any of the funds and accounts established pursuant to this Indenture for such month.

#### Section 6.09. Rebate Fund.

(a) The Trustee shall establish a special fund designated as the "Rebate Fund." The Rebate Fund shall not be subject to the lien of this Indenture. The Trustee shall establish and maintain within the Rebate Fund an "Excess Earnings Account" and an "Investment Account." The Trustee shall establish and maintain any such subaccounts within the Excess Earnings Account and Investment Account as may be requested by the Commission.

(b) Notwithstanding anything contained in this Indenture to the contrary, there shall be deposited in the Excess Earnings Account of the Rebate Fund all Excess Investment Earnings determined from time to time pursuant to the Letter of Instructions and all amounts deposited by the Commission with written instructions to deposit such monies into the Rebate Fund. All income or other gain from the investment of monies in the Rebate Fund shall be deposited in the Investment Account of the Rebate Fund.

Within thirty (30) days following the last day of each Bond Year, the Commission shall calculate, and shall provide written notice to the Trustee of the Excess Investment Earnings. The Trustee may rely conclusively upon the Commission's determination, calculation, directions and certifications required by this Section 6.09. The Trustee shall have no responsibility to independently make any calculations or determinations or to review the Commission's calculations hereunder.

(c) The Trustee, in accordance with instructions of the Commission, shall apply the funds on deposit in the Rebate Fund on behalf of the Commission, to the extent required to make payments to the United States of America in respect of the Bonds, at the times and in the manner required by the Letter of Instructions.

(d) In the event that the written notice to the Trustee referenced in subsection (a) of this Section indicates that there

are Excess Investment Earnings, then the Commission agrees to promptly remit to the Trustee an amount sufficient to assure that the amount then on deposit in the Rebate Fund is equal to the cumulative Excess Investment Earnings as of the end of the Bond Year to which such notice pertains. The Trustee shall immediately deposit in the Excess Earnings Account of the Rebate Fund all such amounts so received and identified as such by the Commission.

(e) The Trustee agrees, on behalf of the Commission, to keep and maintain all records required to be maintained by it pursuant to, and as and to the extent required by, the Code as instructed by the Commission. This covenant shall survive the defeasance of this Indenture; provided, however, that upon repayment in full of the Bonds hereunder, the Trustee may provide all such records held by it to the Commission and have no further obligation under this Section.

(f) The Commission agrees to deposit with the Trustee for deposit to the Rebate Fund any payments required hereunder to be made to the Rebate Fund.

Section 6.10. Exception to Arbitrage Rebate. If in the opinion of Bond Counsel addressed to the Commission and Trustee the Bonds qualify under Section 148(f)(4)(C) for the exception to the arbitrage rebate requirement of Section 148(f) of the Code, then the arbitrage rebate requirement of Section 6.09 shall have no application to any Excess Investment Earnings derived from the investment of the Gross Proceeds of the Bonds.

## ARTICLE VII

### MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 7.01. Amendments Permitted. This Indenture and the rights and obligations of the Commission and of the Owners of the Bonds may be modified or amended at any time by an Additional Supplemental Indenture and pursuant to the affirmative majority vote at a meeting of Bondowners or with the written consent without a meeting of the Owners of sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.04. No such modification or amendment shall (1) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Commission to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein without the express consent of the Owner of such Bond, or (2) permit the creation by the Commission of any pledge or lien upon the Tax Revenues superior to, or on a parity with, the pledge and lien created for the benefit of the 1991 Bonds, the Bonds, and any Additional Bonds (except as otherwise permitted in this Indenture), or reduce the percentage of Bonds required for the affirmative vote

or written consent to an amendment or modification or (3) modify any of the rights or obligations of the Trustee without its written assent thereto.

This Indenture and the rights and obligations of the Commission and of the Owners of the Bonds may also be modified or amended at any time by an Additional Supplemental Indenture, without the consent of any Bondowners, but only 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 Commission in this Indenture, other covenants and agreements thereafter to be observed or to limit or surrender any right or power herein reserved to or conferred upon the Commission;

(b) to make modifications to assure the continued exclusion from gross income for purposes of Federal income taxation of interest on the Bonds or to make modifications not materially adversely affecting any Outstanding Bonds of the Commission;

(c) with written consent of the Trustee 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 regard to questions arising under this Indenture, as the Commission and the Trustee may deem necessary or desirable and not inconsistent with this Indenture, and which shall not materially adversely affect the rights of the Owners of the Bonds; and

(d) to authorize the issuance of Additional Bonds in accordance with Section 3.04 of this Indenture.

Section 7.02. Bondowners' Meetings. The Commission may at any time call a meeting of the Bondowners. In such event, the Commission shall determine the time, date and place of said meeting. The Trustee shall provide for the giving of notice. The date of mailing such notice shall be determined by the Commission in its discretion; provided, that such notice shall be mailed at least 15 days prior to the date of the Bondowners' meeting. The Commission shall fix and adopt rules and regulations for the conduct of said meeting.

Section 7.03. Procedure for Amendment with Written Consent of Bondowners. The Commission may at any time adopt an Additional Supplemental Indenture amending the provisions of the Bonds or of the 1991 Indenture or this Indenture or any Additional Supplemental Indenture, to the extent that such amendment is permitted by Section 7.01, to take effect when and as provided in this section. A copy of such Additional Supplemental Indenture, together with a request to Bondowners for their consent thereto, shall be mailed by the Commission to each registered owner of Bonds Outstanding, but failure to mail copies of such Additional Supplemental Indenture and request shall not affect the validity of the Additional



Supplemental Indenture when assented to as in this Section provided.

Such Additional Supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 7.04) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Additional Supplemental Indenture, the Commission shall mail a notice to the Bondowners in the manner hereinbefore provided in this section for the mailing of the Additional Supplemental Indenture, stating in substance that the Additional Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this section (but failure to mail copies of said notice shall not affect the validity of the Additional Supplemental Indenture or consents thereto). Proof of the mailing of such notice shall be filed with the Trustee. A record consisting of the papers required by this Section to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved. The Additional Supplemental Indenture shall become effective upon the filing with the Trustee of the proof of mailing of such notice, and the Additional Supplemental Indenture shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this article) upon the Commission and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

The Trustee may obtain an opinion of counsel that any such Additional Supplemental Indenture entered into by the Commission and the Trustee complies with the provisions of this section and the Trustee may conclusively rely on such opinion.

Section 7.04. Disqualified Bonds. Bonds owned or held for the account of the Commission or the City of La Palma, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VII, and shall

not be entitled to vote upon, consent to, or take any other action provided for in this Article VII.

Section 7.05. Effect of Additional Supplemental Indenture. From and after the time any Additional Supplemental Indenture becomes effective pursuant to this Article VII, the 1991 Indenture and this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights duties and obligations under this Indenture of the Commission and all Owners of Bonds Outstanding shall thereafter be determined exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Additional Supplemental Indenture shall be deemed to be part of the terms and conditions of the 1991 Indenture and this Indenture for any and all purposes.

The Commission may adopt appropriate regulations to require each Bondowner before his consent provided for in this Article VII shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in Section 7.04.

Section 7.06. Endorsement or Replacement of Bonds Issued After Amendments. The Commission may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VII shall bear a notation, by endorsement or otherwise, in form approved by the Commission, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the office of the Trustee or at such other office as the Commission may select and designate for that purpose, a suitable notation shall be made on such Bond. The Commission may determine that new Bonds, so modified as in the opinion of the Commission is necessary to conform to such Bondowner's, action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the office of the Trustee in Los Angeles, California, without cost to any Bondowner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 7.07. Amendatory Endorsement of Bonds. The provisions of this Article VII shall not prevent any Bondowner from accepting any amendment as to the particular Bonds held by him provided that due notation thereof is made on such Bonds.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS

Section 8.01. Events of Default and Acceleration of Maturities. If one or more of the following events ("Events of Default") shall happen, that is to say --

(1) if default shall be made in the due and punctual payment of the principal of and redemption premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed by declaration or otherwise;

(2) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(3) if any other default shall be made by the Commission in the observance of any of the covenants, agreements or conditions on its part in this Indenture or with respect to the Bonds or any other resolution or Additional Supplemental Indenture authorizing the issuance of Additional Bonds, and such default shall have continued for a period of thirty (30) days after written notice to the Commission; or

(4) if the Commission shall file a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall approve a petition seeking reorganization under the federal bankruptcy laws or any other applicable laws of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Commission or of the whole or any substantial part of its property;

then, in each and every case during the continuance of an Event of Default as described in (1), (2), or (4), the Trustee shall declare the principal of all of the Bonds then Outstanding; and the interest accrued thereon, to be due and payable immediately. In each and every case during the continuance of an Event of Default as described in (3), and in each and every such case during the continuance of such Event of Default, the Trustee may, and upon written request of the Owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds at the time Outstanding shall, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately. Upon any such declaration the principal of all Bonds then Outstanding, and the interest accrued thereon, shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

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 monies due shall have been obtained or entered the Commission 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 at the rate of twelve percent (12%) per annum on such overdue installments of principal, and, to the extent such payment of interest is lawful at the time, on such overdue installments of interest, so that the Commission is then currently in compliance with all payments, deposit and transfer provisions of this Indenture, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor then, and in every such case, the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding by written notice to the Commission 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 provided for in Sections 4.02 and 4.03, 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 in the order following upon presentation of the several Bonds and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid--

First, to the payment of the costs and expenses of the Trustee and, thereafter, of the Bondowners in declaring such event of default including reasonable compensation to its or their agents, attorneys and counsel and to the payment of the fees, costs and expenses of the Trustee (including but not limited to reasonable compensation to its agents, attorneys and counsel for their respective fees and expenses) incurred in performing or exercising its rights, powers and duties under this Indenture;

Second, in case the principal of the Bonds shall not have become due and payable, to the payment of the interest in default in the order of the maturity of the installments of such interest with interest on the overdue installments at the rate of twelve percent (12%) per annum (to the extent that such interest on overdue installments shall have been collected) such payments to be made ratably to the persons entitled thereto without discrimination or preference;

Third, in case the principal of the Bonds shall have become and shall be then due and payable, all such sums shall be applied to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the rate of twelve percent (12%) per annum (to the extent that such interest on

overdue installments of interest shall have been collected), and in case such monies shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal or of any installment of interest over any other installment of interest or of any payment of principal over any other payment of principal, ratably to the aggregate of such principal and interest.

Section 8.03. Other Remedies of Bondowners. Any Bondowner shall have the right for the equal benefit and protection of all Bondowners similarly situated --

(1) by mandamus, suit, action or proceeding, to compel the Commission and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Commission and the fulfillment of all duties imposed upon it by the Law;

(2) by suit, action or proceeding in equity to enjoin any acts or things which are unlawful, or the violation of any of the Bondowners, rights; or

(3) upon the happening of any event of default (as defined in Section 8.01), by suit, action or proceeding in any court of competent jurisdiction to require the Commission and its members and employees to account as if it and they were the trustees of an express trust.

Section 8.04. 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 Commission, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, or affect or impair the right of action which is also absolute and unconditional of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Bondowner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner of any of the Bonds 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 Bondowners by the 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 of the Bonds.

If a suit, action or proceeding to enforce any right or exercise any remedy be abandoned or determined adversely to the Bondowners, the Commission and the Bondowners shall be restored to

their former positions rights and remedies as if such suit action or proceeding had not been brought or taken.

Section 8.05. Actions by Trustee as Attorney-in-Fact. Any suit action or proceeding which any Owner of Bonds 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 of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective owners and registered Owners of the Bonds issued hereunder shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective registered Owners of the Bonds 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 registered Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact; provided, however, the Trustee shall have no obligation to enforce any right or remedy hereunder unless it is indemnified to its satisfaction from and against any liability or expense (including attorneys fees).

Section 8.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or the Owners of Bonds 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 Law or any other law.

## ARTICLE IX

### MISCELLANEOUS

Section 9.01. Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Commission, the Trustee and the Owners of the Bonds, 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 Commission shall be for the sole and exclusive benefit of the Owners of the Bonds and the Trustee.

Section 9.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Additional Supplemental Indenture either the Commission 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 Commission 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. Complete or Partial Defeasance of Bonds. If the Commission shall pay and discharge the entire indebtedness on all Bonds Outstanding, or any portion thereof, in any one or more of the following ways --

(1) by well and truly paying or causing to be paid the principal of and interest on all or any portion of Bonds Outstanding, as and when the same become due and payable;

(2) by depositing with the Trustee, in trust, at or before maturity money which, together with the amounts then on deposit in the funds and accounts provided for in Sections 3.03 and 4.03 is fully sufficient to pay all or any portion of Bonds Outstanding, including all principal, interest and redemption premiums or;

(3) by depositing with the Trustee, in trust, Federal Securities or general obligation bonds of the State in such amount as an Independent Financial Consultant shall certify to the Trustee, based upon a certificate of a certified public accountant, will together with the interest to accrue thereon and monies then on deposit in the funds and accounts provided for in Section 4.03, be fully sufficient to pay and discharge the indebtedness on all or any portion of Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in this Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then at the election of the Commission, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in this Indenture relating to the defeased Bonds and all other obligations of the Commission under this Indenture relating to the defeased Bonds with respect to all Bonds Outstanding shall cease and terminate, except only the obligation of the Commission to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, and thereafter Tax Revenues shall not be payable to the Trustee. Notice of such election shall be filed with the Trustee.

Any funds thereafter held by the Trustee, including any funds which have not been claimed by the person entitled thereto within two years of the date upon which such funds were scheduled to be paid, or which are not required for said purpose, shall be paid over to the Commission.

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

Except as otherwise herein expressly provided, the fact and date of the execution by any Bondowner 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.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry 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 Commission or the Trustee in good faith and in accordance therewith.

Section 9.05. Waiver of Personal Liability. No member, officer, agent or employee of the Commission shall be individually or personally liable for the payment of the principal of or interest on the Bonds to Bondowners and the payment of damages to Trustee related to the failure of the Commission to pay principal of or interest 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 provided that such duty can be enforced through traditional non-monetary equitable remedies.

Section 9.06. Intentionally Omitted.

Section 9.07. Destruction of Canceled Bonds. Whenever in this Indenture provision is made for the surrender to the Commission of any Bonds which have been paid or canceled pursuant to the provisions of this Indenture, when cancellation is permitted by law 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 Commission 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 and Demands on Commission and Trustee. Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee to or on the Commission may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Commission with the Trustee) as follows: Community Development Commission of the City of La Palma, City Hall, 7822 Walker Street, La Palma, California 90623, Attention: Executive Director; or to the Trustee at Bank of America National Trust and Savings Association, 333 South Beaudry Avenue, 25th



Floor, Los Angeles, California 90017, Attention: Corporate Trust #8510.

Section 9.09. Partial Invalidity. If any section, paragraph, sentence, clause or phrase of this Indenture shall for any reason be held illegal or unenforceable such holding shall not affect the validity of the remaining portions of this Indenture. The Commission hereby declares that it would have adopted 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. If, by reason of the judgment of any court, the Trustee is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Trustee hereunder shall be assumed by and vest in the Treasurer of the Commission in trust for the benefit of the Bondowners. The Commission covenants for the direct benefit of the Bondowners that its Treasurer in such case shall be vested with all of the rights and powers of the Trustee hereunder and shall assume all of the responsibilities and perform all of the duties of the Trustee hereunder in trust for the benefit of the Bonds.

Section 9.10. Effective Date of Indenture. This Indenture shall take effect from and after the date of its execution.

Section 9.11. Governing Law. This Indenture shall be governed by and construed in accordance with the internal laws of the State of California.

IN WITNESS WHEREOF, the Commission has caused this Indenture to be executed in its name and its seal to be affixed hereto and attested and the Trustee, in token of its acceptance of the trusts created hereunder has caused this Indenture to be executed in its name all as of the day and year above written.

LA PALMA COMMUNITY DEVELOPMENT  
COMMISSION

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

(S E A L)

Attest:

\_\_\_\_\_  
SECRETARY

APPROVED AS TO FORM:

\_\_\_\_\_

BANK OF AMERICA NATIONAL TRUST AND  
SAVINGS ASSOCIATION,  
Trustee

  
\_\_\_\_\_  
(Authorized Officer)

IN WITNESS WHEREOF, the Commission has caused this Indenture to be executed in its name and its seal to be affixed hereto and attested and the Trustee, in token of its acceptance of the trusts created hereunder has caused this Indenture to be executed in its name all as of the day and year above written.

LA PALMA COMMUNITY DEVELOPMENT  
COMMISSION

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

*Wally L...*  
CHAIRPERSON

(S E A L)

Attest:

*Briette Charles*  
\_\_\_\_\_  
SECRETARY

APPROVED AS TO FORM:

\_\_\_\_\_

BANK OF AMERICA NATIONAL TRUST AND  
SAVINGS ASSOCIATION,  
Trustee

\_\_\_\_\_  
(Authorized Officer)

EXHIBIT A

(FORM OF BOND)

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF ORANGE

LA PALMA COMMUNITY DEVELOPMENT COMMISSION  
LA PALMA COMMUNITY DEVELOPMENT PROJECT NO. 1  
1993 TAX ALLOCATION REFUNDING BOND

INTEREST RATE:            MATURITY DATE:            DATED DATE:            CUSIP:

December 1, 1993

REGISTERED OWNER:

PRINCIPAL SUM:

The LA PALMA COMMUNITY DEVELOPMENT COMMISSION, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California (the "Commission"), for value received hereby promises to pay to the Registered Owner, stated above or registered assigns, on the Maturity Date stated above (subject to any right of prior redemption hereinafter provided for), the Principal Sum stated above in lawful money of the United States of America and to pay interest thereon in like lawful money from the Interest Payment Date next preceding the date of registration and authentication of this Bond (unless (i) this Bond is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) this Bond is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date in which event it shall bear interest from such Interest Payment Date, or (iii) this Bond is authenticated on or prior to May 15, 1994, in which event it shall bear interest from the Dated Date 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 has previously been paid or made available for payment on this Bond) until payment of such Principal Sum in full, at the rate per annum stated above, payable semiannually on June 1 and December 1, commencing June 1, 1994, ("Interest Payment Date") calculated on the basis of a 360-day year composed of twelve 30-day months. Principal hereof at maturity and premium, if any, upon earlier redemption hereof are payable at the corporate trust office of Bank of America National Trust and Savings Association, the trustee under the Supplemental Trust Indenture No. 2 (as hereinafter defined) (the "Trustee"), in Los Angeles, California. Interest hereon (including the final interest payment upon maturity or earlier redemption) is payable by check of the Trustee mailed to the Registered Owner hereof at the Registered

Owner's address as it appears on the Bond registration books maintained by the Trustee at the close of business on the fifteenth day of the month next preceding the month of such Interest Payment Date, whether or not such day is a Business Day.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS OF THIS BOND SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN THIS PLACE.

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 and manner as required by the Law, both as defined herein, and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Commission, does not exceed any limit prescribed by the 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 Supplemental Indenture.

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

IN WITNESS WHEREOF, the La Palma Community Development Commission has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chairperson and its seal to be reproduced hereon and attested by the facsimile signature of its Secretary, all as of December 1, 1993.

LA PALMA COMMUNITY DEVELOPMENT  
COMMISSION

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

(S E A L)

ATTEST:

\_\_\_\_\_  
Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

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

BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION, as  
Trustee

AUTHENTICATION DATE:

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

(FORM OF BACK OF BOND)

This Bond is one of a duly authorized issue of Bonds of the Commission designated as "La Palma Community Development Commission, La Palma Community Development Project No. 1, 1993 Tax Allocation Refunding Bonds" (the "Bonds"), of an aggregate principal amount of Five Million One Hundred Thousand Dollars (\$5,100,000.00), 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 and other provisions). The Bonds are issued pursuant to the provisions of the Community Redevelopment Law, being Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the "Law") and pursuant to a resolution of the Commission adopted October 19, 1993, and a Supplemental Trust Indenture No. 2, dated as of December 1, 1993, entered into by and between the Commission and the Trustee (the "Supplemental Indenture"), authorizing the issuance of the Bonds. Reference is hereby made to the Supplemental Indenture (copies of which are on file at the office of the Commission) and all indentures supplemental thereto and to the 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 Supplemental Indenture, and the rights thereunder of the registered owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Commission thereunder, to all of the provisions of which Supplemental Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Commission to advance refund and defease the Commission's \$4,950,000 La Palma Community Development Project No. 1, 1988 Tax Allocation Bonds (the "1988 Bonds").

The Bonds are special obligations of the Commission and this Bond and the interest hereon and on all other Bonds and the interest thereon (to the extent set forth in the Supplemental Indenture) are payable from, and are secured equally and on a parity with the La Palma Community Development Commission, La Palma Community Development Project No. 1, 1991 Tax Allocation Bonds, ("1991 Bonds") without distinction, by a charge and lien on the Tax Revenues derived by the Commission from the Redevelopment Project Area (as those terms are defined in the Supplemental Indenture). There has been created and will be maintained by the Trustee, a Special Fund (as defined in the Supplemental Indenture) into which Tax Revenues shall be deposited and from which the Trustee shall thereafter pay the principal of, redemption premium and the interest on the Bonds when due. Subject to the foregoing, as and to the extent set forth in the Supplemental Indenture, all such Tax Revenues (together with all of the moneys in the Reserve Account, as defined in the Supplemental Indenture) are exclusively and irrevocably pledged to and constitute a trust fund, in accordance with the terms hereof and the provisions of the Supplemental

Indenture and the Law, for the security and payment or redemption of, including any premium upon early redemption, and for the security and payment of interest on, the Bonds. Notwithstanding the foregoing, in accordance with the Supplemental Indenture, Tax Revenues in excess of amounts required for such payment of the Bonds may be applied for other purposes as provided in the Supplemental Indenture.

This Bond is not a debt of the City of La Palma, the State of California, or any of its political subdivisions, and neither said City, 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 those of the Commission. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Bonds maturing on or before June 1, 2002, are not subject to optional redemption. Bonds maturing on or after June 1, 2003, are subject, at the option of the Commission, to call and redemption prior to their stated maturities on any June 1 or December 1, commencing June 1, 2002, as a whole or in part in inverse order of maturity, and by lot within a maturity, together with accrued interest thereon to the redemption date, if any is due and owing, plus a premium as follows:

<u>Redemption Dates</u>	<u>Premium</u>
June 1, 2002 and December 1, 2002	2 %
June 1, 2003 and December 1, 2003	1 1/2%
June 1, 2004 and December 1, 2004	1 %
June 1, 2005 and December 1, 2005	1/2%
June 1, 2006 and thereafter	0 %

The Bonds maturing on June 1, 2022 (the "Term Bonds"), are subject to mandatory redemption in part on June 1, 2008 and on June 1 of each year thereafter as further provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest, if any, to the date fixed for redemption, without premium, from Sinking Account payments required to be made by the Commission under the Supplemental Indenture.

As provided in the Supplemental Indenture, notice of redemption shall be given by first class mail no less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective Registered Owners of any Bonds designated for redemption at their addresses appearing on the bond registration books maintained by 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.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Supplemental Indenture,



interest shall cease to accrue hereon from and after the date fixed for redemption.

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

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Supplemental Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity and series.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing at said offices of the Trustee, but only in the manner and subject to the limitations provided in the Supplemental Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new fully registered Bond or Bonds, of authorized denomination or denominations for the same aggregate principal amount, of the same series and of the same maturity will be issued to the transferee in exchange therefor.

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

The rights and obligations of the Commission 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 Supplemental 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 Registered Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bond the consent of the owners of which is required to effect any such modification or amendment.

(FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

the within-registered Bond and hereby irrevocably  
constitute(s) and appoint(s) \_\_\_\_\_ attorney, to  
transfer the same on the bond register of the Trustee with full  
power of substitution in the premises.

Dated: \_\_\_\_\_ Note: 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.

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature(s) must be guaranteed  
by an eligible guarantee institution.

RESOLUTION NO. CDC 2001-31

A RESOLUTION OF THE LA PALMA COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF LA PALMA APPROVING THE ISSUANCE OF ITS LA PALMA COMMUNITY DEVELOPMENT PROJECT NO. 1, 2001 TAX ALLOCATION REFUNDING BONDS, A FORM OF SUPPLEMENTAL INDENTURE, A FORM OF A BOND PURCHASE AGREEMENT, A FORM OF AN ESCROW DEPOSIT AND TRUST AGREEMENT, A FORM OF AN OFFICIAL STATEMENT, CONTINUING DISCLOSURE AGREEMENT AND MAKING CERTAIN DETERMINATIONS RELATING THERETO

WHEREAS, the Community Development Commission of the City of La Palma (the "Commission") is a redevelopment agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law, being Section 33000 and following of the Health and Safety Code of the State of California, and the Powers of the Agency include the power to issue bonds for any of its corporate purposes; and

WHEREAS, a redevelopment plan, known as the community Development Plan for the La Palma Community Development Project No. 1, has been adopted and approved by Ordinance No. 83-1, which was adopted on May 3, 1983, was amended on May 5, 1987 and was further amended on June 23, 1992; and

WHEREAS, the Commission, in order to provide additional financing for the Project, has determined to issue its not to exceed \$7,000,000 principal amount of its La Palma Community Development Project No. 1, 2001 Tax Allocation Refunding Bonds, (the "Bonds") for the purpose of refunding its La Palma Development Project No. 1, 1991 Tax Allocation Bonds (the "1991 Bonds"); and

WHEREAS, there has been presented at this meeting a form of Supplemental Trust Indenture No. 3, a Bond Purchase Agreement, and an Escrow Deposit and Trust Agreement providing for the issuance of the Bonds; and

NOW, THEREFORE, BE IT RESOLVED by the Community Development Commission of the City of La Palma as follows:

SECTION 1. Approval of Issuance of Bonds. The issuance of its La Palma Community Development Commission, La Palma Community Development Project No. 1, 2001 Tax Allocation Refunding Bonds in a principal amount not to exceed \$7,000,000 to refund the 1991 Bonds, to establish a reserve fund, to pay the costs of issuance of the Bonds, and for other purposes related thereto, all of which constitute a "redevelopment activity," as such term is defined in Health and Safety Code Section 33678, is hereby authorized and approved.

SECTION 2. Approval of Supplemental Trust Indenture. The form of Trust Indenture No. 3 dated as of November 1, 2001, by and between the Commission and U.S. Bank Corporate Trust Services, as trustee (the "Indenture") presented at this meeting is hereby approved and the Chairperson or Vice Chairperson or Executive Director or Assistant Executive Director and the Secretary are hereby authorized and directed, for and in the name of and on

behalf of the Commission, to execute, acknowledge and deliver said Indenture in substantially the form presented at this meeting with such changes therein as the officers executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 3. Approval of the Bond Purchase Agreement. The form of the Bond Purchase Agreement relating to the purchase of the Bonds by Wedbush Morgan Securities, Inc. (the "Underwriter") a copy of which will be on file with the Secretary of the Commission, be and is hereby approved, or with such changes as may be approved by the Chairperson or any Vice Chairperson or Executive Director or Assistant Executive Director or Treasurer of the Commission, said execution thereof to constitute conclusive evidence of said officer approval of all changes from the form presented to this meeting, and the Chairperson or any Vice Chairperson or Executive Director or Assistant Executive Director or Treasurer of the Commission be and is hereby authorized, together or alone, to execute and deliver said Agreement and to insert in the aforesaid Agreement the dollar amounts and terms of the 2001 Bonds which reflects the provisions of said Bond Purchase Agreement. Provided, however, that (1) the aggregate principal amount of the Bonds shall not exceed \$7,000,000; and (2) the Agency shall have received from the Underwriter prior to the sale of the Bonds its confirmation that the Bonds will have a net interest cost (computed on the face amount thereof without discount) of not more than seven percent (7%), with an initial underwriter's discount of no more than two percent (2%) exclusive of any original issue discount.

SECTION 4. Approval of Escrow Deposit and Trust Agreements. The proposed form of the Escrow Deposit and Trust Agreement (the "Escrow Agreement") in substantially the form on file with the Secretary, with any amendments approved by the Executive Director, is hereby approved. The Chairperson or Executive Director or Assistant Executive Director or Treasurer are hereby authorized and directed to execute and deliver, and the Secretary is hereby authorized and directed to attest and affix the seal of the Commission to, the Escrow Agreement in substantially said form, with such additions thereto or changes therein as are approved by the Executive Director upon consultation with Bond Counsel, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of the Escrow Agreement by the Chairperson or Executive Director or Assistant Executive Director or Treasurer.

SECTION 5. Appointment of Trustee. U.S. Bank Corporate Trust Services is hereby appointed as Trustee pursuant to the Indenture, to take any and all action provided therein to be taken by the Trustee.

SECTION 6. Appointment of Professionals. The consulting firm of RSG, Inc., the law firm of Rutan & Tucker, LLP, the law firm of Best Best & Krieger, LLP, Wedbush Morgan Securities and the consulting firm of Harrel & Company Advisors, LLC, are hereby retained as Fiscal Consultant, Bond Counsel, Disclosure Counsel, Underwriter and Pricing Consultant.

SECTION 7. Filing of CDIAAC Notice. The Commission hereby approves the filing by the Underwriter or Bond Counsel of a notice of the Commission's intent to sell the Bonds with the California Debt Investment Advisory Commission pursuant to Section 8855 of the California Government Code.

SECTION 8. The Chair or Executive Director or Assistant Executive Director or Treasurer is authorized to execute a final Official Statement in substantially the form of the preliminary Official Statement, and Continuing Disclosure Agreement relating thereto, which have been presented at this meeting and are hereby approved, with such additions thereto and changes therein as are recommended or approved by Bond Counsel to the Agency and the officer executing the same, with such approval to be conclusively evidenced by the execution

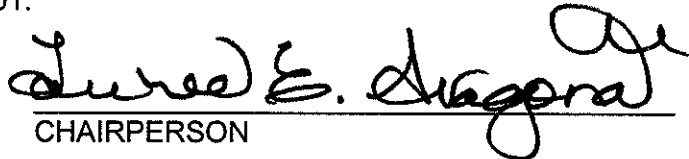
and delivery of such documents. The Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the Bonds and to provide to the purchasers of the Bonds and to provide to the purchasers of the Bonds from the Underwriter copies of the final Official Statement. The Executive Director or Assistant Executive Director or Treasurer is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 pertaining to the Preliminary Official Statement.

SECTION 9. Each and every officer of the Agency is authorized to perform his or her services on behalf of the Agency. The Executive Director or Assistant Executive Director or Treasurer, or his written designee, is authorized to incur such costs and to contract for all services necessary to effect the issuance of the Bonds. Such services shall include, but not be limited to, printing the Bonds, printing the Preliminary Official Statement and the Official Statement, obtaining legal services, fiscal agent services and any other services deemed appropriate for the issuance of the Bonds including, without limitation, the costs of Bond Insurance, Reserve Fund Surety, and Rating Agency Services (referred to in the Indenture as "Costs of Issuance") and the payment for said Costs of Issuance shall be approved by the Executive Director or Assistant Executive Director or Treasurer. The Executive Director or Assistant Executive Director or Treasurer, or his written designee, is authorized to pay for such Costs of Issuance with Bond proceeds established pursuant to the Indenture without further approval of this Board of Directors.

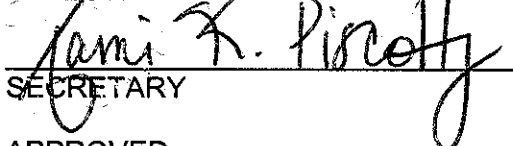
SECTION 10. All actions heretofore taken by officers and agents of the Agency with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the Chairperson and Secretary and the other officers of the Agency responsible for the fiscal affairs of the Agency are hereby authorized and directed to take any actions and execute and deliver any and all certificates, instruments, agreements and documents as are necessary to accomplish the issuance, sale and delivery of the Bonds in accordance with the provisions of this Resolution and the fulfillment of the purposes of the Bonds as described in the Indenture as determined by Bond Counsel. In the event that the Chairperson or Executive Director or Assistant Executive Director or Treasurer is/are unavailable to sign any document authorized for execution herein, the City of La Palma's Finance Director shall sign such document. Any document authorized herein to be signed by the Secretary may be signed by a duly appointed deputy secretary.

SECTION 11. Effective Date. This Resolution shall take effect upon adoption.

ADOPTED AND APPROVED by the Community Redevelopment Commission of the City of La Palma this 6<sup>th</sup> day of November, 2001.

  
CHAIRPERSON

ATTEST:

  
SECRETARY

APPROVED:

  
EXECUTIVE DIRECTOR

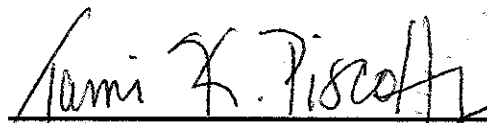
STATE OF CALIFORNIA     )  
COUNTY OF ORANGE     ) SS.  
CITY OF LA PALMA     )

I, Tami K. Piscotty, Secretary of the Community Development Commission of the City of La Palma, California, DO HEREBY CERTIFY that the foregoing Resolution was adopted by the Community Development Commission at a regular meeting of the Commission held on the 6<sup>th</sup> day of November, 2001, and that it was so adopted by called vote as follows:

AYES:           Aragona, Barnes, Blake, Duke, Walker

NOES:           None

ABSENT:         None

  
Secretary

**SUPPLEMENTAL TRUST INDENTURE NO. 3**

**By and Between**

**LA PALMA COMMUNITY DEVELOPMENT COMMISSION**

**and**

**U.S. BANK TRUST NATIONAL ASSOCIATION**

**as Trustee**

**Dated as of December 1, 2001**

**Relating to  
\$6,200,000 La Palma Community Development Project No. 1  
2001 Tax Allocation Refunding Bonds**

### **SUPPLEMENTAL TRUST INDENTURE NO. 3**

THIS SUPPLEMENTAL TRUST INDENTURE NO. 3 (the "Indenture") is dated as of December 1, 2001, by and between the La Palma Community Development Commission, a public body, corporate and politic, organized and existing under, and by virtue of the laws of the State of California (the "Commission"), and U.S. Bank Trust National Association, a national banking association organized and existing under the laws of the United States of America and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States with a corporate trust office located in Los Angeles, California, as trustee (the "Trustee"),

#### **W I T N E S S E T H:**

WHEREAS, the Commission is a redevelopment agency, a public body, corporate and politic, duly created, 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, including the power to issue bonds, notes and other obligations for any of its corporate purposes;

WHEREAS, a Community Development Plan for the La Palma Community Development Project No. 1 has been adopted in compliance with all requirements of law;

WHEREAS, the Commission has by Resolution No. CDC 91-20, adopted September 17, 1991 (the "Resolutions"), authorized the issuance of its La Palma Community Development Project No. 1, 1991 Tax Allocation Bonds (the "1991 Bonds"), in the principal amount of \$6,500,000.00 to finance the cost of certain public improvements to be constructed and installed within and without La Palma Community Development Project No. 1 and other expenditures authorized by the Law;

WHEREAS, the Commission has now determined to issue the Bonds to refund the 1991 Bonds and to enter into this Indenture to secure the Bonds by a pledge and assignment of the Tax Revenues (subject to the limitations hereinafter set forth in Section 4.01) and certain proceeds of the Bonds; and

WHEREAS, all things necessary to cause the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, to be valid, binding and legal special obligations of the Commission in accordance with their terms, and to constitute this Indenture a valid assignment and pledge of the Tax Revenues pledged to the payment of principal of and interest and any redemption premium on the Bonds (subject to the limitations hereinafter set forth in Section 4.01), and all things necessary to cause the creation, execution and delivery of this Indenture and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

WHEREAS, the Bonds may be sold on a negotiated basis pursuant to Government Code Section 53580 et seq. (the "Refunding Law"); and

WHEREAS, the Commission desires to issue the Bonds on parity with its La Palma Community Development Project No. 1, 1993 Tax Allocation Refunding Bonds (the "1993 Bonds");



NOW, THEREFORE, THIS INDENTURE WITNESSETH:

### GRANTING CLAUSES

The Commission, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Owners thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and interest and any redemption premium on the Bonds according to their tenor and effect and to secure the performance and observance by the Commission of all the covenants expressed or implied herein and in the Bonds, does hereby assign and pledge unto, and grant a security interest in the following (the "Trust Estate") to U.S. Bank Trust National Association, as Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Commission hereinafter set forth:

#### GRANTING CLAUSE FIRST

Subject to the limitations set forth in Section 4.01 hereof, all right, title and interest of the Commission in and to the Tax Revenues, including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any Tax Revenues payable to or receivable by the Commission under the Constitution of this State and the Law and any other applicable laws of this State or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the Commission is or may become entitled to do thereunder, subject to the terms hereof.

#### GRANTING CLAUSE SECOND

All monies and securities and all other rights of every name and nature from time to time herein or hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security hereunder to the Trustee by the Commission or by anyone in its behalf, or with its written consent, and to hold and apply the same, subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever for the benefit of the Bondowners and such pledge shall constitute a lien on and security interest in such Trust Estate;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Bonds issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds;

PROVIDED, HOWEVER, that if the Commission, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest and any redemption premium on the Bonds due or to become due thereon, at the times and in the manner provided in the Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final

payments or deposits as herein provided, this Indenture and the rights hereby granted shall cease, determine and be void; otherwise this Indenture shall remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all said property, rights and interests, including, without limitation, the Tax Revenues hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Commission has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners, from time to time, of the Bonds, or any part thereof, as follows:

## ARTICLE 1 STATUTORY AUTHORITY AND DEFINITIONS

### Section 1.01    Authority for this Indenture.

This Indenture is entered into pursuant to the provisions of the Law and Resolution No. CDC 2001-60, adopted by the Commission on November 6, 2001.

### Section 1.02    Indenture Constitutes Contract.

In consideration of the purchase and acceptance of any and all of the Bonds issued hereunder by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract among the Commission, the Trustee and the Owners of the Bonds. The pledge made in this Indenture and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Commission shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Indenture.

### Section 1.03    Definitions.

Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Indenture, of any Additional Supplemental Indenture, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

#### ACA or Bond Insurer or Insurer

"ACA" or "Bond Insurer" or "Insurer" means ACA Financial Guaranty Corporation.

#### Additional Bonds

"Additional Bonds" means all bonds or notes ranking on a parity with the 1993 Bonds and the Bonds issued hereunder and issued under and pursuant to Section 3.04 and an Additional Supplemental Indenture.

### Additional Supplemental Indenture

"Additional Supplemental Indenture" or "Supplemental Indenture" or "Additional Supplemental Resolution" means any indenture or resolution then in full force and effect which has been duly approved or adopted by the Commission under the Law, or any act supplementary thereto or amendatory thereof, at a meeting of the Commission duly convened and held, at which a quorum was present and acted thereon, amendatory of or supplemental to the 1993 Indenture and not including this Indenture; but only if and to the extent that such Additional Supplemental Indenture is specifically authorized hereunder.

### Annual Debt Service

"Annual Debt Service" means for each Bond Year, the sum of (1) the interest falling due on the Outstanding Bonds of all series in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (2) the principal amount of the Outstanding Bonds falling due by their terms in such Bond Year, using for such determination of principal amount with respect to Term Bonds, the amount of Sinking Account payments falling due in such Bond Year.

### Articles, Sections

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.

### 1988 Bonds

"1988 Bonds" means the La Palma Community Development Project No. 1, 1988 Tax Allocation Bonds in the amount of \$4,950,000.00.

### 1991 Bonds

"1991 Bonds" means the La Palma Community Development Project No. 1, 1991 Tax Allocation Bonds in the amount of \$6,500,000.00.

### 1993 Bonds

"1993 Bonds" means the La Palma Community Development Project No. 1, 1993 Tax Allocation Refunding Bonds in the amount of \$5,100,000.

### Bond Counsel

"Bond Counsel" means any attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

### Bonds, Serial Bonds, Term Bonds

"Bonds" means the La Palma Community Development Commission, La Palma Community Development Project No. 1, 2001 Tax Allocation Refunding Bonds authorized by, and at any time Outstanding pursuant to this Indenture.

"Serial Bonds" means Bonds for which no mandatory Sinking Account payments are provided.

"Term Bonds" means Bonds which are payable on or before their specified maturity dates from mandatory Sinking Account payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

### Bond Proceeds Fund

"Bond Proceeds Fund" means the fund by that name established by Section 3.02.

### Bond Year

"Bond Year" means the twelve (12) month period commencing on June 2 of each year and continuing through the following June 1 of the next succeeding year, provided that the first Bond Year shall extend from the Closing Date to June 1, 2002.

### Business Day

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Trustee has its principal corporate trust office, or in the City of New York, New York are authorized or obligated by law or executive order to be closed.

### Chairperson

"Chairperson" means the chairman of the Commission appointed pursuant to Section 33113 of the Health and Safety Code of the State of California, or other duly appointed officer of the Commission authorized by the Commission by resolution or by-law to perform the functions of the chairperson in the event of the chairperson's absence or disqualification.

### City

"City" means the City of La Palma.

### Closing Date

"Closing Date" means the day when the Bonds, duly authenticated by the Trustee, are delivered to the original purchaser thereof.

### Code

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations adopted thereunder by the Internal Revenue Service.

### Commission

"Commission" means the La Palma Community Development Commission, a public body, corporate and politic, established under the Law.

### Continuing Disclosure Certificate

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate relating to the Bonds executed by the Commission and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

### Cost of Issuance

"Cost of Issuance" means items of expense payable or reimbursable directly or indirectly by the Commission and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Trustee, including Trustee counsel fees, expenses incurred by the Commission in connection with the issuance of the Bonds, legal fees and charges, including Bond Counsel, Disclosure Counsel and financial consultant's fees, costs of verifications, rating agency fees, bond insurance premium, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

### Cost of Issuance Account

"Cost of Issuance Account" means the account by that name established by Section 3.02.

### County

"County" means the County of Orange.

### County Assessor

"County Assessor" means the person who holds the office in the County in which the Commission is located designated as the County Assessor, or one of his duly appointed deputies, or any person or persons performing substantially the same duties in the event said office is ever abolished or changed.

### County Auditor-Controller

"County Auditor-Controller" means the person who holds the office in the County in which the Commission is located designated as the County Auditor-Controller, or one of his duly

appointed deputies, or any person or persons performing substantially the same duties in the event said office is ever abolished or changed.

#### Depository

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.05.

#### Depository System Participation.

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

#### DTC

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

#### Escrow Agreement

"Escrow Agreement" means that Escrow Deposit and Trust Agreement No. 2 between the Commission and the Escrow Agent dated as of December 1, 2001 relating to the 1991 Bonds.

#### Escrow Agent

"Escrow Agent" means U.S. Bank Trust National Association appointed pursuant to the Escrow Agreement.

#### Escrow Fund

"Escrow Fund" means that fund established pursuant to Section 3 of the Escrow Agreement.

#### Excess Earnings Account

"Excess Earnings Account" means that account established pursuant to Section 6.09 hereof.

#### Excess Investment Earnings

"Excess Investment Earnings" has the meaning ascribed in Section 6.09 hereof.

#### Federal Securities

"Federal Securities" means any of the following which are noncallable and which at the time of investment are legal investments under the laws of the State for trust funds held by the Trustee:

(a) Direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America (including state and local government series), including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

(b) Any of the following obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank, (ii) certificates of beneficial ownership issued by the Farmers Home Administration, (iii) participation certificates issued by the General Services Administration, (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (v) project notes issued by the United States Department of Housing and Urban Development, and (vi) public housing notes and bonds guaranteed by the United States of America; or

(c) Obligations of states or of any political subdivisions thereof, provided that the payment of principal thereof and interest thereon is fully secured by obligations described in (a) and/or (b) above.

#### Financing Documents

"Financing Documents" means this Indenture, the Escrow Agreement, and any related document.

#### Fiscal Year

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both inclusive, or any other twelve-month period hereafter selected and designated by the Commission as its official fiscal year period.

#### Gross Proceeds

"Gross Proceeds" has the meaning given to such term in Section 148(f)(6)(B) of the Code.

#### 1988 Indenture

"1988 Indenture" means that Trust Indenture by and between the La Palma Community Development Commission and Bank of America National Trust and Savings Association dated as of May 1, 1988.

#### 1991 Indenture

"1991 Indenture" means that Supplemental Trust Indenture No. 1 by and between the La Palma Community Development Commission and Bank of America National Trust and Savings Association dated as of October 1, 1991.

### 1993 Indenture

"1993 Indenture" means that Supplemental Trust Indenture No. 2 by and between the La Palma Community Development Commission and the Bank of America National Trust and Savings Association dated as of December 1, 1993.

### Indenture

"Indenture" means this Supplemental Trust Indenture No. 3, as it may be amended or supplemented by any Additional Supplemental Indenture adopted pursuant to the provisions hereof.

### Independent Certified Public Accountant

"Independent Certified Public 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 of California, appointed by the Commission, and who, or each of whom:

- (1) is in fact independent and not under domination of the Commission;
  - (2) does not have any substantial interest, direct or indirect, with the Commission;
- and
- (3) is not connected with the Commission as an officer or employee of the Commission, but who may be regularly retained to make reports to the Commission.

### Independent Financial Consultant

"Independent Financial Consultant" means any financial consultant or firm of such consultants appointed by the Commission, and who, or each of whom:

- (1) is in fact independent and not under domination of the Commission;
- (2) does not have any substantial interest, direct or indirect, with the Commission;
- (3) is not connected with the Commission as an officer or employee of the Commission, but who may be regularly retained to make reports to the Commission; and
- (4) is approved by ACA.

### Interest Account

"Interest Account" means the account by that name established pursuant to Section 4.03.

### Interest Payment Date

"Interest Payment Date" means June 1 and December 1 of each year while the Bonds are Outstanding.



### Investment Account

"Investment Account" means the account by that name established pursuant to Section 6.09.

### Investment Agreement

"Investment Agreement" means an investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an agreement among the Commission, the Trustee and a financial institution or governmental agency or instrumentality.

### Investment Earnings

"Investment Earnings" means all interest earned and any gains and losses on the funds and accounts established by this Indenture (excluding the Rebate Fund) and held by the Trustee.

### Law

"Law" means 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, and the acts amendatory thereof and supplemental thereto.

### Letter of Instructions or Rebate Certificate

"Letter of Instructions" or "Rebate Certificate" means the letter or certificate delivered on the Closing Date regarding compliance with the Code, and as it may be supplemented or amended from time to time.

### Maximum Annual Debt Service

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

### Nominee

"Nominee" means (a) initially, Cede & Co., as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to Section 2.05(a).

### Non-Purpose Obligations

"Non-Purpose Obligations" has the meaning given to such term in Section 148(f)(6)(A) of the Code.

### Original Purchaser

"Original Purchaser" means Wedbush Morgan Securities as the first purchaser of the 2001 Bonds.

### Outstanding

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 7.04) all Bonds except--

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Commission pursuant to the Indenture or any Additional Supplemental Indenture.

### Owner, Bondowner

"Owner" or "Bondowner" means any person who shall be the registered owner of any Outstanding fully registered Bond.

### Participating Underwriter

"Participating Underwriter" shall have the meaning ascribed thereto in the applicable Continuing Disclosure Agreement.

### Permitted Investments

"Permitted Investments" means:

1. Cash deposits (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in the next paragraph).
2. Direct obligations of (including obligations issued or held in book entry form on the books of the Department of Treasury) the United States of America. In the event these securities are used for defeasance, they shall be non-callable and non-prepayable.

To the extent permitted by law, ACA will allow the following obligations to be used as permitted investments for all purposes other than defeasance investments in refunding escrow accounts:

1. Obligations of the following federal agencies so long as such obligations are backed by the full faith and credit of the United States of America:
  - a. U.S. Export-Import Bank (Eximbank)
  - b. Rural Economic Community Development Administration
  - c. Federal Financing Bank
  - d. U.S. Maritime Administration

- e. U.S. Department of Housing and Urban Development (PHAs)
- f. General Services Administration
- g. Small Business Administration
- h. Government National Mortgage Association (GNMA)
- i. Federal Housing Administration
- j. Farm Credit System Financial Assistance Corporation

2. Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- a. Senior debt obligations rated in the highest long-term rating category by at least two nationally recognized rating agencies issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
- b. Senior debt obligations of the Federal Home Loan Bank System.
- c. Senior debt obligations of other Government Sponsored Agencies approved by ACA.

3. U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which either (a) have a rating on their short-term certificates of deposit on the date of purchase in the highest short-term rating category of at least two nationally recognized rating agencies, (b) are insured at all times by the Federal Deposit Insurance Corporation, or (c) are collateralized with direct obligations of the United States of America at one hundred two percent (102%) valued daily. All such certificates must mature no more than three hundred sixty (360) days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).

4. Commercial paper which is rated at the time of purchase in the highest short-term rating category of at least two (2) nationally recognized rating agencies and which matures not more than two hundred seventy (270) days after the date of purchase.

5. Investments in (a) money market funds subject to SEC Rule 2a-7 and rated in the highest short-term rating category of at least two nationally recognized rating agencies and (b) public sector investment pools operated pursuant to SEC Rule 2a-7 in which the Commission's deposit shall not exceed 5% of the aggregate pool balance at any time and such pool is rated in one of the two highest short-term rating categories of at least two nationally recognized rating agencies.

6. Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor prior to

maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

a. which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest long-term category of at least two (2) nationally recognized rating agencies; or

b.(i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or direct obligations of the United States of America, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and

(ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

7. General obligations of states with a short-term rating in one (1) of the two (2) highest rating categories and a long-term rating in one (1) of the two (2) highest rating categories of at least two (2) nationally recognized rating agencies. In the event such obligations are variable rate obligations, the interest rate on such obligations must be reset not less frequently than annually.

8. Investment agreements approved in writing by ACA.

9. Other forms of investments (including repurchase agreements) approved in writing by ACA.

The value of the above investments, other than cash, shall be determined as follows:

"Value," which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

1. As to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

2. As to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

3. As to certificates of deposit and bankers acceptances, the face amount thereof, plus accrued interest; and

4. As to any investment not specified above, the value thereof established by prior agreement between the Commission, the Trustee and ACA.

Policy

"Policy" means the financial guaranty policy issued by ACA.

Principal Account

"Principal Account" means the Account by that name established by Section 4.03.

Project, Redevelopment Project

"Project" or "Redevelopment Project" means the undertaking of the Commission pursuant to the Redevelopment Plan, as amended, and the Law for the redevelopment of the Project Area, as amended.

Project Area, Redevelopment Project Area

"Project Area" or "Redevelopment Project Area" means the La Palma Community Development Project Area No. 1 described in the Redevelopment Plan, as amended on May 3, 1987, June 2, 1987, July 7, 1992 and hereafter.

Rebate Fund

"Rebate Fund" means the fund by that name established and held by the Trustee pursuant to Section 6.09 hereof.

Redemption Account

"Redemption Account" means the account by that name established by Section 4.03.

Redevelopment Plan

"Redevelopment Plan" or "Plan" means the Community Development Plan for the La Palma Community Development Project No. 1 approved and adopted by Ordinance No. 83-7, adopted by the City Council of the City of La Palma on May 3, 1983, as amended on May 5, 1987 and Ordinance No. 87-03 adopted by the City Council of the City of La Palma on June 2, 1987, as amended by Ordinance No. 92-06 on July 7, 1992, and as hereafter amended in accordance with the Law.

Refunding Law

"Refunding Law" means Government Code Section 53580 et seq.

Report

"Report" means a report in writing signed by an Independent Financial Consultant and including:

(1) a statement that the person or firm making or giving such report has read the pertinent provisions of this Indenture to which such report relates;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based;

(3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the report.

#### Reserve Account

"Reserve Account" means the account by that name established by Section 4.03.

#### Reserve Requirement

"Reserve Requirement" means as of the date of calculation an amount equal to the lesser of ten percent (10%) of the original principal amount (less any underwriter's discount) of the Bonds and any Additional Bonds or the Maximum Annual Debt Service on the Bonds and any Additional Bonds.

#### Sinking Account

"Sinking Account" means the account by that name established pursuant to Section 4.03.

#### Special Fund

"Special Fund" means the fund by that name established by Section 4.02.

#### 1988 Special Fund

"1988 Special Fund" means the fund by that name established in Section 4.02 of the 1988 Indenture.

#### 1991 Special Fund

"1991 Special Fund" means the fund by that name established in Section 4.02 of the 1991 Indenture.

#### 1993 Special Fund

"1993 Special Fund" means the fund by that name established in Section 4.02 of the 1993 Indenture.

#### State

"State" means the State of California.

### Surplus Account

"Surplus Account" means the account by that name established pursuant to Section 4.03.

### Tax Increment Revenues

"Tax Increment Revenues" means that portion of taxes in the Redevelopment Project and received by the Commission, which is allocated to and paid into a special fund of the Commission pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, excluding that portion of Tax Increment Revenues required by Section 33334.2 of the Law to be used by the Commission for increasing and improving the supply of low and moderate income housing, all as more particularly set forth hereafter in this Indenture and in any Additional Supplemental Indenture authorizing the issuance of Additional Bonds.

### Tax Revenue Certificate

"Tax Revenue Certificate" means a certificate of the Commission, executed by the Executive Director or the Treasurer of the Commission, stating the amount of Tax Revenues received or to be received by the Commission in the then current Fiscal Year, accompanied, in the case of a statement of Tax Revenues to be received, by a statement from the County Auditor-Controller or from an Independent Financial Consultant of Tax Revenues to be paid to the Commission.

### Tax Revenues

"Tax Revenues" means (a) Tax Increment Revenues received by the Commission, (b) Investment Earnings, and (c) reimbursements, subventions, but excluding payments to the Commission with respect to personal property within the Redevelopment Project pursuant to Section 16110, et seq., of the Government Code, and other payments made by the State with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such property from such taxes. Tax Revenues shall not include amounts payable by the Commission under agreements entered into pursuant to Section 33401 of the Law.

### Treasurer

"Treasurer" means the treasurer of the Commission appointed pursuant to the Law, or other duly appointed officer of the Commission authorized by the Commission by resolution or bylaw to perform the functions of the treasurer including, without limitation, the Assistant Treasurer of the Commission.

### 1988 Trustee

"1988 Trustee" means Bank of America National Trust and Savings Association as Trustee pursuant to the 1988 Indenture or its lawful successor.

### 1991 Trustee

"1991 Trustee" means Bank of America National Trust and Savings Association as Trustee pursuant to the 1991 Indenture or its lawful successor.

### 1993 Trustee

"1993 Trustee" means Bank of America National Trust and Savings Association as Trustee pursuant to the 1993 Indenture or its lawful successor.

### Trustee

"Trustee" means the Trustee appointed by the Commission as herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01.

### Written Request of the Commission

"Written Request of the Commission" means an instrument in writing signed by the Chairperson or Executive Director or by any other officer of the Commission duly authorized by the Commission for that purpose.

### Yield

"Yield" has the meaning given to such term in Section 148 of the Code.

### Yield on the Bonds or Bond Yield

"Yield on the Bonds" or "Bond Yield" means 5.7075184% per annum.

## ARTICLE 2 THE BONDS

### Section 2.01 Authorization.

There are hereby authorized to be issued by the Commission under and subject to the terms of this Indenture and the Constitution and laws of the State of California, specifically including the Law, the Bonds in the aggregate principal amount of Six Million Two Hundred Thousand Dollars (\$6,200,000). This Indenture constitutes a continuing agreement with the Owners of all of the Bonds issued hereunder and then Outstanding to secure the full and final payment of principal and premiums, if any, and the interest on all Bonds which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The Bonds shall be designated the "La Palma Community Development Commission, La Palma Community Development Project No. 1, 2001 Tax Allocation Refunding Bonds."



Section 2.02 Terms of Bonds.

(1) The Bonds shall be issued as fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof, but in an amount not to exceed the aggregate principal amount of Bonds maturing in the year of maturity of the Bond for which the denomination is specified. Bonds shall be numbered as determined by the Trustee from one (1) consecutively upwards in order of issuance.

(2) Date of Authentication of Bonds. The Bonds shall be dated as of the date of authentication thereof, except that each Bond delivered to the purchaser designated in Section 3.01 shall be dated as of December 1, 2001

(3) CUSIP Identification Numbers: "CUSIP" identification numbers shall be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the Commission to use such CUSIP numbers in any notice to Owners of the Bonds shall not constitute an event of default or any violation of the Commission's contract with such Owners.

(4) Maturities. The Bonds shall mature and become payable on June 1 of each year, as follows:

MATURITY SCHEDULE

<u>Maturity</u>	<u>Type of Bond</u>	<u>Interest</u>	<u>Maturity Value</u>
6/01/2002	Serial	2.500%	125,000.00
6/01/2003	Serial	2.750%	175,000.00
6/01/2004	Serial	3.100%	180,000.00
6/01/2005	Serial	3.450%	190,000.00
6/01/2006	Serial	3.700%	195,000.00
6/01/2007	Serial	4.050%	200,000.00
6/01/2008	Serial	4.250%	215,000.00
6/01/2009	Serial	4.400%	225,000.00
6/01/2010	Serial	4.550%	230,000.00
6/01/2011	Serial	4.700%	245,000.00
6/01/2021	Term	5.500%	4,220,000.00
Total		6,200,000.00	

(5) Interest. The Bonds shall bear interest at the rates designated by the Commission at the time of the sale of the Bonds and as set forth above in the preceding subsection, payable on June 1, 2002, and thereafter semiannually on June 1 and December 1 in each year (the "Interest Payment Dates"), if any interest shall be due and owing. Such interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event

it shall bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before May 15, 2002, in which event it shall bear interest from December 1, 2001; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(6) Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable on the Interest Payment Date by check of the Trustee mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Trustee at the close of business on the fifteenth day of the month preceding the Interest Payment Date, whether or not such day is a Business Day. Principal of the Bonds is payable in lawful money of the United States of America upon presentment at the principal corporate trust office or agency of the Trustee in St. Paul, Minnesota.

#### Section 2.03 Redemption.

(1) Optional Redemption. Bonds maturing on or before June 1, 2011, shall not be subject to optional redemption before their stated maturity. Bonds maturing by their terms on or after June 1, 2012 are subject, at the option of the Commission, to call for redemption prior to their stated maturities on any date commencing June 1, 2011, in whole or in part at the option of the Commission, from any available source of funds deposited in the Redemption Account, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the redemption date, if any is due and owing, plus a premium as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
June 1, 2011 through May 31, 2012	102.0%
June 1, 2012 through May 31, 2013	101.0%
June 1, 2013 and thereafter	100.0%

The Commission shall give the Trustee written notice of its intention to redeem Bonds pursuant to this subsection (1) not less than sixty (60) days prior to the applicable redemption date.

(2) Sinking Account Redemption. The Term Bonds maturing on June 1, 2021 are subject to mandatory redemption prior to their maturity date in part, by lot, from, and to the extent of, the Sinking Account payments commencing on June 1, 2012 and June 1 each year thereafter, according to the schedule of Sinking Account payments set forth and as provided in Section 4.03(3), at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest, if any, to the date fixed for redemption, without premium:

<u>June 1</u>	<u>Principal Amount</u>	<u>June 1</u>	<u>Principal Amount</u>
2012	260,000.00	2017	350,000.00
2013	275,000.00	2018	360,000.00

2014	290,000.00	2019	495,000.00
2015	310,000.00	2020	740,000.00
2016	325,000.00	2021	815,000.00

(3) Redemption Procedure. The Trustee shall cause notice of any redemption to be mailed, first class mail, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the respective registered owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the office of the Trustee; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest accrued on the redemption date.

Such notice shall state the redemption date and the redemption price; if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each of the Bonds or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption; and shall require that such Bonds be then surrendered at the office of the Trustee, for redemption at the said redemption price; and shall state that further interest on such Bonds will not accrue from and after the redemption date. Said notice may or may not be conditioned upon the availability of funds for payment of principal, interest, (and premium, if any) upon the Bonds.

Upon surrender of Bonds redeemed in part only, the Commission shall execute and the Trustee shall authenticate and deliver to the registered Owner at the expense of the Commission a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

From and after the date fixed for redemption, if notice of such redemption shall have been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price and no interest shall accrue thereon on or after the redemption date specified in such notice.

Whenever any Bonds are to be selected for redemption by lot, the Trustee shall determine, in any manner deemed by it to be fair, the serial numbers of the Bonds to be redeemed and shall notify the Commission thereof.

All Bonds redeemed pursuant to this section and all Bonds purchased by the Trustee pursuant to Section 4.03 shall be canceled and destroyed by the Trustee.

#### Section 2.04 Form of Bonds.

The Bonds, the form of Trustee's certificate of authentication and registration, and assignment to appear thereon, shall be substantially in the form set forth on Exhibit A hereto, respectively, with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

Section 2.05 Book Entry.

(a) Original Delivery. The Bonds shall be initially delivered in the form of a separate single fully registered Bond without coupons (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered on the Registration Books in the name of Cede & Co., as nominee of the Depository Trust Company (the "Nominee"). Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, the Commission and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Commission 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 Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, (iii) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal of premium, if any, or interest on the Bonds or (iv) any consent given or other action taken by the Depository as Owner of the Bonds. The Commission and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal, premium and interest on such Bond, for the purpose of giving notices of redemption and other matter, with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and interest and premium, if any, on the 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 Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Commission 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 Commission shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book entry system, the Commission and the Trustee shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the 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 Commission or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. The Trustee agrees to comply with all provisions in such letter with respect to the giving of notices thereunder by the Trustee. In addition to the execution and delivery of such letter, the Commission may take any other actions, not inconsistent with this Indenture, to qualify the 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 Bonds, or (ii) the Commission determines to terminate the Depository as such, then the Commission shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Commission and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Commission fails to identify another Securities Depository to replace the Depository, then the 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 Bonds shall designate, in accordance with the provisions of this Article 2. Prior to its termination, the Depository shall furnish the Trustee with the names and addresses of the Participants and respective ownership interests thereof.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such 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.

#### Section 2.06 Execution of Bonds.

The Bonds shall be executed on behalf of the Commission by the manual or facsimile signatures of its Chairperson or Vice-Chairperson or Executive Director or Treasurer and its Secretary or Assistant Secretary who are in office on the date of adoption of this Indenture or at any time thereafter. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the purchaser. Any Bond may be signed and attested on behalf of the Commission by such persons as at the actual date of the execution of such Bond shall be the proper officers of the Commission although at the nominal date of such Bond any such person shall not have been such officer of the Commission.

Only such Bonds as shall bear thereon a certificate of authentication and registration in the form hereinbefore recited, 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 the Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Indenture.

#### Section 2.07 Intentionally Omitted.

#### Section 2.08 Transfer of Bonds.

Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.09, by the person in whose name it is registered in person or by his duly authorized attorney, upon surrender of such Bond 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 transfer, the Commission shall execute and the Trustee shall deliver a new Bond or Bonds for like aggregate principal amount of authorized denominations.

No transfers of Bonds shall be required to be made with respect to a Bond after such Bond has been selected for redemption.

Section 2.09     Exchange of Bonds.

Bonds of each series may be exchanged at the principal corporate trust office or agency of the Trustee in St. Paul, Minnesota, for a like aggregate principal amount of Bonds of each series of authorized denominations and of the same maturity. The Commission shall pay all exchange costs and charges including the cost of printing any new Bonds and the Trustee shall require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) fifteen days prior to the selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Section 2.10     Bond Register.

The Trustee will keep or cause to be kept, at its principal corporate trust office or agency in St. Paul, Minnesota, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the Commission during normal business hours upon reasonable notice; 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 said books Bonds as hereinbefore provided.

Section 2.11     Temporary Bonds.

The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Commission, and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Commission upon the same conditions and in substantially the same manner as the definitive Bonds. If the Commission issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation in exchange therefor at the principal corporate trust office or agency of the Trustee in St. Paul, Minnesota, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.12 Bonds Mutilated, Lost, Destroyed or Stolen.

If any Bond shall become mutilated the Commission, at the expense of the Owner of said Bond shall execute, and the Trustee shall thereupon deliver a new Bond of like series, tenor and principal amount in exchange and substitution for the Bond so mutilated but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Commission. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Commission and the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the Commission at the expense of the Owner shall execute, and the Trustee shall thereupon deliver a new Bond of like series, tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Commission may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this section and of the expenses which may be incurred by the Commission and the Trustee in the premises. Any Bond issued under the provisions of this section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Commission whether or not the 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 Bonds issued pursuant to this Indenture.

ARTICLE 3  
ISSUE OF BONDS, ADDITIONAL BONDS

Section 3.01 Issuance and Delivery of Bonds.

At any time after the execution of this Indenture the Commission may issue and deliver Bonds in the aggregate principal amount of Six Million Two Hundred Thousand Dollars (\$6,200,000.00). In accordance with the provisions of Resolution No. CDC 2001-60, adopted by the Commission on November 6, 2001, the Bonds have been sold to Wedbush Morgan Securities (the "Purchaser"). The Chairperson and Vice-Chairperson of the Commission, the Secretary of the Commission, the Executive Director, the Assistant Executive Director, the Treasurer, the General Counsel and other proper officers of the Commission, as designated in writing by the Chairperson/Executive Director, are hereby authorized and directed to deliver any and all documents and instruments, to authorize the payment of Cost of Issuance and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Bonds to the Purchaser.

Section 3.02 Application of Proceeds of Sale of Bonds and Other Monies.

There is hereby established a fund to be known as the "La Palma Community Development Commission, La Palma Community Development Project No. 1, 2001 Tax Allocation Refunding Bonds, Bond Proceeds Fund" and within such Fund, an Account to be known as the Cost of Issuance Account, which Fund and Account shall be held in trust by the Trustee. Upon the delivery of the Bonds to the purchaser thereof, the Trustee, on behalf of the Commission, will receive from the 1991 Trustee, the monies remaining in the Special Fund created pursuant to the 1991 Indenture, including any accounts therein, in an amount as set forth in a Written Request of the Commission, from which the Trustee will deposit a portion to the

Reserve Account and transfer the balance to the Escrow Agent for deposit in the Escrow Fund as directed by the Commission.

Upon receipt of payment for the Bonds, the proceeds thereof shall be paid to the Trustee, along with a transfer of \$541,715.18 from the 1991 Bonds Debt Service Reserve Fund and \$122,468.70 from the 1991 Special Fund who shall set aside, pay over and deposit such proceeds as follows:

(4) Deposit in the Interest Account of the Special Fund \$14,568.29, equaling the accrued interest paid by the Purchaser of the Bonds;

(5) Deposit in the Reserve Account of the Special Fund \$480,204.17;

(6) Deposit in the Cost of Issuance Account of the Bond Proceeds Fund the amount of \$223,978.65 from which the Trustee shall wire transfer \$140,346.74 as payment of the premium upon the Policy.; and

(7) Transfer to the Escrow Agent for deposit in the Escrow Fund created pursuant to the Escrow Agreement the sum of \$5,995,897.66 for application to the defeasance of the 1991 Bonds in accordance with the 1991 Indenture.

The Trustee shall pay all Cost of Issuance upon receipt of such a requisition containing the respective amounts to be paid to the designated payees signed by the Executive Director or a financial officer of the Commission designated in writing by the Chairperson/Executive Director and delivered to the Trustee, concurrently with the delivery of the Bonds or thereafter. The Trustee shall maintain the Cost of Issuance Account for a period of 180 days from the date of delivery of the Bonds and then shall transfer any monies remaining therein to the Commission, which shall be held by the Treasurer of the Commission for the payment of any unpaid Costs of Issuance and every invoice and requisition received thereafter by the Trustee shall be submitted to the Commission for payment.

Section 3.03 [Intentionally Omitted.]

Section 3.04 Issuance of Additional Bonds.

In addition to the Bonds, the Commission may, by resolution authorizing the issuance thereof and the execution of an Additional Supplemental Indenture with respect thereto, provide for the issuance of one or more series of Additional Bonds on a parity with the 1993 Bonds and the Bonds issued pursuant to this Indenture to finance the Redevelopment Project in such principal amount as will be determined by the Commission. The Commission may deliver Additional Bonds subject to the following specific conditions which are conditions precedent to the delivery of any such Additional Bonds.

(a) The Trustee will receive prior to the delivery of Additional Bonds:

(i) Copies of the resolution authorizing the issuance thereof and the Additional Supplemental Indenture pursuant to which such Additional Bonds are authorized to be issued, each certified by an authorized officer of the Commission.



(ii) An opinion of Bond Counsel stating (1) that the resolution and Additional Supplemental Indenture pursuant to which such Additional Bonds are authorized to be issued are valid and enforceable in accordance with their terms; (2) that the resolution authorizing the issuance thereof and the Additional Supplemental Indenture pursuant to which such Additional Bonds are authorized to be issued create a valid pledge of that which they purport to pledge; and (3) that the total principal amount of Bonds to be issued and then Outstanding will not exceed any limit imposed by law;

(iii) A Written Request of the Commission stating that the Commission is not, at the time of issuance of such Additional Bonds, in default under the 1993 Indenture, this Indenture, or any Additional Supplemental Indenture directing the Trustee to deliver such Additional Bonds, as authorized, and stating the amounts to be deposited in the various applicable funds and accounts;

(iv) With respect to such Additional Bonds, a Written Request of the Commission (which the Trustee shall have no responsibility for the review or verification thereof) showing:

(a) The total Maximum Annual Debt Service with respect to the Bonds and 1993 Bonds reasonably expected to be Outstanding, including the Additional Bonds then being delivered and any other notes, bonds or other obligations issued by the Commission secured on a parity with the 1993 Bonds, the Bonds, and Additional Bonds.

(b) For the then current Fiscal Year, the Tax Revenues to be received by the Commission based upon the most recent taxable valuation of property in the Redevelopment Project furnished by the appropriate officer of the County or an Independent Financial Consultant as shown by the report of an Independent Financial Consultant.

(c) That for the then-current Fiscal Year for the Bond Year commencing in such Fiscal Year, the Tax Revenues referred to in item (b) above are at least 1.25 times the Maximum Annual Debt Service referred to in item (a) above.

(d) That upon the delivery of the proposed Additional Bonds, an amount equal to the Reserve Requirement for such Additional Bonds will be credited to the Reserve Account as partial security for such Additional Bonds.

(e) The Additional Bonds will mature on June 1, and interest thereon will be payable June 1 and December 1 of each year.

(f) That the Commission has reviewed the limitation upon the amount of taxes which may be allocated to the Commission under the Redevelopment Plan and certifies that the pledge of Tax Revenues to the payment of the Additional Bonds will not impair the ability of the Commission to pay debt service on the 1993 Bonds, the Bonds and the Additional Bonds in accordance with its covenants contained in this Indenture.

Any Additional Bonds may be made subject to redemption prior to maturity, as a whole or in part, at such time or times, and upon payment of the principal amount thereof and accrued interest thereon plus such premium or premiums, if any, as may be determined by the Commission in the resolution or Additional Supplemental Indenture providing for the issuance thereof. Such resolution or Additional Supplemental Indenture will provide that in the event that some but less than all of the Bonds and of said Additional Bonds are to be redeemed at any one time, such Additional Bonds redeemed will be in the proportion that the principal amount of Outstanding Additional Bonds bears to the total principal amount of all the then Outstanding 1993 Bonds, the Bonds and Additional Bonds.

The Commission may issue refunding bonds with respect to the Bonds for the purpose of paying or retiring such Outstanding Bonds subject to applicable redemption provisions.

If the Commission is in compliance with all covenants set forth in the Indenture, the Commission may for any purpose issue obligations having a lien on the Tax Revenues which is subordinate to the Bonds and which are payable solely from "surplus" Tax Revenue as defined in Section 4.03(5) of this Indenture, but only if the pledge of Tax Revenues to the payment of such obligations will not impair the ability of the Commission to pay future Annual Debt Service on the 1993 Bonds, the Bonds and any Additional Bonds.

#### Section 3.05     Validity of Bonds.

The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the Project or upon the performance by any person of his obligation with respect to the Project.

### ARTICLE 4 THE TAX REVENUES; SPECIAL FUND AND ACCOUNTS; SURPLUS

#### Section 4.01     Pledge of Tax Revenues.

The Bonds shall be secured by a pledge, on parity with the 1993 Bonds, (which pledge shall be effected in the manner and to the extent hereinafter provided) of all of the Tax Revenues, and, as of the date hereof, by a pledge of all of the monies in the Special Fund, including the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account. The Tax Revenues deposited with the Trustee shall be allocated pro rata solely to the payment of the principal and interest, and redemption premium, if any, of the 1993 Bonds and the Bonds and to the Reserve Account for the purposes set forth in Section 4.03; except that out of the Tax Revenues may be apportioned such amounts for such other purposes as are expressly permitted by Section 4.03. The pledge and allocation of Tax Revenues deposited with the Trustee is for the exclusive benefit of the 1993 Bonds and the Bonds and shall be irrevocable until all of the 1993 Bonds and the Bonds have been paid and retired or until monies have been set aside irrevocably for that purpose.

#### Section 4.02     Special Fund.

There is hereby created the "La Palma Community Development Commission, La Palma Community Development Project No. 1, 2001 Tax Allocation Refunding Bonds Special Fund",

herein called "Special Fund", which shall be maintained by the Trustee as a separate account, distinct from all other funds of the Commission, and into which shall be paid on receipt thereof by the Trustee, the Tax Revenues in an amount equal to the deposits required to be made by the Trustee pursuant to Section 4.03 or, if sufficient Tax Revenues are not available to make all deposits required by Section 4.03, Tax Revenues shall be allocated pro rata between the 1993 Special Fund and the Special Fund. The Commission hereby covenants to deposit with the Trustee, on or before May 15 and November 15 of each year while the Bonds are Outstanding, Tax Revenues in an amount at least sufficient to make all deposits required to be made by the Trustee on such May 15 or November 15 pursuant to Section 4.03.

While the Bonds are Outstanding or any interest thereon is unpaid the Special Fund shall be administered and disbursements made in the manner and in the order progressively set forth in Section 4.03 hereof.

Section 4.03     Establishment and Maintenance of Accounts for Tax Revenues; Use and Withdrawal of Tax Revenues.

All Tax Revenues deposited in the Special Fund shall be transferred and set aside by the Trustee in the following respective special accounts (each of which is hereby created and each of which the Commission covenants and agrees to cause to be maintained by the Trustee) in the following order of priority:

- (1) Interest Account,
- (2) Principal Account,
- (3) Sinking Account,
- (4) Reserve Account,
- (5) Surplus Account, and
- (6) Redemption Account.

All Tax Revenues in each of said accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section 4.03.

(1) Interest Account. On or before the 15th day of each May and November of each year the Bonds are Outstanding, commencing May 15, 2002, the Trustee shall transfer from the Special Fund and set aside in the Interest Account an amount which, when added to the amount contained in the Interest Account on that date will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on the next succeeding Interest Payment Date. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Bonds issued hereunder and then Outstanding. All monies 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).

(2) Principal Account. On or before the 15th day of each May the Bonds are Outstanding, commencing May 15, 2002, the Trustee shall transfer from the Special Fund and set aside in the Principal Account an amount which, when added to the amount contained in the Principal Account on that date, will be equal to the principal becoming due and payable on the next succeeding June 1 on the Outstanding Serial Bonds. No deposit need be made into the Principal Account if the amount contained therein is at least equal to the principal to become due on the next succeeding June 1 upon all of the Serial Bonds issued hereunder and then Outstanding. All monies in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal on the Serial Bonds as it shall become due and payable.

(3) Sinking Account. On or before the 15th day of each May, commencing May 15, 2012 the Trustee shall transfer from the Special Fund and set aside and deposit in the Sinking Account an amount which, when added to the amount contained in the Sinking Account on that date, will be equal to the Sinking Account payment required to be on deposit therein on the next succeeding June 1. All monies in the Sinking Account shall be used solely for the redemption or purchase of the Term Bonds maturing June 1, 2021 as set forth below. The required Sinking Account payments for the Term Bonds maturing June 1, 2021 are listed in the following table:

<u>June 1</u>	<u>Principal Amount</u>	<u>June 1</u>	<u>Principal Amount</u>
2012	260,000.00	2017	350,000.00
2013	275,000.00	2018	360,000.00
2014	290,000.00	2019	495,000.00
2015	310,000.00	2020	740,000.00
2016	325,000.00	2021	815,000.00

Monies in the Sinking Account on June 1 of any year, commencing June 1, 2012, in the amounts as set forth in the foregoing table shall be used and withdrawn by the Trustee on such date and applied for the redemption prior to maturity or payment at maturity of the Term Bonds maturing on June 1, 2021, at a redemption price equal to the principal amount thereof to be redeemed, without premium.

In the event of optional redemption of the Term Bonds maturing June 1, 2021, pursuant to Section 2.03(1), Sinking Account payments payable pursuant to Section 2.03(2) as listed above shall be reduced pro rata as set forth in writing by the Commission.

Additionally, monies in the Sinking Account may be used and withdrawn by the Trustee upon the Written Request of the Commission for the purchase of any Outstanding Bonds at public or private sale as and when and at such price (including brokerage and other charges but excluding accrued interest which is payable from the Interest Account) as it may in its discretion determine, but not to exceed the principal amount of such Bonds being redeemed plus the applicable redemption premium, if any.

In the event that available Tax Revenues shall in any year be insufficient to make such Sinking Account payments then required to be made, such deficiency shall be made up from the

first available Tax Revenues in succeeding years. The failure to make such payment in full shall be deemed to be an Event of Default under this Indenture.

(4) Reserve Account. On or before the 15th day of each May and November when the Bonds are Outstanding commencing May 15, 2002, and after the deposits required pursuant to the preceding subparagraphs have been made, the Trustee shall transfer from the Special Fund and set aside in the Reserve Account an amount which, when added to the amount contained in the Reserve Account on that date, will be equal to the Reserve Requirement or such larger amount as shall be required to be maintained in the Reserve Account by any Additional Supplemental Indenture. No deposit need be made in the Reserve Account so long as there shall be on deposit therein a sum equal to at least the amount required by this subparagraph to be on deposit therein. All money in the Reserve Account shall be used and withdrawn by the Trustee for the purpose of replenishing the Interest Account, the Principal Account or the Sinking Account in such order in the event of any deficiency at any time in any of such accounts, and as provided in Section 10.08, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money of the Commission is lawfully available therefor, or for the retirement of all the Bonds then Outstanding.

Notwithstanding the foregoing, any monies on deposit in the Reserve Account on any May 15 and November 15 in excess of the Reserve Requirement shall be withdrawn semiannually from the Reserve Account and deposited in the Special Fund for use in the same manner as are other monies in the Special Fund.

(5) Surplus Account. Provided that:

- (a) an Event of Default has not occurred;
- (b) all of the deposits provided for in subsections 1, 2, and 3 above to the Interest, Principal and Sinking Accounts shall be made as scheduled;
- (c) the deposits provided for in subsection 4 above to the Reserve Account shall be made as necessary to maintain a balance therein equal to the Reserve Requirement;
- (d) all deposits required by Section 4.03 of the 1993 Indenture into the 1993 Special Fund have been made; and
- (e) the Trustee shall have received Tax Revenues in an amount sufficient, together with funds already on deposit in the Special Fund (not including amounts in the Reserve Account), to pay interest, principal and scheduled Sinking Account payments coming due in the then current Bond Year with respect to the Bonds then Outstanding, and to restore the Reserve Account to an amount equal to the Reserve Requirement, if required;

then additional Tax Revenues received in respect of such Bond Year and other amounts on deposit in the Special Fund (exclusive of the Interest Account, the Principal Account, the Sinking Account, and the Reserve Account) will be declared "Surplus" and transferred to the Surplus Account. Provided that no Event of Default under the Indenture has occurred and is continuing, such Surplus may be withdrawn at any time by the Commission upon Written Request of the Commission, and used by the Commission for any lawful purpose.

(6) Redemption Account. The Redemption Account shall be maintained by the Trustee as a separate account distinct from all other funds of the Commission to pay for the prior redemption or purchase of the Bonds.

Any funds legally available may at any time on or after June 1, 2002 at the option of the Commission, be paid to the Trustee for deposit in the Redemption Account and applied to the prior redemption of Bonds on June 1, 2002, or any date thereafter pursuant to Section 2.03(1).

The principal amount of any Term Bonds so purchased shall be credited against the Sinking Account payment due next succeeding the date of such purchase, pursuant to the foregoing tables, and shall reduce the corresponding principal amount of Bonds to be redeemed.

Additionally, monies in the Redemption Account may be used and withdrawn by the Trustee upon the Written Request of the Commission for the purchase of any Outstanding Bonds at public or private sale as and when and at such prices (including brokerage and other charges but excluding accrued interest which is payable from the Interest Account) as the Commission may in its discretion determine, but not to exceed the principal amount of such Bonds being redeemed plus the applicable redemption premium, if any.

## ARTICLE 5 OTHER COVENANTS OF THE COMMISSION

### Section 5.01 Punctual Payment.

The Commission will punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Additional Supplemental Indentures and of the Bonds. Nothing herein contained shall prevent the Commission from making advances of its own monies howsoever derived to any of the uses or purposes permitted by law.

### Section 5.02 Extension of Time for Payment.

In order to prevent any accumulation of claims for interest after maturity, the Commission will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded whether or not with the consent of the Commission, such claim for interest so extended or funded shall not be entitled, in case of default hereunder to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

### Section 5.03 Against Encumbrances.

The Commission will not encumber, pledge or place any charge or lien upon any of the Tax Revenues superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by this Indenture.

Section 5.04     Management and Operations of Properties.

The Commission will manage and operate all properties owned by the Commission and comprising any part of the Project in a sound and businesslike manner and will keep such properties insured at all times in conformity with sound business practice.

Section 5.05     Payment of Claims.

The Commission will 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 Commission or upon the Tax Revenues or any part thereof or upon any funds in the hands of the Trustee or which might impair the security of the Bonds. Nothing herein contained shall require the Commission to make any such payment so long as the Commission in good faith shall contest the validity of said claims.

Section 5.06     Books and Accounts; Financial Statement.

The Commission will keep, or cause to be kept, proper books of record and accounts separate from all other records and accounts of the Commission and the City of La Palma in which complete and correct entries shall be made of all transactions relating to the Project and to the Tax Revenues. 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%) of the principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Commission will cause to be prepared and filed with the Trustee annually, within one hundred and eighty (180) days after the close of that Fiscal Year so long as any of the Bonds are Outstanding complete financial statements with respect to that Fiscal Year showing the Tax Revenues, all disbursements from the Tax Revenues and the financial condition of the Project, including the balances in all funds and accounts relating to the Project, as of the end of such Fiscal Year which statement shall be accompanied by a certificate or opinion in writing of an Independent Certified Public Accountant. The Commission will furnish a copy of such statements to any Bondowner of at least 5% in aggregate principal amount upon request. The Trustee will have no duties or obligations with respect to such financial statements other than to act as custodian thereof.

Section 5.07     Protection of Security and Rights of Bondowners.

The Commission will preserve and protect the security of the Bonds and the rights of the Bondowners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the Commission, the Bonds' validity and enforceability shall not be contested by the Commission in any judicial or administrative proceeding.

Section 5.08     Payments of Taxes and Other Charges.

Subject to the Provisions of Section 5.11 hereof, the Commission will punctually 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 Commission or the

properties then owned by the Commission in the Project Area, or upon the revenues therefrom, when the same shall become due. Nothing herein contained shall require the Commission to make any such payment so long as the Commission in good faith shall contest the validity of said taxes, assessments or charges. The Commission will duly observe and conform with all valid requirements of any governmental authority relative to the Project or any part thereof.

Section 5.09 Compliance with Law, Completion of Project.

The Commission will comply with all applicable provisions of the Law in completing the Project including, without limitation, duly noticing and holding any public hearing required by either Section 33445 or 33679 of the Law prior to application of proceeds of the Bonds to any portion of the Project subject to either Section 33445 or 33679. In addition, the Commission will comply in a timely manner with the public hearing and further requirements of Section 33334.6. The Commission will commence, and will continue to completion, with all practicable dispatch, the Project and the Project will be accomplished and completed in a sound and economical manner and in conformity with the Redevelopment Plan and the Law.

Section 5.10 Amendment of Redevelopment Plan and Disposition of Property.

(1) The Commission will not authorize 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 planned for such 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 the Redevelopment Plan is amended as hereinafter provided in this Section 5.10. If the Commission proposes to make such a disposition, it shall propose an amendment to such Redevelopment Plan which expressly provides for the disposition of such real property with such an effect and shall give written notice thereof to the Trustee. The Commission shall thereupon appoint a reputable Independent Financial Consultant and direct said consultant to report on the effect of said proposed disposition, a copy of which Report shall be provided to the Trustee. If the Report of the Independent Financial Consultant concludes that the security of the Bonds or the rights of the affected Bondowners will not be materially impaired by said proposed disposition and that Tax Increment Revenues allocated to the Commission will not be significantly diminished by the proposed disposition, the Commission may thereafter adopt the amendment (pursuant to all applicable provisions of the Law) and make the disposition. If said Report concludes that Tax Increment Revenues allocated to the Commission will be significantly diminished or that such security will be materially impaired by said proposed disposition, the Commission shall not adopt the amendment. The Commission shall have the sole and exclusive authority to appoint said consultant.

(2) In the event subsection (1) hereof does not apply, the Commission shall not dispose of any 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 planned for such ownership or use by the Redevelopment Plan in effect on the date of this Indenture), without imposing the following requirements on such new owner or owners:



(a) Said new owner or owners shall pay to the Treasurer, so long as any of the Bonds are Outstanding, an amount equal to the amount that would have been received by the Treasurer as Tax Increment Revenues allocated to the Commission if the property were assessed and taxed in the same manner as privately owned nonexempt property; and

(b) Such payment shall be made to the Treasurer within thirty (30) days after taxes for each year would become payable to the taxing agencies for nonexempt property and in any event prior to the delinquency date of such taxes established by law.

All such payments in lieu of taxes to the Treasurer shall be treated as Tax Revenues allocated to the Commission and shall be deposited by the Trustee in the Special Fund to the extent required by Section 4.03.

#### Section 5.11 Single Sum Payments in Lieu of Taxes.

As an alternative to payment to the Treasurer pursuant to subsection (2)(b) of Section 5.10, the new owner or owners of property becoming exempt from taxation provided for in Section 5.10 may elect to make payment to the Commission in a single sum equal to the amount estimated by the Independent Financial Consultant to be receivable from taxes on said property from the date of said payment to the maturity date of the Bonds, less a reasonable discount value. All such single sum payments in lieu of taxes shall be treated as Tax Revenues allocated to the Commission and shall be deposited by the Trustee in the Special Fund to the extent required by Section 4.03.

#### Section 5.12 Tax Revenues.

The Commission shall comply with all requirements of the 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 shall forward information copies of each such filing to the Trustee. The Trustee shall have no duties with respect to such statements other than to act as custodian thereof. The Commission will not amend the Plan or reduce the Project Area in any manner which will impair the availability of Tax Revenues to pay Annual Debt Service.

#### Section 5.13 Eminent Domain.

The net proceeds received by the Commission from any eminent domain proceeding may be, but shall not be required to be deposited by the Commission in the Special Fund; provided that the net proceeds received by the Commission from the taking of any property in the Project Area the redevelopment of which was financed by the Commission through the issuance of revenue obligations shall be deposited, used and applied in the manner provided by the resolution or indenture authorizing the issuance of such lease revenue obligations.

#### Section 5.14 Further Assurances.

The Commission 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 of the Bonds of the rights and benefits provided in this Indenture.

Section 5.15     Taxation of Leased Property.

Whenever any property in the Redevelopment Project has been redeveloped and thereafter is leased by the Commission to any person or persons (other than the City of La Palma or the County or any other public agency) or whenever the Commission leases real property in the Redevelopment Project to any person or persons for redevelopment the property shall be assessed and taxed in the same manner as privately owned property (in accordance with Section 33673 of the Health and Safety Code of the State) and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of his or its leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease or contract shall be less than the taxes which would have been payable upon the assessed value of the entire property if the property were assessed and taxed in the same manner as privately owned property, the lessee shall pay such difference to the Commission within thirty (30) days after the taxes for such year become payable to the taxing agencies and in any event prior to the delinquency date of such taxes established by law. All such payments to the Commission shall be promptly delivered to the Trustee and shall be deposited by the Trustee in the Special Fund to the extent required by Section 4.03.

Section 5.16     Non-Arbitrage Bonds.

The Commission covenants it will make no use of the proceeds of the Bonds which will cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code. To that end, so long as any of the Bonds are Outstanding, the Commission with respect to the proceeds of the Bonds, shall comply with all requirements of said Section 148 and all regulations of the United States Department of the Treasury issued thereunder, including specifically the requirement that any arbitrage subject to rebate be paid from time to time to the United States Treasury to the extent that such requirements are, at the time, applicable and in effect.

Section 5.17     Private Activity Bonds.

The Commission covenants that as to the portion of the proceeds of the Bonds which are not used for refunding purposes, it will make no use of such proceeds of the Bonds as will cause such Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Code. To this end; (i) no amount in excess of five percent (5%) of such proceeds of the Bonds shall be used directly or indirectly to make loans to persons other than governmental units and (ii) no amount in excess of ten percent (10%) of the amount of interest and principal payable on the portion of the Bonds allocable to such proceeds shall be directly or indirectly payable from sources other than Tax Revenues and no amount in excess of ten percent (10%) of such proceeds of the Bonds shall be used for any private business use, provided, however, that under no circumstances shall an amount in excess of five percent (5%) of such proceeds be used for a private business use which is not related to the governmental use of such proceeds, unless in any of said cases the Commission first obtains an opinion of Bond Counsel to the effect that such

action will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Bonds.

Section 5.18 Compliance with the Code.

The Commission covenants to take any or all action and to refrain from taking any action which is necessary in order to comply with the Code or any technical corrections thereto having the same effective date as the Code and the Letter of Instructions in order to maintain the exclusion from gross income for purposes of federal income taxation pursuant to Section 103 of the Code of the interest on the Bonds paid by the Commission and received by the Bondowners.

Section 5.19 Federal Guarantee Prohibition.

The Commission shall take no action nor permit nor suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Section 5.20 Amendment of Payment Schedule.

The Commission shall, upon direction of Bond Counsel, increase, but not decrease, the transfers from the Special Fund to the Sinking Accounts so that all amounts required to be transferred to the Sinking Accounts to redeem Term Bonds maturing June 1, 2021 will be transferred by the last day on which the Commission can lawfully collect Tax Increment Revenues.

Section 5.21 Continuing Disclosure.

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

Section 5.22 Annual Review of Tax Revenues.

The Commission shall annually review the total amount of Tax Revenues remaining available to be received by the Commission under the Redevelopment Plan's cumulative tax increment limitation, as well as future cumulative Annual Debt Service. The Commission shall not accept Tax Revenues greater than Annual Debt Service, in any year, if such acceptance will cause the amount remaining under the tax increment limit to fall below remaining cumulative Annual Debt Service, except for the purpose of depositing such revenues in escrow for the payment of interest on and principal of and redemption premiums, if any, on the Bonds and the 1993 Bonds.

Section 5.23 Financial Consultant and Reports.

(a) *Consultant.* Any Independent Financial Consultant engaged by the Commission pursuant to Section 5.10 of the Indenture authorizing the Bonds must be acceptable to ACA. Any release of "surplus" Tax Revenues at the end of each Bond Year shall also be subject to delivery of a certificate by an authorized official of the Commission establishing that the amount of Tax Revenues remaining to be collected under the Commission's \$100,000,000 tax increment authorization is sufficient to pay all remaining debt service.

(b) *Assessed Valuation.* Not later than fifteen (15) days following receipt by the Commission for each tax year, a copy of the assessed valuations and/or assessment rolls for the Project Area will be provided to ACA.

(c) *Annual Budget.* Not less than thirty (30) days prior to the beginning of each fiscal year, copies of the preliminary annual budget for each of the Commission and the City for such fiscal year and copies of the final budgets immediately following approval will be provided to ACA.

(d) *Assessment Appeals.* Not later than fifteen (15) days following the final adjudication of same, notice of any successful assessments appeals resulting in a reduction of two percent (2%) or more of the total assessed valuation based on the most recent assessment rolls for the Project Area will be provided to ACA.

Section 5.24 Additional Debt.

The Commission may not incur any Additional Bonds without the prior written consent of ACA, unless the Commission presents a certificate demonstrating that the then current year's Tax Revenues will equal at least 1.25 times Maximum Annual Debt Service on the Bonds, the Parity Bonds and the proposed Additional Bonds. The principal and interest payment dates for any Additional Bonds must be the same as for the Bonds and any Parity Bonds.

Section 5.25 Mergers.

The Commission may not merge or consolidate with, sell all or substantially all of its assets to, or acquire all or substantially all of the assets of, any other entity (a "Merger"), unless the surviving entity (if not the Commission) assumes all of the Commission's Bond obligations and ACA consents in writing to the Merger which consent shall not be unreasonably withheld.

Section 5.26 Negative Pledge.

The Commission may not create or allow to exist any liens on any Tax Revenues senior to or on a parity with the Bonds and any Parity Bonds except as provided in the trust indenture or as otherwise approved by ACA.

Section 5.27 Change in Project Area.

The Commission shall not change the boundaries or otherwise modify the Project Area without ACA's prior consent, which consent shall not be unreasonably withheld provided that

the change in boundaries or other modifications does not diminish the debt service coverage with respect to the Bonds. Any such consent by ACA shall be delivered at no cost to the Commission.

## ARTICLE 6 THE TRUSTEE

### Section 6.01 Appointment of Trustee.

U.S. Bank Trust National Association, at its corporate trust office in Los Angeles, California, is hereby appointed Trustee for the Commission to act as the depository of the Commission for the purpose of receiving all monies required to be paid to the Trustee hereunder to allocate, use and apply the same, to hold, receive and disburse the Tax Revenues and other funds pledged or held hereunder, and otherwise to hold all the offices and perform all the functions and duties provided in this Indenture to be held and performed by the Trustee. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing this Indenture and by executing and delivering such acceptance, the Trustee shall be deemed to have accepted such duties and obligations, but only upon the terms and conditions set forth in this Indenture.

The Commission may remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company doing business and having an office in the State, having a combined capital (exclusive of borrowed capital) and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Commission and to the Bondowners by first class mail. Upon receiving notice of such resignation the Commission shall promptly appoint a successor Trustee by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee.

If the Commission does not appoint a successor Trustee within sixty (60) days following the giving of any notice of removal or receipt of any notice of resignation, the removed or resigning Trustee or any Bondowner on behalf of himself and all other Bondowners may petition any appropriate court having jurisdiction to appoint a successor Trustee.

### Section 6.02 Compensation and Indemnity.

The Commission agrees to pay the Trustee for its services (this payment shall not be limited by any provision of law affecting the compensation of a Trustee). Further the Commission shall pay or reimburse the Trustee upon its request for all reasonable expenses of the Trustee, including the reasonable compensation and the expenses of its counsel. The Commission agrees to indemnify and hold harmless the Trustee against all claims demands,

losses, damages, liabilities or expenses (including but not limited to reasonable attorneys' fees) relating to (i) the Trustee exercising its rights or performing its duties under this Indenture, (ii) the Trustee being appointed and serving as such under this Indenture, or (iii) otherwise relating to this Indenture or the Bonds, except to the extent resulting from the Trustee's own negligence or willful misconduct. The Trustee is not accountable for the use by the Commission of funds which the Trustee releases to the Commission or which the Commission otherwise receives, or for the adequacy or validity of any collateral or security interest securing this Indenture or the Bonds. The Trustee has no obligation to incur individual financial or other liability or risk in performing any duty or in exercising any right. The Trustee, in its individual or other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not the Trustee.

The Trustee shall not be deemed to have knowledge of any Event of Default hereunder until it has actual knowledge that an Event of Default as such exists or has received written notice that an Event of Default as such exists, at its corporate trust office in Los Angeles, California. The Trustee shall not be bound to ascertain or inquire as to the performance or observance by any other party of any of the terms conditions, covenants or agreements herein or in any of the documents executed in connection with the Bonds.

All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees, and agents of the Trustee.

#### Section 6.03 Liability of Agents.

The recitals of facts covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the Commission and the Trustee assumes no responsibility for the correctness of the same nor makes any representations as to the validity or sufficiency of this Indenture or of the Bonds, nor shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct.

#### Section 6.04 Merger of Trustee.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a part or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 6.01, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

#### Section 6.05 Survival of Rights.

The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Bonds.

Section 6.06     Notice to Agents.

The Trustee shall be protected in acting upon any notice, resolution, request, consent order certificate, report, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Trustee may consult with counsel, who may be counsel to the Commission, 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 it hereunder in good faith and 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 satisfactorily established if disputed.

Whenever in the administration of its duties under 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, in the absence of bad faith on the part of the Trustee be deemed to be conclusively proved and established by a certificate of the Commission and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture or any Additional Supplemental Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

Before taking any action under Article VIII hereof the Trustee may require indemnity satisfactory to the Trustee be furnished from any expenses and to protect it against any liability it may incur hereunder.

The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided herein) in aggregate principal amount of Bonds outstanding relating to the exercise of any right, power or remedy available to the Trustee.

The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

Section 6.07     Deposit and Investment of Monies in Funds or Accounts.

All money held by the Trustee in any of the funds or accounts established pursuant to this Indenture shall be invested and reinvested in Permitted Investments as directed in writing by the Commission. The investments held by the Trustee shall be valued by the Trustee not less than quarterly, at the market value thereof. In making any valuations, the Trustee may utilize and rely

upon securities pricing services that may be available to it, including those available through its regular accounting system. Investments of money in the Special Fund (including money in the Interest Account, the Principal Account, or the Sinking Account) must mature no later than the date at which such money is estimated to be required to be paid out hereunder. Investments of money in the Redevelopment Fund must mature not later than the date on which such money is estimated to be required to be paid out hereunder. Monies in the Reserve Account shall be invested in Permitted Investments which will by their terms mature within such time as may be recommended by an Independent Financial Consultant. All Investment Earnings on money in the Special Fund and the accounts therein shall be retained in the Special Fund and such accounts shall be applied in the same manner as other monies therein, except as may be required by Section 6.09. Monies or sums held by the Trustee in any account or subaccount established pursuant to the terms of this Indenture may be employed by the Trustee to purchase Permitted Investments as directed, in writing, by the Chairman or an authorized representative of the Commission. To the extent that direction is not received by the Trustee with respect to monies or sums then available for investment, the Trustee shall invest such monies or sums in Permitted Investments described in clause (5) thereof. If investments cannot be obtained at a rate below the Yield on the Bonds, such monies or sums shall be invested in tax exempt municipal obligations constituting Permitted Investments solely as directed by the Commission.

The Commission acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Commission the right to receive brokerage confirmations of security transactions as they occur, the Commission specifically will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Commission periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

#### 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 industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Bonds, the Tax Revenues and all funds and accounts established by it pursuant to this Indenture. Such books of record and account shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each Permitted Investment (a) its purchase price, (b) identifying information, including par amount, coupon rate and payment dates, (c) the amount received at maturity or its sale price, as the case may be, (d) the amounts and dates of any payments made with respect thereto and (e) such documentation as is required to be obtained by the Trustee as evidence to establish that the following requirements have been met:



(a) Certificate of Deposit. With respect to the purchase or sale of a certificate of deposit issued by a commercial bank, the price at which it is purchased or sold, as the case may be, shall be the bona fide bid price quoted by a dealer who maintains an active secondary market in such certificates of deposit. If there is no active secondary market in such certificates of deposit, the purchase or sale price of a certificate of deposit must produce a yield thereon (1) as high or higher than the yield on comparable obligations traded on an active secondary market, as certified by a dealer who maintains such a market, and (2) as high or higher than the yield available on comparable obligations offered by the U. S. Treasury Department. The certification described in the preceding sentence must be executed by a dealer who maintains an active secondary market in comparable certificates of deposit and must be based on actual trades adjusted to reflect the size and term of that certificate of deposit and the stability and reputation of an entity issuing the certificate of deposit.

(b) Investment Contracts. With respect to investment contracts (e.g., any agreement to deposit proceeds of the Bonds with a particular bank, with the deposits to bear interest at an agreed rate) the Commission must obtain (1) at least 3 bids on the investment contract from persons other than those with an interest in the issue e.g., underwriters), (2) a certification by the person whose bid is accepted stating that, based on that person's expectations on the date that the contract is entered into, Permitted Investments will not be purchased pursuant to the investment contract at a price in excess of their fair market value or sold pursuant to the investment contract at a price less than their fair market value, (3) evidence that the yield on the investment contract is at least equal to the yield offered under the highest bid received from non-interested parties, and (4) evidence that the yield on the investment contract is at least equal to the yield offered on similar obligations under similar investment contracts (e.g., the yield on investment contracts entered into by issuers of qualified mortgage bonds).

(c) Other Investments That Are Traded in Established Markets. With respect to Permitted Investments other than those described in (a) or (b) above, which are traded in an established market, the purchase or disposition price thereof shall be that price achieved in an arm's-length transaction between the purchaser and the seller. Any evidence of such price shall be retained. For United States Treasury obligations purchased directly from the Treasury, however, proof of the price paid therefor shall be sufficient evidence.

(d) With respect to any determinations required to be made pursuant to (a), (b) or (c) above, the Trustee may request and the Commission shall provide such determination, upon which determination the Trustee may conclusively rely.

Such books of record and account shall be available for inspection by the Commission and any Bondowner, or his agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

The Trustee shall file and furnish to the Commission within thirty days after the end of each month, a statement (which need not be audited) covering receipts, disbursements, allocation and application of Tax Revenues and any other monies (including proceeds of Bonds) in any of the funds and accounts established pursuant to this Indenture for such month.

Section 6.09 Rebate Fund.

(a) The Trustee shall establish a special fund designated as the "Rebate Fund." The Rebate Fund shall not be subject to the lien of this Indenture. The Trustee shall establish and maintain within the Rebate Fund an "Excess Earnings Account" and an "Investment Account." The Trustee shall establish and maintain any such subaccounts within the Excess Earnings Account and Investment Account as may be requested by the Commission.

(b) Notwithstanding anything contained in this Indenture to the contrary, there shall be deposited in the Excess Earnings Account of the Rebate Fund all Excess Investment Earnings determined from time to time pursuant to the Letter of Instructions in accordance with written instructions of the Commission and all amounts deposited by the Commission with written instructions to deposit such monies into the Rebate Fund. All income or other gain from the investment of monies in the Rebate Fund shall be deposited in the Investment Account of the Rebate Fund.

Within thirty (30) days following the last day of each Bond Year, the Commission shall calculate, and shall provide written notice to the Trustee of the Excess Investment Earnings. The Trustee may rely conclusively upon the Commission's determination, calculation, directions and certifications required by this Section 6.09. The Trustee shall have no responsibility to independently make any calculations or determinations or to review the Commission's calculations hereunder.

(c) The Trustee, in accordance with written instructions of the Commission, shall apply the funds on deposit in the Rebate Fund on behalf of the Commission, to the extent required to make payments to the United States of America in respect of the Bonds, at the times and in the manner required by the written instructions of the Commission.

(d) In the event that the written notice to the Trustee referenced in subsection (a) of this Section indicates that there are Excess Investment Earnings, then the Commission agrees to promptly remit to the Trustee an amount sufficient to assure that the amount then on deposit in the Rebate Fund is equal to the cumulative Excess Investment Earnings as of the end of the Bond Year to which such notice pertains. The Trustee shall immediately deposit in the Excess Earnings Account of the Rebate Fund all such amounts so received and identified as such by the Commission.

(e) The Trustee agrees, on behalf of the Commission, to keep and maintain all records required to be maintained by it pursuant to, and as and to the extent required by, the Code as instructed by the Commission. This covenant shall survive the defeasance of this Indenture; provided, however, that upon repayment in full of the Bonds hereunder, the Trustee may provide all such records held by it to the Commission and have no further obligation under this Section.

(f) The Commission agrees to deposit with the Trustee for deposit to the Rebate Fund any payments required hereunder to be made to the Rebate Fund.

Section 6.10     Exception to Arbitrage Rebate.

If in the opinion of Bond Counsel addressed to the Commission and Trustee the Bonds qualify under Section 148(f)(4)(C) for the exception to the arbitrage rebate requirement of Section 148(f) of the Code, then the arbitrage rebate requirement of Section 6.09 shall have no application to any Excess Investment Earnings derived from the investment of the Gross Proceeds of the Bonds.

ARTICLE 7  
MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 7.01     Amendments Permitted.

This Indenture and the rights and obligations of the Commission and of the Owners of the Bonds may be modified or amended at any time by an Additional Supplemental Indenture and pursuant to the affirmative majority vote at a meeting of Bondowners or with the written consent without a meeting of the Owners of sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.04. No such modification or amendment shall (1) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Commission to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the currency provided therein without the express consent of the Owner of such Bond, or (2) permit the creation by the Commission of any pledge or lien upon the Tax Revenues superior to, or on a parity with, the pledge and lien created for the benefit of the 1993 Bonds, the Bonds, and any Additional Bonds (except as otherwise permitted in this Indenture), or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification or (3) modify any of the rights or obligations of the Trustee without its written assent thereto.

This Indenture and the rights and obligations of the Commission and of the Owners of the Bonds may also be modified or amended at any time by an Additional Supplemental Indenture, without the consent of any Bondowners, but only 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 Commission in this Indenture, other covenants and agreements thereafter to be observed or to limit or surrender any right or power herein reserved to or conferred upon the Commission;

(b)     to make modifications to assure the continued exclusion from gross income for purposes of Federal income taxation of interest on the Bonds or to make modifications not materially adversely affecting any Outstanding Bonds of the Commission;

(c)     with written consent of the Trustee 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 regard to questions arising under this Indenture, as the Commission and the Trustee may deem necessary or desirable and not inconsistent with this Indenture, and which shall not materially adversely affect the rights of the Owners of the Bonds; and

(d) to authorize the issuance of Additional Bonds in accordance with Section 3.04 of this Indenture.

Section 7.02 Bondowners' Meetings.

The Commission may at any time call a meeting of the Bondowners. In such event, the Commission shall determine the time, date and place of said meeting. The Trustee shall provide for the giving of notice. The date of mailing such notice shall be determined by the Commission in its discretion; provided, that such notice shall be mailed at least 15 days prior to the date of the Bondowners' meeting. The Commission shall fix and adopt rules and regulations for the conduct of said meeting.

Section 7.03 Procedure for Amendment with Written Consent of Bondowners.

The Commission may at any time adopt an Additional Supplemental Indenture amending the provisions of the Bonds or of the 1993 Indenture or this Indenture or any Additional Supplemental Indenture, to the extent that such amendment is permitted by Section 7.01, to take effect when and as provided in this section. A copy of such Additional Supplemental Indenture, together with a request to Bondowners for their consent thereto, shall be mailed by the Commission to each registered owner of Bonds Outstanding, but failure to mail copies of such Additional Supplemental Indenture and request shall not affect the validity of the Additional Supplemental Indenture when assented to as in this Section provided.

Such Additional Supplemental Indenture shall not become effective unless there shall be filed with the Trustee the written consents of the Owners of sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 7.04) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Additional Supplemental Indenture, the Commission shall mail a notice to the Bondowners in the manner hereinbefore provided in this section for the mailing of the Additional Supplemental Indenture, stating in substance that the Additional Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this section (but failure to mail copies of said notice shall not affect the validity of the Additional Supplemental Indenture or consents thereto). Proof of the mailing of such notice shall be filed with the Trustee. A record consisting of the papers required by this Section to be filed with the Trustee, shall be proof of the matters therein stated until the contrary is proved. The Additional Supplemental Indenture shall become effective upon the filing with the Trustee of the proof of mailing of such notice, and the Additional Supplemental Indenture shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this article) upon the

Commission and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

The Trustee may obtain an opinion of counsel that any such Additional Supplemental Indenture entered into by the Commission and the Trustee complies with the provisions of this section and the Trustee may conclusively rely on such opinion.

#### Section 7.04     Disqualified Bonds.

Bonds owned or held for the account of the Commission or the City of La Palma, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VII.

#### Section 7.05     Effect of Additional Supplemental Indenture.

From and after the time any Additional Supplemental Indenture becomes effective pursuant to this Article VII, the 1993 Indenture and this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights duties and obligations under this Indenture of the Commission and all Owners of Bonds Outstanding shall thereafter be determined exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Additional Supplemental Indenture shall be deemed to be part of the terms and conditions of the 1993 Indenture and this Indenture for any and all purposes.

The Commission may adopt appropriate regulations to require each Bondowner before his consent provided for in this Article VII shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in Section 7.04.

#### Section 7.06     Endorsement or Replacement of Bonds Issued After Amendments.

The Commission may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VII shall bear a notation, by endorsement or otherwise, in form approved by the Commission, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the office of the Trustee or at such other office as the Commission may select and designate for that purpose, a suitable notation shall be made on such Bond. The Commission may determine that new Bonds, so modified as in the opinion of the Commission is necessary to conform to such Bondowner's action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the office of the Trustee in St. Paul, Minnesota, without cost to any Bondowner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 7.07 Amendatory Endorsement of Bonds.

The provisions of this Article VII shall not prevent any Bondowner from accepting any amendment as to the particular Bonds held by him provided that due notation thereof is made on such Bonds.

ARTICLE 8  
EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS

Section 8.01 Events of Default and Acceleration of Maturities.

If one or more of the following events ("Events of Default") shall happen, that is to say:

(1) if default shall be made in the due and punctual payment of the principal of and redemption premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed by declaration or otherwise;

(2) if default shall be made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(3) if any other default shall be made by the Commission in the observance of any of the covenants, agreements or conditions on its part in this Indenture or with respect to the Bonds or any other resolution or Additional Supplemental Indenture authorizing the issuance of Additional Bonds, and such default shall have continued for a period of thirty (30) days after written notice to the Commission;

(4) if the Commission shall file a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall approve a petition seeking reorganization under the federal bankruptcy laws or any other applicable laws of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Commission or of the whole or any substantial part of its property; or

(5) the Commission shall fail to make any mandatory sinking fund payment in a timely manner;

then, in each and every case during the continuance of an Event of Default as described in (1), (2), (4) or (5), the Trustee shall declare the principal of all of the Bonds then Outstanding; and the interest accrued thereon, to be due and payable immediately. In each and every case during the continuance of an Event of Default as described in (3), and in each and every such case during the continuance of such Event of Default, the Trustee may, and upon written request of the Owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds at the time Outstanding shall, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately. Upon any such declaration the principal of all Bonds then Outstanding, and the interest accrued thereon, shall become and shall

be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

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 monies due shall have been obtained or entered the Commission 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 at the rate of twelve percent (12%) per annum on such overdue installments of principal, and, to the extent such payment of interest is lawful at the time, on such overdue installments of interest, so that the Commission is then currently in compliance with all payments, deposit and transfer provisions of this Indenture, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor then, and in every such case, the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding by written notice to the Commission 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 provided for in Sections 4.02 and 4.03, 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 in the order following upon presentation of the several Bonds and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the costs and expenses of the Trustee and, thereafter, of the Bondowners in declaring such Event of Default including reasonable compensation to its or their agents, attorneys and counsel and to the payment of the fees, costs and expenses of the Trustee (including but not limited to reasonable compensation to its agents, attorneys and counsel for their respective fees and expenses) incurred in performing or exercising its rights, powers and duties under this Indenture;

Second, in case the principal of the Bonds shall not have become due and payable, to the payment of the interest in default in the order of the maturity of the installments of such interest with interest on the overdue installments at the rate of twelve percent (12%) per annum (to the extent that such interest on overdue installments shall have been collected) such payments to be made ratably to the persons entitled thereto without discrimination or preference;

Third, in case the principal of the Bonds shall have become and shall be then due and payable, all such sums shall be applied to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue

principal and installments of interest at the rate of twelve percent (12%) per annum (to the extent that such interest on overdue installments of interest shall have been collected), and in case such monies shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal or of any installment of interest over any other installment of interest or of any payment of principal over any other payment of principal, ratably to the aggregate of such principal and interest.

#### Section 8.03 Other Remedies of Bondowners.

Any Bondowner shall have the right for the equal benefit and protection of all Bondowners similarly situated:

(1) by mandamus, suit, action or proceeding, to compel the Commission and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Commission and the fulfillment of all duties imposed upon it by the Law;

(2) by suit, action or proceeding in equity to enjoin any acts or things which are unlawful, or the violation of any of the Bondowners, rights; or

(3) upon the happening of any Event of Default (as defined in Section 8.01), by suit, action or proceeding in any court of competent jurisdiction to require the Commission and its members and employees to account as if it and they were the trustees of an express trust.

#### Section 8.04 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 Commission, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, or affect or impair the right of action which is also absolute and unconditional of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Bondowner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner of any of the Bonds 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 Bondowners by the 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 of the Bonds.

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



Section 8.05 Actions by Trustee as Attorney-in-Fact.

Any suit, action or proceeding which any Owner of Bonds 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 of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective owners and registered Owners of the Bonds issued hereunder shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective registered Owners of the Bonds 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 registered Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact; provided, however, the Trustee shall have no obligation to enforce any right or remedy hereunder unless it is indemnified to its satisfaction from and against any liability or expense (including attorneys fees).

Section 8.06 Remedies Not Exclusive.

No remedy herein conferred upon or reserved to the Trustee or the Owners of Bonds 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 Law or any other law.

ARTICLE 9  
MISCELLANEOUS

Section 9.01 Benefits of Indenture Limited to Parties.

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

Section 9.02 Successor is Deemed Included in All References to Predecessor.

Whenever in this Indenture or any Additional Supplemental Indenture either the Commission 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 Commission 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 Complete or Partial Defeasance of Bonds.

If the Commission shall pay and discharge the entire indebtedness on all Bonds Outstanding, or any portion thereof, in any one or more of the following ways:

(1) by well and truly paying or causing to be paid the principal of and interest on all or any portion of Bonds Outstanding, as and when the same become due and payable;

(2) by depositing with the Trustee, in trust, at or before maturity money which, together with the amounts then on deposit in the funds and accounts provided for in Sections 3.03 and 4.03 is fully sufficient to pay all or any portion of Bonds Outstanding, including all principal, interest and redemption premiums or;

(3) by depositing with the Trustee, in trust, Federal Securities or general obligation bonds of the State in such amount as an Independent Financial Consultant shall certify to the Trustee, based upon a certificate of a certified public accountant, will together with the interest to accrue thereon and monies then on deposit in the funds and accounts provided for in Section 4.03, be fully sufficient to pay and discharge the indebtedness on all or any portion of Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in this Indenture provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then at the election of the Commission, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in this Indenture relating to the defeased Bonds and all other obligations of the Commission under this Indenture relating to the defeased Bonds with respect to all Bonds Outstanding shall cease and terminate, except only the obligation of the Commission to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, and thereafter Tax Revenues shall not be payable to the Trustee. Notice of such election shall be filed with the Trustee.

Any funds thereafter held by the Trustee, including any funds which have not been claimed by the person entitled thereto within two years of the date upon which such funds were scheduled to be paid, or which are not required for said purpose, shall be paid over to the Commission.

#### Section 9.04 Execution of Documents and Proof of Ownership by Bondowners.

Any request, declaration, or other instrument which this Indenture may require or permit to be executed by Bondowners may be in one or more instruments of similar tenor and shall be executed by Bondowners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Bondowner 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.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry 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 Commission or the Trustee in good faith and in accordance therewith.

Section 9.05     Waiver of Personal Liability.

No member, officer, agent or employee of the Commission shall be individually or personally liable for the payment of the principal of or interest on the Bonds to Bondowners and the payment of damages to Trustee related to the failure of the Commission to pay principal of or interest 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 provided that such duty can be enforced through traditional non-monetary equitable remedies.

Section 9.06     Destruction of Canceled Bonds.

Whenever in this Indenture provision is made for the surrender to the Commission of any Bonds which have been paid or canceled pursuant to the provisions of this Indenture, when cancellation is permitted by law 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 Commission 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 9.07     Notices and Demands.

Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee to or on the Commission may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Commission with the Trustee) as follows: Community Development Commission of the City of La Palma, City Hall, 7822 Walker Street, La Palma, California 90623, Attention: Executive Director; or to the Trustee at 550 South Hope Street, Suite 500, Los Angeles, CA 90071; or to ACA at 140 Broadway, 47<sup>th</sup> Floor, New York, NY 10005.

Section 9.08     Partial Invalidity.

If any section, paragraph, sentence, clause or phrase of this Indenture shall for any reason be held illegal or unenforceable such holding shall not affect the validity of the remaining portions of this Indenture. The Commission hereby declares that it would have adopted 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. If, by reason of the judgment of any court, the Trustee is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Trustee hereunder shall be assumed by and vest in the Treasurer of the Commission in trust for the benefit of the Bondowners. The Commission covenants for the direct benefit of the Bondowners that its Treasurer in such case shall be vested with all of the rights and powers of the Trustee hereunder and shall assume all of the responsibilities and perform all of the duties of the Trustee hereunder in trust for the benefit of the Bonds.

Section 9.09 Effective Date of Indenture.

This Indenture shall take effect from and after the date of its execution.

Section 9.10 Governing Law.

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

ARTICLE 10  
GENERAL PROVISIONS RELATING TO ACA

Section 10.01 Notice and Other Information to be given to ACA.

(1) Any notice that is required to be given to Bondholders, nationally recognized municipal securities information repositories or state information depositories pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission or to the Trustee (or paying agent) pursuant to the Financing Documents shall also be provided to ACA. All notices required to be given to ACA shall be in writing and shall be sent by registered or certified mail addressed to ACA Financial Guaranty Corporation, 140 Broadway, 47<sup>th</sup> Floor, New York, New York 10005, Attn: General Counsel.

(2) Within one hundred eighty (180) days of the end of each fiscal year copies of the audited financial statements of the Commission and the City shall be sent to ACA Financial Guaranty Corporation, 140 Broadway, 47<sup>th</sup> Floor, New York, New York 10005, Attn: Surveillance.

(3) ACA shall have the right to receive such additional information as it may reasonably request.

(4) The Commission will permit ACA to discuss the affairs, finances and accounts of the Commission or any information ACA may reasonably request regarding the security for the Bonds with appropriate officers of the Commission, and will grant ACA access to the facilities, books and records of the Commission on any business day upon reasonable prior notice.

(5) ACA shall have the right to direct an accounting at the Commission's expense and the Commission's failure to comply with such direction within thirty (30) days after written notice of the direction from ACA shall be deemed a default hereunder.

Section 10.02 Defeasance.

Notwithstanding anything contained herein, in the event that the principal and/or interest due on the Bonds shall be paid by ACA pursuant to the Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Commission, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Commission to the registered owners shall continue to exist and shall run to the benefit of ACA, and ACA shall be subrogated to the rights of such registered owners

including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Bonds.

Defeasance of the Bonds shall be subject to the following:

(1) Opinion of Bond Counsel that refunding and defeasance will not adversely impact the exclusion from gross income for federal income tax purposes of interest on the Bonds or refunded Bonds.

(2) Opinion of Bond Counsel that (A) the escrow deposit will not constitute a voidable preference or transfer under the Federal Bankruptcy Code or any other similar state or federal statute in the event the Commission becomes a debtor within the meaning of the Federal Bankruptcy Code or comes within the protection of such similar state or federal statute ("Insolvency Event"), and (B) in such Insolvency Event, the escrow deposit will not be treated as part of the estate of the Commission.

(3) An escrow agreement which provides that:

(a) Any substitution of securities shall require a CPA verification and the prior written consent of ACA.

(b) The Commission will not exercise any optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition of any such redemption there shall be provided to ACA a CPA verification as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption.

(c) The Commission shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of ACA.

#### Section 10.03 Trustee.

(1) So long as ACA is not in default of its obligations pursuant to the Policy, the Trustee may be removed at any time at the request of ACA.

(2) ACA shall receive prior written notice of any name change of the Trustee (or paying agent) or the registration or removal of the Trustee (or paying agent).

(3) No removal, resignation or termination of the Trustee (or paying agent) shall take effect until a successor, acceptable to ACA, shall be appointed.

#### Section 10.04 Amendments and Supplements.

With respect to amendments or supplements to the Financing Documents which do not require the consent of the Bondholders, ACA must be given notice of any such amendments or

supplements. With respect to amendments or supplements to the Financing Documents which require the consent of the Bondholders, ACA's prior written consent is required. All Financing Documents must contain a provision that requires copies of any amendments or supplements to such documents which are consented to by ACA shall be sent to the rating agencies which have assigned a rating to the Bonds. Notwithstanding any other provision of this Financing Document, in determining whether the rights of Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Financing Document, the Trustee shall consider the effect on the Bondholders as if there were no Policy.

#### Section 10.05 ACA As Third Party Beneficiary.

To the extent that the Financing Documents confer upon or give or grant to ACA any right, remedy or claim under or by reason of the Financing Documents, ACA is explicitly recognized as being a third party beneficiary thereunder and may enforce any such right, remedy or claim conferred, given or granted thereunder.

#### Section 10.06 Section 10.06 Consent Rights of ACA.

(1) Consent of ACA. Any provision of this Indenture expressly recognizing or granting rights in or to ACA may not be amended in any manner which affects the rights of ACA hereunder without the prior written consent of ACA.

(2) Consent of ACA in Addition to Bondholder Consent. Wherever this Indenture requires the consent of Bondholders, ACA's consent shall also be required.

(3) Consent of ACA in the Event of Insolvency. Any reorganization or liquidation plan with respect to the Commission must be acceptable to ACA. In the event of any reorganization or liquidation, ACA shall have the right to vote on behalf of all Bondholders who hold ACA-insured Bonds absent a default by ACA under the Policy.

(4) Consent of ACA Upon Default. So long as ACA is not in default of its obligations pursuant to the Policy and anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, ACA shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under this Indenture, including, without limitation: (i) the right to accelerate the principal of the Bonds as described in this Indenture, and (ii) the right to annul any declaration of acceleration, and ACA shall be entitled to approve all waivers of events of default.

(5) Acceleration Rights. Upon the occurrence of an Event of Default, the Trustee shall, at the direction of ACA so long as ACA is not in default of its obligations pursuant to the Policy, or at the direction of 60% of the Bondholders with the consent of ACA, by written notice to Commission and ACA, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding.

Section 10.07 Payment Procedure Under the Policy.

(1) In the event that on the second business day prior to the payment date on the Bonds, Trustee has not received sufficient moneys to pay all principal of and interest on the Bonds due on the second following business day, Trustee shall immediately notify ACA or its designee on the same business day by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(2) If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify ACA or its designee.

(3) In addition, if the Trustee has notice that any Bondholder has been required to disgorge payments of principal or interest on the Bonds pursuant to a final non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify ACA or its designee of such fact by telephone or electronic notice, confirmed in writing by registered or certified mail.

(4) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Bonds as follows:

(a) If and to the extent there is a deficiency in amounts required to pay interest on the Bonds, the Trustee shall (i) execute and deliver to ACA, in form satisfactory to ACA, an instrument appointing ACA as agent for such holders in any legal proceeding related to the payment of such interest and an assignment to ACA of the claims for interest to which such deficiency relates and which are paid by ACA, (ii) receive as designee of the respective holders (and not as paying agent) in accordance with the tenor of the Policy payment from ACA with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(b) If and to the extent of a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (i) execute and deliver to ACA, in form satisfactory to ACA, an instrument appointing ACA as agent for such holder in any legal proceeding related to the payment of such principal and an assignment to ACA of the Bond surrendered to ACA in an amount equal to the principal amount thereof as has not previously been paid or for which moneys are not held by the paying agent and available for such payment (but such assignment shall be delivered only if payment from ACA is received), (ii) receive as designee of the respective holders (and not as paying agent) in accordance with the tenor of the Policy payment therefor from ACA, and (iii) disburse the same to such holders.

(5) Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the Commission with respect to such Bonds, and ACA shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(6) Irrespective of whether any such assignment is executed and delivered, the Commission and ACA hereby agree for the benefit of ACA that;

(a) They recognize that to the extent ACA makes payments directly or indirectly (as by paying through the Insurer), on account of principal of or interest on the Bonds, ACA will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Commission, with interest thereon as provided and solely from the sources stated in the Financing Documents and the Bonds; and

(b) They will accordingly pay to ACA the amount of such principal and interest, with interest thereon as provided in this Financing Document and the Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Bonds to holders, and will otherwise treat ACA as the owner of such rights to the amount of such principal and interest.

(7) The Commission hereby agrees to pay or reimburse ACA any and all charges, fees, costs and expenses which ACA may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of the Indenture or any other Financing Document including defending, monitoring or participating in any litigation or proceedings (including any bankruptcy proceeding in respect of the Commission or any affiliate thereof) relating to this agreement or any other Financing Document, any party to this Indenture or any other Financing Document or the transaction contemplated by the Financing Documents (the "Transaction"), (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under this agreement or any other Financing Document, or the pursuit of any remedies under the trust agreement or any other Financing Document, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, or (iv) any amendment, waiver or other action with respect to, or related to, this agreement or any other Financing Document whether or not executed or completed; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of ACA spent in connection with the actions described in clauses (ii) – (iv) above; and ACA reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this agreement or any other Financing Document.

(8) In addition to any and all rights of reimbursement, subrogation and any other rights pursuant hereto or under law or in equity, the Commission agrees to pay or reimburse ACA any and all charges, fees, costs, claims, losses, liabilities (including penalties), judgments, demands, damages, and expenses which ACA or its officers, directors, shareholders, employees, agents and each Person, if any, who controls ACA within the meaning of either Section 15 of the Securities Act of 1933 or Section 20 of the Securities Exchange Act of 1934 may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, of any nature in connection with, in respect of or relating to the transactions contemplated by this agreement or any other Financing Document by reason of:

(a) any omission or action (other than of or by ACA) in connection with the offering, issuance, sale, remarketing or delivery of the Bonds;



(b) the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any director, officer, employee or agent of the Commission in connection with any transaction arising from or relating to this Indenture or any other Financing Document;

(c) the violation by the Commission of any law, rule or regulation, or any judgment, order or decree applicable to it;

(d) the breach by the Commission of any representation, warranty or covenant under this Indenture or any other Financing Document or the occurrence, in respect of the Commission, under this Indenture or any other Financing Document of any "Event of Default" or any event which, with the giving of notice or lapse of time or both, would constitute any "event of default"; or

(e) any untrue statement or alleged untrue statement of a material fact contained in any official statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such claims arise out of or are based upon any untrue statement or omission in information included in an official statement and furnished by ACA in writing expressly for use therein.

(9) ACA shall be entitled to pay principal or interest on the Bonds that shall become due for payment but shall be unpaid by reason of Nonpayment by the Commission (as such terms are defined in the Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with this agreement, whether or not ACA has received a Notice (as defined in the Policy) of Nonpayment or a claim upon the Policy.

#### Section 10.08 Reserve Account.

Amounts in the Reserve Account may be used only to pay principal of and interest on the Bonds in the event that all other amounts held by the Trustee and available therefor are insufficient.

The Reserve Account shall be fully funded at closing with cash or permitted investments in an amount equal to the Reserve Requirement. No letter of credit, surety bond, insurance policy or other credit facility may be credited to the debt service reserve fund without the prior written consent of ACA. The weighted average maturity of investments in the Reserve Account at any time may not exceed seven (7) years. The Trustee shall determine the value of the Reserve Account investments no less frequently than semiannually (and monthly from the date of any deficiency until such deficiency is cured).

The Commission shall make payments sufficient to restore the Reserve Account to the Reserve Requirement (i) in twelve (12) consecutive equal monthly installments beginning in the month following any withdrawal from the Reserve Account which causes the amount therein to be less than the reserve requirement, or (ii) in four (4) consecutive equal monthly installments beginning in the month following any calculation of the value of the Reserve Account at an amount less than the reserve requirement.

IN WITNESS WHEREOF, the Commission has caused this Indenture to be executed in its name and the Trustee, in token of its acceptance of the trusts created hereunder has caused this Indenture to be executed in its name all as of the day and year above written.

LA PALMA COMMUNITY  
DEVELOPMENT COMMISSION

By: \_\_\_\_\_  
EXECUTIVE DIRECTOR

U.S. BANK TRUST NATIONAL  
ASSOCIATION, Trustee

\_\_\_\_\_  
  
(Authorized Officer)

IN WITNESS WHEREOF, the Commission has caused this Indenture to be executed in its name and the Trustee, in token of its acceptance of the trusts created hereunder has caused this Indenture to be executed in its name all as of the day and year above written.

LA PALMA COMMUNITY  
DEVELOPMENT COMMISSION

By: Catherine Gandia  
EXECUTIVE DIRECTOR

U.S. BANK TRUST NATIONAL  
ASSOCIATION, Trustee

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(Authorized Officer)

EXHIBIT A

(FORM OF BOND)

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF ORANGE

LA PALMA COMMUNITY DEVELOPMENT COMMISSION  
LA PALMA COMMUNITY DEVELOPMENT PROJECT NO. 1  
2001 TAX ALLOCATION REFUNDING BOND

INTEREST RATE:    MATURITY DATE:    DATED DATE:    CUSIP:  
December 1, 2001

REGISTERED OWNER:    CEDE & CO.

PRINCIPAL SUM:    DOLLARS

The LA PALMA COMMUNITY DEVELOPMENT COMMISSION, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California (the "Commission"), for value received hereby promises to pay to the Registered Owner stated above or registered assigns, on the Maturity Date stated above (subject to any right of prior redemption hereinafter provided for), the Principal Sum stated above in lawful money of the United States of America and to pay interest thereon in like lawful money from the Interest Payment Date next preceding the date of registration and authentication of this Bond (unless (i) this Bond is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) this Bond is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date in which event it shall bear interest from such Interest Payment Date, or (iii) this Bond is authenticated on or prior to May 15, 2002, in which event it shall bear interest from the Dated Date 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 has previously been paid or made available for payment on this Bond) until payment of such Principal Sum in full, at the rate per annum stated above, payable semiannually on June 1 and December 1, commencing June 1, 2002, ("Interest Payment Date") calculated on the basis of a 360-day year composed of twelve 30-day months. Principal hereof at maturity and premium, if any, upon earlier redemption hereof are payable at the corporate trust office of U.S. Bank Trust National Association, the trustee under the Supplemental Trust Indenture No. 3 (as hereinafter defined) (the "Trustee"), in St. Paul, Minnesota. Interest hereon (including the final interest payment upon maturity or earlier redemption) is payable by check of the Trustee mailed to the Registered Owner hereof at the Registered Owner's address as it appears on the Bond registration books maintained by the Trustee at the close of business on the fifteenth day of the month next preceding the month of such Interest Payment Date, whether or not such day is a Business Day.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS OF

THIS BOND SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN THIS PLACE.

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 and manner as required by the Law, both as defined herein, and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Commission, does not exceed any limit prescribed by the 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 Supplemental Indenture.

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

This Bond is one of a duly authorized issue of Bonds of the Commission designated as "La Palma Community Development Commission, La Palma Community Development Project No. 1, 2001 Tax Allocation Refunding Bonds" (the "Bonds"), of an aggregate principal amount of Six Million Two Hundred Thousand Dollars (\$6,200,000.00), 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 and other provisions). The Bonds are issued pursuant to the provisions of the Community Redevelopment Law, being Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the "Law") and pursuant to a resolution of the Commission adopted November 6, 2001, and a Supplemental Trust Indenture No. 3, dated as of December 1, 2001, entered into by and between the Commission and the Trustee (the "Supplemental Indenture"), authorizing the issuance of the Bonds. Reference is hereby made to the Supplemental Indenture (copies of which are on file at the office of the Commission) and all indentures supplemental thereto and to the 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 Supplemental Indenture, and the rights thereunder of the registered owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Commission thereunder, to all of the provisions of which Supplemental Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Commission to refund the Commission's \$6,500,000 La Palma Community Development Project No. 1, 1991 Tax Allocation Bonds (the "1991 Bonds").

The Bonds are special obligations of the Commission and this Bond and the interest hereon and on all other Bonds and the interest thereon (to the extent set forth in the Supplemental Indenture) are payable from, and are secured equally and on a parity with the La Palma Community Development Commission, La Palma Community Development Project No. 1, 1993 Tax Allocation Refunding Bonds, (the "1993 Bonds") without distinction, by a charge and lien on the Tax Revenues derived by the Commission from the Redevelopment Project Area (as those terms are defined in the Supplemental Indenture). There has been created and will be maintained by the Trustee, a Special Fund (as defined in the Supplemental Indenture) into which Tax

Revenues shall be deposited and from which the Trustee shall thereafter pay the principal of, redemption premium and the interest on the Bonds when due. Subject to the foregoing, as and to the extent set forth in the Supplemental Indenture, all such Tax Revenues (together with all of the moneys in the Reserve Account, as defined in the Supplemental Indenture) are exclusively and irrevocably pledged to and constitute a trust fund, in accordance with the terms hereof and the provisions of the Supplemental Indenture and the Law, for the security and payment or redemption of, including any premium upon early redemption, and for the security and payment of interest on, the Bonds. Notwithstanding the foregoing, in accordance with the Supplemental Indenture, Tax Revenues in excess of amounts required for such payment of the Bonds may be applied for other purposes as provided in the Supplemental Indenture.

This Bond is not a debt of the City of La Palma, the State of California, or any of its political subdivisions, and neither said City, 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 those of the Commission. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Bonds maturing on or before June 1, 2011, are not subject to optional redemption. Bonds maturing on or after June 1, 2012, are subject, at the option of the Commission, to call and redemption prior to their stated maturities on any date, commencing June 1, 2011, as a whole or in part at the option of the Commission, together with accrued interest thereon to the redemption date, if any is due and owing, at a redemption price as follows:

<u>Redemption Dates</u>	<u>Premium</u>
June 1, 2011 through May 31, 2012	102%
June 1, 2012 through May 31, 2013	101%
June 1, 2013 and thereafter	100%

The Bonds maturing on June 1, 2021 (the "Term Bonds"), are subject to mandatory redemption in part on June 1, 2012 and on June 1 of each year thereafter as further provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest, if any, to the date fixed for redemption, without premium, from Sinking Account payments required to be made by the Commission under the Supplemental Indenture.

As provided in the Supplemental Indenture, notice of redemption shall be given by first class mail no less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective Registered Owners of any Bonds designated for redemption at their addresses appearing on the bond registration books maintained by 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.

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

If an Event of Default, as defined in the Supplemental Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and

with the effect provided in the Supplemental Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Supplemental Indenture.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Supplemental Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity and series.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing at said offices of the Trustee, but only in the manner and subject to the limitations provided in the Supplemental Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new fully registered Bond or Bonds, of authorized denomination or denominations for the same aggregate principal amount, of the same series and of the same maturity will be issued to the transferee in exchange therefor.

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

The rights and obligations of the Commission 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 Supplemental 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 Registered Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bond the consent of the owners of which is required to effect any such modification or amendment.

#### STATEMENT OF BOND INSURANCE

Bond Insurance Policy No. \_\_\_\_\_ (the "Policy") with respect to payments due for principal of and interest on this bond has been issued by ACA Financial Guaranty Corporation ("ACA"). The Policy has been delivered to and will be held by U.S. Bank Trust National Association, Los Angeles, California. The Policy is on file and available for inspection at the office of the Trustee or paying agent and a copy thereof may be secured by ACA. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this bond acknowledges and consents to the subrogation rights of ACA as more fully set forth in the Policy.

IN WITNESS WHEREOF, the La Palma Community Development Commission has caused this Bond to be executed in its name and on its behalf with the signature of its Chairperson and attested by the of its Secretary, all as of December 1, 2001.

LA PALMA COMMUNITY  
DEVELOPMENT COMMISSION

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

ATTEST:

\_\_\_\_\_  
Secretary



[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

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

\_\_\_\_\_  
\_\_\_\_\_, as Trustee

AUTHENTICATION DATE:

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

(FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

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

the within-registered Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_  
\_\_\_\_\_ attorney, to transfer the same on the  
bond register of the Trustee with full power of substitution in the premises.

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

Signatures Guaranteed:

Note: Signature(s) must be guaranteed by an eligible  
guarantor institution.

Note: 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

## **OVERSIGHT BOARD RESOLUTION NO. 2014-01**

**A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE DISSOLVED COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF LA PALMA FINDING THAT EACH OF THE TWO LOANS MADE BY THE CITY OF LA PALMA TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF LA PALMA WERE FOR A LEGITIMATE REDEVELOPMENT PURPOSE AND THAT EACH OF THE TWO CITY LOANS IS AN ENFORCEABLE OBLIGATION PURSUANT TO HEALTH AND SAFETY CODE SECTION 34191.4(b)(1)**

**WHEREAS**, the City of La Palma ("City") is, and at all times relevant to the matters referred to herein was, a municipal corporation and general law city of the State of California; and

**WHEREAS**, the former Community Development Commission of the City of La Palma ("Redevelopment Agency") was a redevelopment agency organized and existing and enabled to exercise the powers afforded under the California Community Redevelopment Law (Health & Safety Code Section 33000 et seq.) ("CRL"); and

**WHEREAS**, on June 28, 2011, Assembly Bill 26 from the 2011-2012 First Extraordinary Session of the California Legislature ("ABx1 26") was enacted as a bill related to the 2011 Budget Act which, as modified by the California Supreme Court Decision in California Redevelopment Association v. Matosantos (2011) 53 Cal.4th 231, dissolved all redevelopment agencies in California on February 1, 2012; and

**WHEREAS**, on June 27, 2012, Assembly Bill 1484 from the 2011-2012 Regular Session of the California Legislature ("AB 1484") was enacted as a bill related to the 2011 Budget Act and amended ABx1 26; and

**WHEREAS**, ABx126 and AB 1484 are hereinafter collectively referred to as the "Dissolution Act"; and

**WHEREAS**, pursuant to (i) Health and Safety Code Section 34173, added to the CRL by ABx1 26 and amended by AB 1484, and (ii) City Council Resolution No. 2012-06, adopted by the City Council of the City (the "City Council") on January 3, 2012, the City is successor agency (the "Successor Agency") to the dissolved Redevelopment Agency; and

**WHEREAS**, pursuant to Health and Safety Code 34171, added to the CRL by ABx1 26 and amended by AB 1484, the Successor Agency assumed, on February 1, 2012, all authority, rights, powers, duties, and obligations previously vested to the

Redevelopment Agency, except for those that were repealed, restricted, or revised pursuant to Part 1.85 of Division 24 of the Health and Safety Code; and

**WHEREAS**, the Redevelopment Agency, until its dissolution on February 1, 2012, was responsible for the administration of redevelopment activities within the City; and

**WHEREAS**, Section 33220 of the CRL provides that certain public bodies may aid and cooperate in the planning, undertaking, construction or operation of redevelopment projects; and

**WHEREAS**, Section 33600 of the CRL provides that a redevelopment agency may accept financial or other assistance from any public or private source, for the agency's activities, powers, and duties, and expend any funds so received for any of the purposes of the CRL; and

**WHEREAS**, Section 33601 of the CRL provides that a redevelopment agency may borrow money or accept financial or other assistance from the state or the federal government or any other public agency for any redevelopment project within its area of operation, and may comply with any conditions of such loan or grant; and

**WHEREAS**, by adoption of Ordinance No. 83-7 in April 1983, the City Council, in compliance with the CRL and other applicable law, adopted the Redevelopment Plan for the Community Development Project Area (the "Redevelopment Plan" or "Project Area," as applicable); and

**WHEREAS**, the Redevelopment Agency was engaged in activities to execute and implement the Project Area pursuant to the provisions of the CRL; and

**WHEREAS**, on or about October 28, 1999, pursuant to authority set forth in the CRL, the City provided a loan to the Redevelopment Agency to facilitate the development of 60 affordable senior apartments restricted for occupancy by moderate income households (the "1999 Loan"), in the principal amount of \$4,933,000, of which, at the time of dissolution, \$4,417,469 remained outstanding; and,

**WHEREAS**, upon recalculation of accumulated interest on the 1999 Loan pursuant to the requirements of Health and Safety Code Section 34191.4(b), the outstanding balance as of the date of this Resolution is \$4,225,960; and

**WHEREAS**, a true and correct copy of the Loan Agreement evidencing the 1999 Loan is attached hereto as **Exhibit "A"** and by this reference incorporated herein; and

**WHEREAS**, on or about May 1, 2002, pursuant to authority set forth in the CRL, the City provided a loan to the Redevelopment Agency to facilitate the rehabilitation and seismic retrofit of certain industrial building located at 6565 Valley View Street (the

"2002 Loan"), in the principal amount of \$1,500,000, of which, at the time of dissolution, \$960,104 remained outstanding; and

**WHEREAS**, upon recalculation of accumulated interest on the 2002 Loan pursuant to the requirements of Health and Safety Code Section 34191.4(b), the outstanding balance as of the date of this Resolution is \$794,862; and

**WHEREAS**, a true and correct copy of the Financing Agreement evidencing the 2002 Loan is attached hereto as **Exhibit "B"** and by this reference incorporated herein; and

**WHEREAS**, the 1999 Loan and the 2002 Loan are collectively referred to hereinafter as the "City Loans"; and

**WHEREAS**, the Oversight Board to the Successor Agency ("Oversight Board") has been established in accordance with the Dissolution Act; and

**WHEREAS**, pursuant to CRL Section 34191.4, enacted as part of AB 1484, after issuance of a "Finding of Completion" from the DOF, loan agreements between the former redevelopment agency and the city which established the redevelopment agency shall be deemed to be an enforceable obligation when the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes; and

**WHEREAS**, pursuant to Health and Safety Code Section 34180(a), added by ABx1 26 and amended by AB 1484, an oversight board is authorized to approve a request by a successor agency to reestablish loan agreements between the successor agency and the city, county, or city and county that formed the redevelopment agency in accordance with the provisions of Health and Safety Code Section 34191.4; and

**WHEREAS**, pursuant to Health and Safety Code Section 34191.4(b)(2), if an oversight board finds that the loan made by a city to its redevelopment agency is an enforceable obligation, the loan principal must be repaid to the city in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by funds deposited into the Local Agency Investment Fund, and the annual loan repayments provided for in the recognized obligations payment schedules are subject to the additional following provisions:

(A) Repayments shall not be made prior to the 2013-2014 fiscal year;

(B) Beginning in the 2013-2014 fiscal year, the maximum repayment amount authorized each fiscal year for the repayments made for a reestablished city/redevelopment agency loan and repayments for any amounts owed to the former redevelopment agency's Low and Moderate Income Housing Fund as repayment for the funding of the Supplemental Education Revenue Augmentation Fund (SERAF) shall be equal to one-half of the increase between the amount distributed to the taxing entities pursuant to Health and Safety Code Section 34183(a)(4) in that fiscal year and the

amount distributed to taxing entities pursuant to that paragraph in the 2012-2013 base year;

(C) Loan of deferral repayments made to city/redevelopment agency loans are to be second in priority to the amounts to be repaid as part of any SERAF loan;

(D) Payments received by a city that formed the redevelopment agency shall first be used to retire any outstanding amounts borrowed and owed to the Low and Moderate Income Housing Asset Fund of the former redevelopment agency for purposes of the SERAF and shall be distributed to the Low and Moderate Income Housing Asset Fund established pursuant to Health and Safety Code Section 34176(d);

(E) Twenty percent of any loan repayment for a city/redevelopment agency loan shall be deducted from the loan repayment amount and shall be transferred to the Low and Moderate Income Housing Asset Fund established pursuant to Health and Safety Code Section 34176(d), after all outstanding loans from the Low and Moderate Income Housing Fund for purposes of the SERAF have been repaid; and

**WHEREAS**, the Redevelopment Agency did not pay for the SERAF requirement with any funds from the former Low and Moderate Income Housing Fund; and

**WHEREAS**, the DOF issued a Finding of Completion to the Successor Agency by letter dated April 18, 2013; and

**WHEREAS**, a true and correct copy of the Finding of Completion letter issued by the DOF is attached hereto as **Exhibit "C"** and by this reference incorporated herein; and

**WHEREAS**, pursuant to Health and Safety Code Section 34180(a), the Successor Agency desires that the Oversight Board, pursuant to Health and Safety Code Section 34191.4, find that (A) the City Loans, and each of them, were for legitimate redevelopment purposes and (B) the City Loans, and each of them, are enforceable obligations so that the City Loans may be repaid pursuant to, and subject to, Health and Safety Code Section 34191.4; and

**WHEREAS**, if the amounts due under the City Loans were not paid back to the City, then other public services provided by the City, such as public safety, fire protection, park and recreation programs, senior citizen services, transportation services, and other critical City services would be impacted; and

**WHEREAS**, the Oversight Board has reviewed and duly considered the staff report, the Exhibits hereto, and other evidence and testimony presented related thereto.

**NOW, THEREFORE**, the Oversight Board to the Successor Agency to the dissolved Community Development Commission of the City of La Palma finds and resolves as follows:

**SECTION 1.** The foregoing Recitals are true and correct and are a substantive part of this Resolution and are incorporated herein.

A. The City Loans and each of them were for legitimate redevelopment purposes, including the following:

(i) The Redevelopment Agency was implementing the redevelopment of the Project Area under the duly adopted redevelopment plans and the CRL;

(ii) The CRL, at Health and Safety Code Section 33020, defines redevelopment as the “planning, development, replanning, redesign, clearance, reconstruction, or rehabilitation, or any combination of these, of all or part of a survey area, and the provision of those residential, commercial, industrial, public, or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them...”;

(iii) The CRL (Health and Safety Code Sections 33132, 33133, and 33600) specifically authorized the Redevelopment Agency to accept financial assistance from public sources, including the City, and to expend those moneys for any redevelopment project within the Redevelopment Agency’s area of operation or for the Redevelopment Agency’s activities, powers, and duties;

(iv) The CRL (Health and Safety Code Section 33220) specifically authorized the Redevelopment Agency to enter into agreements with any other public body, including the City, for the purpose of aiding and cooperating in the planning, undertaking, construction, or operation of redevelopment projects upon the terms and with or without consideration as determined necessary by the Redevelopment Agency;

(v) The CRL (Health and Safety Code Sections 33601) specifically authorized the Redevelopment Agency to borrow money from any public agency, including the City, for any redevelopment project within its area of operation, and comply with any conditions of such loan;

(vi) California law (Government Code sections 53600 et seq. and 53601(e) specifically) authorized the City to invest moneys not required for the immediate needs in evidences of indebtedness of any local agency, including the Redevelopment Agency, within the State of California.

B. Pursuant to the Loan Agreement evidencing the 1999 Loan, the City loaned funds to the Redevelopment Agency for the development of affordable housing, and as such the 1999 Loan was for legitimate redevelopment purpose.

C. Pursuant to the Financing Agreement evidencing the 2002 Loan, the City loaned funds to the Redevelopment Agency for rehabilitation of real property and as such the 2002 Loan was for legitimate redevelopment purposes.

D. Based on the foregoing, the Oversight Board specifically and expressly finds and determines that (1) the City Loans, and each of them, were proper and legally-



authorized loan agreements under the CRL made by the City to the Redevelopment Agency for legitimate redevelopment purposes, and (2) the City Loans, and each of them, are enforceable obligations pursuant to Health and Safety Code Section 34191.4.


**SECTION 3.** The Oversight Board finds and determines that the rate of interest earned on deposits in the Local Agency Investment Fund as of the date of this Resolution is 0.038% and that such rate of interest shall attach to the repayment under the City Loans unless another interest rate is determined to be applicable by agreement between the City or Successor Agency on the one hand and DOF on the other hand, by state legislation, by applicable administrative interpretation, or by judicial interpretation. In the event another rate of interest is determined to be applicable, such other rate of interest shall automatically apply without need for further action by the Oversight Board.

**SECTION 4.** The Successor Agency is instructed to reflect the City Loans, and each of them, as enforceable obligations, on future Recognized Obligation Payment Schedules in accordance with Health and Safety Code Section 34191.4.

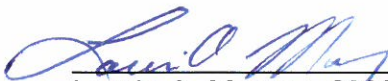
**SECTION 5.** The Oversight Board acknowledges that nothing in this Resolution shall act to modify, waive, discharge, or in any manner affect, any legal assertion made, or legal position taken, or to be made or taken in the future, by the City or Successor Agency or any other entity with respect to the subject matter of, or any of the matters set forth in, this Resolution.

**SECTION 6.** This Resolution shall take effect upon the date of its adoption. The Secretary shall certify to the adoption of this resolution.

**PASSED, APPROVED, AND ADOPTED** this 13th day of February 2014.

  
\_\_\_\_\_  
Mark Waldman,  
Chairperson

ATTEST:

  
\_\_\_\_\_  
Laurie A. Murray, CMC,  
City Clerk



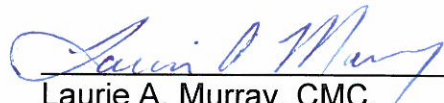
STATE OF CALIFORNIA )  
COUNTY OF ORANGE ) SS  
CITY OF LA PALMA )

I, LAURIE A. MURRAY, City Clerk of the City of La Palma, HEREBY DO CERTIFY that the foregoing resolution was adopted at a regular meeting of the Oversight Board to the Successor Agency to the dissolved Community Development Commission of the City of La Palma, held on the 13th day of February, 2014.

AYES: Vice Chairperson Carruth, Board Member Dumhart,  
Board Member Nelson, Board Member Patterson, and  
Chairperson Waldman

NOES: None

ABSENT: Board Member Garcia and Board Member Patel

  
\_\_\_\_\_  
Laurie A. Murray, CMC,  
City Clerk

## LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement") is made and entered into this 28<sup>th</sup> day of October 30<sup>th</sup>, 1999 ("Effective Date"), by and between the CITY OF LA PALMA, a municipal corporation ("City" or "Lender"), and the COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF LA PALMA, a public body, corporate and politic ("Commission" or "Borrower").

## R E C I T A L S

A. Commission of a public body, corporate and politic, organized and existing as a redevelopment agency pursuant to Health and Safety Code Sections 33000 et seq. and 34100 et seq.

B. City is a general law city of the State of California.

C. Commission is engaged in activities pursuant to the CRL in the area of affordable housing and desires to obtain a loan from the City for the purpose of assisting Commission in funding the construction of an affordable housing complex on a site of approximately 1.9 acres located in the City, commonly known as 7051-61 Walker Street, located southerly of the southwest corner of Walker and Orangethorpe Streets. The Site is owned by City.

D. Pursuant to that certain Ground Lease, dated on or about the date of this Loan Agreement, by and between City as lessor and Commission as lessee, City has ground leased the Site to Commission for an annual ground lease payment of One Hundred Ten Thousand Dollars (\$110,000) ("Annual Commission Ground Lease Payment to City").

E. Pursuant to that certain Disposition and Development Agreement, dated September 24, 1998 (the "DDA"), by and among Commission, MDA Investment Partnership, a California general partnership ("Developer"), and LINC Housing Corporation, a 501(c)(3) California nonprofit public benefit corporation ("LINC"), Commission intends to ground sub-lease ("Ground Sub-Lease") the Site to Developer which shall, in accordance with the DDA, construct the improvements on the Site consisting of a affordable rental housing complex for senior citizens (the "Project"). Upon completion of the improvements, the DDA, the Ground Sub-Lease, and all other applicable agreements as described in the DDA, including the Note set forth as Exhibit "I" to the DDA, shall be assumed by LINC.



F. Pursuant to the Ground Sub-Lease, Developer (and LINC following completion of the improvements) shall pay to Commission an annual ground sub-lease payment to Commission equal to the sum of (i) One Dollar (\$1.00), plus (ii) eighty-seven and one-half percent (87.5%) of the "Net Operating Income" (as defined in Sections 3.2 and 7.2(b) of the Ground Sub-Lease attached as Exhibit "G" to the DDA) ("Commission Ground Sub-Lease Revenue"). A portion of the Commission Ground Sub-Lease Revenue is to be used to make the Annual Commission Ground Lease Payment to City as referenced in Recital D above. The portion of the Commission Ground Sub-Lease Revenue remaining after the Commission makes the Annual Commission Ground Lease Payment to City is hereinafter referred to as the "Commission's Net NOI Funds."

G. To bring about development of the Project on the Site, Commission agreed in the DDA, subject to certain conditions subsequent defined therein, to provide a loan to Developer to assist in funding the construction of the Project. In order to effect that funding, Commission desires to obtain a loan from City as set forth herein. City and Commission are authorized by the California Community Redevelopment Law (Health and Safety Code §33000 *et seq.*) ("CRL") to enter into agreements whereby the City loans funds to the Commission for the purpose of funding Commission activities pursuant to the CRL, including for the purposes of developing affordable housing.

H. City desires to provide such loan to Commission for the purposes set forth above and City and Commission enter into this Agreement for that purpose.

## A G R E E M E N T

NOW, THEREFORE, in consideration of the foregoing Recitals and the covenants and promises hereinafter contained, and for good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

1. Principal Amount; Interest Amount. City hereby loans to Commission the maximum principal amount of FOUR MILLION NINE HUNDRED THIRTY-THREE THOUSAND DOLLARS (\$4,933,000) ("Loan Amount"), to be disbursed in accordance with the terms and conditions set forth herein. Interest shall accrue on the outstanding principal amount and accrued interest at a rate equal to the rate of return on City investments in the Local Agency Investment Fund, or successor fund, plus two and three-eighths percent (2.375%) [Example: if the LAIF rate is 6%, the interest rate under this Agreement is 8.375%]. Interest shall be simple interest compounded annually.

2. Repayment. The City Loan shall be a fully amortized loan repayable by Commission over thirty (30) years. Commission shall make an annual payment to City



in the amount necessary to repay the Loan Amount and accrued interest in thirty (30) years. As set forth in Attachment No. 1 hereto, City and Commission acknowledge that, when interest at the rate of 8.375%, compounded annually, is applied, the approximate annual repayment amount, for the first twenty-nine (29) annual payments is Four Hundred Fifty-Three Thousand Seven Hundred Eighty Dollars and Fifty-One Cents (\$453,780.51), and the thirtieth and final payment is Five Hundred One Thousand Seventy-Four Dollars and Fifty-Nine Cents (\$501,074.59). The actual annual repayment amount may be greater or lesser depending on the precise applicable interest rate applied in accordance with the index set forth in Paragraph 1. City shall determine the annual payment amount due for a particular fiscal year and shall notify Commission of said amount not later than thirty (30) days following the end of that fiscal year. Commission shall make the annual payment not later than sixty (60) days following the end of the fiscal year to which the payment relates. Commission shall have the right to prepay all or any portion of the Loan Amount and accrued interest at any time without penalty.

3. Source of Funds for Repayment. Commission may use any funds available to it for the annual repayment required by this Agreement; provided, however, that in no event shall Commission use monies in its Low and Moderate Income Housing Fund (Health & Safety Code §33334.2 et seq.) until Commission has devoted to such annual repayment all of the Commission's Net NOI Funds received during the same fiscal year to which the annual repayment relates. In the event such Commission Net NOI Funds are insufficient for Commission to fully make the annual repayment required hereunder, Commission shall supplement Commission's Net NOI Funds to the extent necessary to make the annual payment required hereunder, including using monies in the Commission's Low and Moderate Income Housing Fund. City and Commission acknowledge and agree that any monies disbursed from the Low and Moderate Income Housing Fund for this purpose shall not be required to be repaid to the Low and Moderate Income Housing Fund in light of the use of such funds to repay a loan used for the production of affordable housing in accordance with the CRL.

4. Disbursement. City shall disburse the Loan Amount to Commission in full or in such increments from time to time as Commission may require; provided that the total amount of all disbursements shall not exceed the Loan Amount. The City Manager and City Finance Director are authorized to make such disbursement(s) to Commission on behalf City.

5. Default. Commission shall be in default of its obligations hereunder in the event Commission fails to timely make a payment required hereunder. Interest shall accrue on amounts not timely paid at the rate of the lesser of ten percent (10%) per annum or the maximum legal rate, and shall accrue as of the date such payment was originally due.



6. Severability. In the event that any term or provision of this Agreement is held to be unenforceable, the remainder of this Agreement shall remain in full force and effect to the fullest extent without inclusion of the unenforceable term or provision.

7. Indebtedness of Commission. The City's loan to Commission evidenced by this Agreement shall constitute an indebtedness of Commission.

8. Subordination. The repayment of the loan by Commission as required by this Agreement shall be junior and subordinate to (i) all Commission tax allocation bonds or other direct long-term indebtedness of Commission entered into prior to the Effective Date of this Agreement; (ii) all pledges by Commission of tax increments for tax allocation bonds or other direct long-term indebtedness of Commission incurred prior to the Effective Date of this Agreement; (iii) Commission financing agreements and other contractual obligations of Commission entered into prior to Effective Date of this Agreement; and (iv) all statutorily or judicially required or imposed payments, repayments, charges, fees, penalties, and the like.

9. Non-Recourse Obligation. No officer, official, member, employee, agent, or representative of Commission or City shall be liable for any amounts due hereunder, and no judgment or execution thereon entered in any action hereon shall be personally enforced against such officer, official, member, employee, agent, or representative.

10. Indemnification. Commission shall indemnify, defend, and hold City harmless from and against any claims brought by any person not a party to this Agreement challenging the validity or enforceability of this Agreement.

11. Administrative Authority. The City Manager and City Finance Director and their authorized designees shall have the authority to act on behalf of City in implementing this Agreement. The Executive Director of the Commission and City Finance Director acting in the capacity of Finance Director of the Commission and their authorized designees shall have the authority to act on behalf of Commission in implementing this Agreement.

12. Entire Agreement; Amendment. This Agreement shall constitute the entire agreement of the parties with respect to the subject matter hereof. This Agreement may be amended or modified only by an agreement in writing signed by the parties after authorization by the parties' respective governing bodies as may be required by law.

[end - signature page follows]

IN WITNESS WHEREOF, Commission and City have entered into this Agreement  
as of the Effective Date.

"COMMISSION"

**COMMUNITY DEVELOPMENT  
COMMISSION OF THE CITY OF LA  
PALMA**

By: Kenneth A. Blake  
Kenneth A. Blake, Chairman

ATTEST:

Ann K. Piscotty  
Commission Secretary

APPROVED AS TO FORM:

Dan Slater  
Commission Counsel

"CITY"

**CITY OF LA PALMA**

By: Kenneth A. Blake  
Kenneth A. Blake, Mayor

ATTEST:

Ann K. Piscotty  
City Clerk

APPROVED AS TO FORM:

Dan Slater  
City Attorney

## ATTACHMENT NO. 1 TO LOAN AGREEMENT

### AMORTIZATION SCHEDULE

The amortization schedule shown on the following pages is for illustration purposes only and assumes the following: (i) the entire Loan Amount is disbursed to Commission in a lump sum as of July 1, 2000; (ii) the first payment is made on June 30, 2001; (iii) an interest rate of 8.375% is applied throughout the thirty (30) year term; (iv) interest is compounded annually; (v) an annual installment payment made; (vi) no origination fees or points are paid; (vii) the rate basis is 365 days per year.

# Amortization Schedule

Initial Loan Amount:	\$4,933,000.00
Initial Interest Rate:	8.3750
Initial Periods:	30
Points:	0.0000
Origination Date:	07/01/00
First Payment Due:	06/30/01
Payment Method:	Annually
Compounding Method:	Annually
Amortizing Method:	Normal
Rate Basis:	Ordinary
Points Paid:	At Origination



pared On: 10/26/98

# Amortization Schedule

Page: 2

#/Yr	Date	Payment	Principal	Interest	Balance
nit/01	07/01/00	\$0.00	\$0.00	\$0.00	\$4,933,000.00
Annual Totals:		\$0.00	\$0.00	\$0.00	
Running Totals:		\$0.00	\$0.00	\$0.00	
1/01	06/30/01	\$453,780.51	\$36,051.32	\$417,729.19	\$4,896,948.68
Annual Totals:		\$453,780.51	\$36,051.32	\$417,729.19	
Running Totals:		\$453,780.51	\$36,051.32	\$417,729.19	
2/02	06/30/02	\$453,780.51	\$43,661.05	\$410,119.46	\$4,853,287.63
Annual Totals:		\$453,780.51	\$43,661.05	\$410,119.46	
Running Totals:		\$907,561.02	\$79,712.37	\$827,848.65	
3/03	06/30/03	\$453,780.51	\$47,317.66	\$406,462.85	\$4,805,969.97
Annual Totals:		\$453,780.51	\$47,317.66	\$406,462.85	
Running Totals:		\$1,361,341.53	\$127,030.03	\$1,234,311.50	
4/04	06/30/04	\$453,780.51	\$51,280.51	\$402,500.00	\$4,754,689.46
Annual Totals:		\$453,780.51	\$51,280.51	\$402,500.00	
Running Totals:		\$1,815,122.04	\$178,310.54	\$1,636,811.50	
5/05	06/30/05	\$453,780.51	\$55,575.26	\$398,205.25	\$4,699,114.20
Annual Totals:		\$453,780.51	\$55,575.26	\$398,205.25	
Running Totals:		\$2,268,902.55	\$233,885.80	\$2,035,016.75	
6/06	06/30/06	\$453,780.51	\$60,229.69	\$393,550.82	\$4,638,884.51
Annual Totals:		\$453,780.51	\$60,229.69	\$393,550.82	
Running Totals:		\$2,722,683.06	\$294,115.49	\$2,428,567.57	
7/07	06/30/07	\$453,780.51	\$65,273.92	\$388,506.59	\$4,573,610.59
Annual Totals:		\$453,780.51	\$65,273.92	\$388,506.59	
Running Totals:		\$3,176,463.57	\$359,389.41	\$2,817,074.16	
8/08	06/30/08	\$453,780.51	\$70,740.61	\$383,039.90	\$4,502,869.98
Annual Totals:		\$453,780.51	\$70,740.61	\$383,039.90	
Running Totals:		\$3,630,244.08	\$430,130.02	\$3,200,114.06	
9/09	06/30/09	\$453,780.51	\$76,665.14	\$377,115.37	\$4,426,204.84
Annual Totals:		\$453,780.51	\$76,665.14	\$377,115.37	
Running Totals:		\$4,084,024.59	\$506,795.16	\$3,577,229.43	
10/10	06/30/10	\$453,780.51	\$83,085.85	\$370,694.66	\$4,343,118.99
Annual Totals:		\$453,780.51	\$83,085.85	\$370,694.66	
Running Totals:		\$4,537,805.10	\$589,881.01	\$3,947,924.09	
11/11	06/30/11	\$453,780.51	\$90,044.29	\$363,736.22	\$4,253,074.70
Annual Totals:		\$453,780.51	\$90,044.29	\$363,736.22	
Running Totals:		\$4,991,585.61	\$679,925.30	\$4,311,660.31	
2/12	06/30/12	\$453,780.51	\$97,585.50	\$356,195.01	\$4,155,489.20
Annual Totals:		\$453,780.51	\$97,585.50	\$356,195.01	
Running Totals:		\$5,445,366.12	\$777,510.80	\$4,667,855.32	
13/13	06/30/13	\$453,780.51	\$105,758.28	\$348,022.23	\$4,049,730.92

Prepared For:

Prepared By: DSLATER

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pared On: 10/26/98

# Amortization Schedule

Page: 3

#/Yr	Date	Payment	Principal	Interest	Balance
Annual Totals:		\$453,780.51	\$105,758.28	\$348,022.23	
Running Totals:		\$5,899,146.63	\$883,269.08	\$5,015,877.55	
14/14	06/30/14	\$453,780.51	\$114,615.54	\$339,164.97	\$3,935,115.38
Annual Totals:		\$453,780.51	\$114,615.54	\$339,164.97	
Running Totals:		\$6,352,927.14	\$997,884.62	\$5,355,042.52	
15/15	06/30/15	\$453,780.51	\$124,214.59	\$329,565.92	\$3,810,900.79
Annual Totals:		\$453,780.51	\$124,214.59	\$329,565.92	
Running Totals:		\$6,806,707.65	\$1,122,099.21	\$5,684,608.44	
16/16	06/30/16	\$453,780.51	\$134,617.56	\$319,162.95	\$3,676,283.23
Annual Totals:		\$453,780.51	\$134,617.56	\$319,162.95	
Running Totals:		\$7,260,488.16	\$1,256,716.77	\$6,003,771.39	
17/17	06/30/17	\$453,780.51	\$145,891.78	\$307,888.73	\$3,530,391.45
Annual Totals:		\$453,780.51	\$145,891.78	\$307,888.73	
Running Totals:		\$7,714,268.67	\$1,402,608.55	\$6,311,660.12	
18/18	06/30/18	\$453,780.51	\$158,110.22	\$295,670.29	\$3,372,281.23
Annual Totals:		\$453,780.51	\$158,110.22	\$295,670.29	
Running Totals:		\$8,168,049.18	\$1,560,718.77	\$6,607,330.41	
19/19	06/30/19	\$453,780.51	\$171,351.95	\$282,428.56	\$3,200,929.28
Annual Totals:		\$453,780.51	\$171,351.95	\$282,428.56	
Running Totals:		\$8,621,829.69	\$1,732,070.72	\$6,889,758.97	
20/20	06/30/20	\$453,780.51	\$185,702.68	\$268,077.83	\$3,015,226.60
Annual Totals:		\$453,780.51	\$185,702.68	\$268,077.83	
Running Totals:		\$9,075,610.20	\$1,917,773.40	\$7,157,836.80	
21/21	06/30/21	\$453,780.51	\$201,255.28	\$252,525.23	\$2,813,971.32
Annual Totals:		\$453,780.51	\$201,255.28	\$252,525.23	
Running Totals:		\$9,529,390.71	\$2,119,028.68	\$7,410,362.03	
22/22	06/30/22	\$453,780.51	\$218,110.41	\$235,670.10	\$2,595,860.91
Annual Totals:		\$453,780.51	\$218,110.41	\$235,670.10	
Running Totals:		\$9,983,171.22	\$2,337,139.09	\$7,646,032.13	
23/23	06/30/23	\$453,780.51	\$236,377.15	\$217,403.36	\$2,359,483.76
Annual Totals:		\$453,780.51	\$236,377.15	\$217,403.36	
Running Totals:		\$10,436,951.73	\$2,573,516.24	\$7,863,435.49	
24/24	06/30/24	\$453,780.51	\$256,173.74	\$197,606.77	\$2,103,310.02
Annual Totals:		\$453,780.51	\$256,173.74	\$197,606.77	
Running Totals:		\$10,890,732.24	\$2,829,689.98	\$8,061,042.26	
25/25	06/30/25	\$453,780.51	\$277,628.29	\$176,152.22	\$1,825,681.73
Annual Totals:		\$453,780.51	\$277,628.29	\$176,152.22	
Running Totals:		\$11,344,512.75	\$3,107,318.27	\$8,237,194.48	
26/26	06/30/26	\$453,780.51	\$300,879.66	\$152,900.85	\$1,524,802.07

Prepared For:

Prepared By: DSLATER

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Prepared On: 10/26/98

Amortization Schedule

Page: 4

#/Yr	Date	Payment	Principal	Interest	Balance
Annual Totals:		\$453,780.51	\$300,879.66	\$152,900.85	
Running Totals:		\$11,798,293.26	\$3,408,197.93	\$8,390,095.33	
27/27	06/30/27	\$453,780.51	\$326,078.33	\$127,702.18	\$1,198,723.74
Annual Totals:		\$453,780.51	\$326,078.33	\$127,702.18	
Running Totals:		\$12,252,073.77	\$3,734,276.26	\$8,517,797.51	
28/28	06/30/28	\$453,780.51	\$353,387.39	\$100,393.12	\$845,336.35
Annual Totals:		\$453,780.51	\$353,387.39	\$100,393.12	
Running Totals:		\$12,705,854.28	\$4,087,663.65	\$8,618,190.63	
29/29	06/30/29	\$453,780.51	\$382,983.59	\$70,796.92	\$462,352.76
Annual Totals:		\$453,780.51	\$382,983.59	\$70,796.92	
Running Totals:		\$13,159,634.79	\$4,470,647.24	\$8,688,987.55	
30/30	06/30/30	\$501,074.80	\$462,352.76	\$38,722.04	\$0.00
Annual Totals:		\$501,074.80	\$462,352.76	\$38,722.04	
Running Totals:		\$13,660,709.59	\$4,933,000.00	\$8,727,709.59	

Prepared For:

Prepared By: DSLATER

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 x business or commercial use, a small license fee must be paid which entitles you to an enhanced version. This fee has NOT been paid.

## FINANCING AGREEMENT

THIS FINANCING AGREEMENT ("Agreement") is made and entered into this 21<sup>st</sup> day of May, 2002, by and between the COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF LA PALMA, a public body corporate and politic ("Commission"), and the CITY OF LA PALMA, a municipal corporation ("City").

## RECITALS

WHEREAS, Commission is a public body, corporate and politic, organized under the California Community Redevelopment Law (Health & Safety Code § 33000 et seq.); and

WHEREAS, City is a municipal corporation and a general law city of the State of California; and

WHEREAS, City and Commission are authorized by Health & Safety Code Sections 33600 and 33610 to enter in an agreement providing for a loan by the City of the Commission; and

WHEREAS, City and Commission mutually desire to enter into this Agreement to set forth their respective obligations with respect to a loan appropriation by City to Commission of One Million Five Hundred Thousand Dollars (\$1,500,000.00) for the purpose of assisting Commission to meet certain contractual obligations pertaining to the redevelopment of the La Palma Community Development Project Area in accordance with the Redevelopment Plan for the La Palma Community Development Project.

## AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and promises hereinafter contained, Commission and City agree as follows:

### Section 1. City Loan.

City hereby loans to Commission the principal amount of One Million Five Hundred Thousand Dollars (\$1,500,000.00) ("Loan Principal"), from the City's General Fund.

### Section 2. Interest.

Interest shall accrue on the outstanding Loan Principal at ten percent (10%) per annum, compounded annually.

### Section 3. Agency Repayment.

The Loan Principal and any accrued interest shall be repaid in full by Commission out of tax increment funds allocated to and received by Commission. Commission shall repay the Loan Principal and accrued interest in fifteen (15) annual installments due on or before of June 30<sup>th</sup> of each fiscal year, commencing with the first installment due on or before June 30, 2003, as shown



on the amortization schedule attached hereto as Exhibit "A"; provided, however, that if tax increment funds allocated to and received by Commission are insufficient to make such annual payment or portion thereof, the amount not paid shall be carried over with interest continuing to accrue to the next installment and paid with that installment. All amounts due by Commission hereunder shall be repaid in full not later than June 30, 2017. Commission shall be entitled to repay all or part of the Loan Principal and all accrued interest at any time with no other charges, fees, or penalties. All amounts due under this Agreement shall be payable at the offices of City.

Section 4. Indebtedness of Commission; Not a Pledge of Tax Increment

The Loan Principal and accrued interest described in this Agreement shall constitute an indebtedness of Commission. The obligations of Commission hereunder are not a pledge of tax increment or any other specific funds of the Commission.

Section 5. Subordination.

The repayment of the Loan Principal and accrued interest by Commission shall be junior and subordinate to (i) all Commission tax allocation bonds or other direct long-term indebtedness of Commission, (ii) all pledges by Commission of tax increments for tax allocation bonds or other direct long-term indebtedness of Commission, (iii) Commission financial agreements and other contractual obligations of Commission, and (iv) any contingent obligations of Commission.

Section 6. Non-Recourse Obligation.

No officer, official, employee, agent, or representatives of Commission shall be liable for any amounts due hereunder, and no judgment or execution thereon entered in any action hereon shall be personally enforced against any such officer, official, employee, agent, or representative.

Section 7. Entire Agreement; Amendment.

This Agreement shall constitute the entire agreement of the parties. This Agreement may be amended or modified only by an agreement in writing signed by the parties.

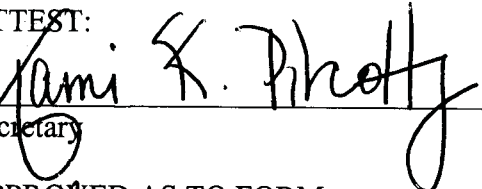
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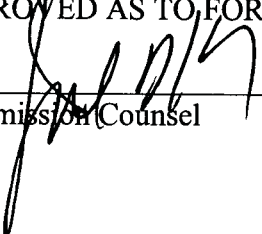
IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their authorized representatives, as of the date first above written.

"COMMISSION"

COMMUNITY DEVELOPMENT  
COMMISSION OF THE CITY OF LA  
PALMA

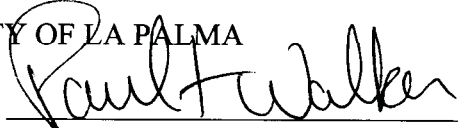
By:   
Chairman

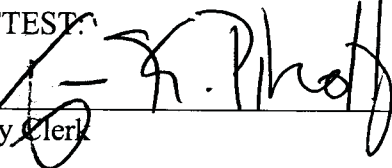
ATTEST:  
  
Secretary

APPROVED AS TO FORM:  
  
Commission Counsel

"CITY"

CITY OF LA PALMA

By:   
Mayor

ATTEST:  
  
City Clerk

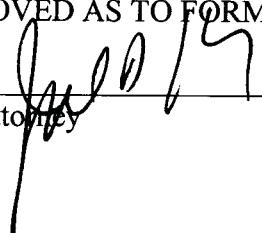
APPROVED AS TO FORM:  
  
City Attorney

EXHIBIT "A"

AMORTIZATION SCHEDULE

[SEE ATTACHED PAGES]

# Loan Calculator

"EXHIBIT A"

Enter Values	
Loan Amount	\$ 1,500,000.00
Annual Interest Rate	10.00 %
Loan Period in Years	15
Number of Payments Per Year	1
Start Date of Loan	6/30/02
Optional Extra Payments	

Loan Summary	
Scheduled Payment	\$ 197,210.67
Scheduled Number of Payments	15
Actual Number of Payments	15
Total Early Payments	\$ -
Total Interest	\$1,458,159.98

Lender Name: City of La Palma

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance
1	6/30/03	\$ 1,500,000.00	\$ 197,210.67	\$ -	\$ 197,210.67	\$ 47,210.67	\$ 150,000.00	\$ 1,452,789.33
2	6/30/04	1,452,789.33	197,210.67	-	197,210.67	51,931.73	145,278.93	1,400,857.60
3	6/30/05	1,400,857.60	197,210.67	-	197,210.67	57,124.91	140,085.76	1,343,732.70
4	6/30/06	1,343,732.70	197,210.67	-	197,210.67	62,837.40	134,373.27	1,280,895.30
5	6/30/07	1,280,895.30	197,210.67	-	197,210.67	69,121.14	128,089.53	1,211,774.17
6	6/30/08	1,211,774.17	197,210.67	-	197,210.67	76,033.25	121,177.42	1,135,740.92
7	6/30/09	1,135,740.92	197,210.67	-	197,210.67	83,636.57	113,574.09	1,052,104.34
8	6/30/10	1,052,104.34	197,210.67	-	197,210.67	92,000.23	105,210.43	960,104.11
9	6/30/11	960,104.11	197,210.67	-	197,210.67	101,200.25	96,010.41	858,903.86
10	6/30/12	858,903.86	197,210.67	-	197,210.67	111,320.28	85,890.39	747,583.58
11	6/30/13	747,583.58	197,210.67	-	197,210.67	122,452.31	74,758.36	625,131.27
12	6/30/14	625,131.27	197,210.67	-	197,210.67	134,697.54	62,513.13	490,433.74
13	6/30/15	490,433.74	197,210.67	-	197,210.67	148,167.29	49,043.37	342,266.44
14	6/30/16	342,266.44	197,210.67	-	197,210.67	162,984.02	34,226.64	179,282.42
15	6/30/17	179,282.42	197,210.67	-	179,282.42	161,354.18	17,928.24	0.00





DEPARTMENT OF  
**FINANCE**

Exhibit C

EDMUND G. BROWN JR. ■ GOVERNOR

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

April 18, 2013

Mr. Douglas Dumhart, Community Development Director  
City of La Palma  
7822 Walker Street  
La Palma, CA 90623

Dear Mr. Dumhart:

Subject: Request for a Finding of Completion

The California Department of Finance (Finance) received the City of La Palma's request for a Finding of Completion.

Finance has completed its review of your request, which may have included reviewing supporting documentation submitted to substantiate payment or obtaining confirmation from the county auditor-controller. Pursuant to Health and Safety Code (HSC) section 34179.7, we are pleased to inform you that Finance concurs that the Agency has made full payment of the amounts determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5.

This letter serves as notification that a Finding of Completion has been granted. The Agency may now do the following:

- Place loan agreements between the former redevelopment agency and sponsoring entity on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes per HSC section 34191.4 (b) (1). Loan repayments will be governed by criteria in HSC section 34191.4 (a) (2).
- Utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants per HSC section 34191.4 (c).

Additionally, the Agency is required to submit a Long-Range Property Management Plan to Finance for review and approval, per HSC section 34191.5 (b), within six months from the date of this letter.

Please direct inquiries to Andrea Scharffer, Staff Finance Budget Analyst, or Chris Hill, Principal Program Budget Analyst, at (916) 445-1546.

Sincerely,

STEVE SZALAY  
Local Government Consultant

cc: Mr. Michael Solorza, Finance Director, City of La Palma  
Mr. Frank Davies, Property Tax Manager, Orange County  
California State Controller's Office