



**AGENDA
OVERSIGHT BOARD
FOR THE SUCCESSOR AGENCY TO THE
FORMER REDEVELOPMENT AGENCY OF THE CITY OF OROVILLE**
City of Oroville Council Chambers
1735 Montgomery Street
Adjourned Meeting

WEDNESDAY, DECEMBER 17, 2014 – 10:00A.M.

*This meeting may be broadcast remotely via audio and/or video conference at the following addresses:
Cota Cole, LLP, 3401 Centrelake Drive, Suite 670, Ontario, CA 91761*

RECOGNITION OF INDIVIDUALS WHO WISH TO SPEAK ON AGENDA ITEMS

*Anyone in the audience wishing to address the Board on a matter that is on the agenda should complete a Speaker Form available at the entrance of the Council Chambers. Please deliver the Speaker Form to the City Clerk, who is acting as the Oversight Board Secretary prior to the agenda item being heard by the Oversight Board. When at the podium, you are encouraged to state your name for the record. Following your remarks, Board and/or staff may respond to your comments or questions. The Government Code does allow for **presentations to be limited to three minutes per person.***

ROLL CALL

Board Members:	Gordon Andoe Kevin Bultema Bill Connelly Amy Bergstrand Loren Gill Larry Grundmann Trevor Stewart	Oroville City Council Member Assistant Superintendent, Butte County Office of Education Butte County Supervisor, District 1 Management Analyst III of the City of Oroville Feather River Recreation and Parks District Board Member Appointed member of the General Public Butte-Glenn Community College
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PLEDGE OF ALLEGIANCE

CONSENT AGENDA

1. **APPROVAL OF THE MINUTES OF SEPTEMBER 24, 2014 MEETING OF THE OVERSIGHT BOARD** - minutes attached.
2. **BOND EXPENDITURE AGREEMENT BETWEEN THE CITY OF OROVILLE AND THE OROVILLE SUCCESSOR AGENCY FOR THE USE OF EXCESS BOND PROCEEDS** – staff report

The Oversight Board may consider a Bond Expenditure Agreement between the City of Oroville and the Successor Agency for the transfer of approximately \$3,368,183 of excess bond proceeds to the City of Oroville for implementation of projects consistent with the original bond covenants. **(Rick Farley, RDA Coordinator)**

Board Action Requested: **Adopt Resolution No. 06-14 – A RESOLUTION OF THE OVERSIGHT BOARD OF THE CITY OF OROVILLE SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF OROVILLE ADOPTING THE BOND EXPENDITURE AGREEMENT BETWEEN THE CITY OF OROVILLE AND THE OROVILLE SUCCESSOR AGENCY.**

3. **PROCEEDINGS FOR REFUNDING CERTAIN TAX ALLOCATION BONDS** – staff report

The Oversight Board may consider the issuance of bonds in order to refund the former Redevelopment Agency's 2002 Loan Obligation, 2004A Loan Obligation and 2004B Loan Obligation, approving the execution and delivery of an indenture of trust, and authorizing certain other actions in connection therewith. **(Rick Farley, RDA Coordinator)**

Board Action Requested: **Adopt Resolution No. 07-14 – A RESOLUTION OF THE OVERSIGHT BOARD OF THE CITY OF OROVILLE SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF OROVILLE APPROVING THE ISSUANCE AND SALE OF TAX ALLOCATION REFUNDING BONDS BY THE SUCCESSOR AGENCY TO THE OROVILLE REDEVELOPMENT AGENCY AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH.**

4. **REVISED LONG-RANGE PROPERTY MANAGEMENT PLAN** – staff report

The Oversight Board may consider a Resolution approving the revised Long-Range Property Management Plan, which includes four additional properties, pursuant to Government Code section 34191.5 for the liquidation of non-housing physical property assets of the former Oroville Redevelopment Agency. **(Rick Farley, RDA Coordinator)**

Board Action Requested: **Adopt Resolution No. 08-14 – A RESOLUTION OF THE OVERSIGHT BOARD OF THE CITY OF OROVILLE SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF OROVILLE ADOPTING THE REVISED PROPERTY MANAGEMENT PLAN PURSUANT TO GOVERNMENT CODE SECTION 34191.5.**

CORRESPONDENCE

- Department of Finance, dated November 7, 2014

HEARING OF INDIVIDUALS ON NON-AGENDA ITEMS

*This is the time the Chairperson will invite anyone in the audience wishing to address the Board on a matter not listed on the agenda to step to the podium, state your name for the record and make your presentation. **Presentations are limited to 3 minutes.** Under Government Code Section 54954.2, The Board is prohibited from taking action except for a brief response by the Board or staff to a statement or question relating to a non-agenda item.*

ADJOURNMENT

The meeting will be adjourned. A regular meeting of the Oversight Board will be held on Wednesday, January 28, 2015, at 10:00 a.m., at the City of Oroville City Hall, Council Chambers, located at 1735 Montgomery Street, Oroville, California.

Accommodating Those Individuals with Special Needs – In compliance with the Americans with Disabilities Act, the Oversight Board of the Oroville Successor Agency encourages those with disabilities to participate fully in the public meeting process. If you have a special need in order to allow you to attend or participate in our public meetings, please contact the City Clerk at (530) 538-2535, well in advance of the regular meeting you wish to attend, so that we may make every reasonable effort to accommodate you. Documents distributed for public session items, less than 72 hours prior to meeting, are available for public inspection at Oroville City Hall, 1735 Montgomery Street, Oroville, California.

**OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE FORMER OROVILLE
REDEVELOPMENT AGENCY OF THE CITY OF OROVILLE
MEETING MINUTES – SEPTEMBER 24, 2014**

*This meeting was broadcast remotely via audio and/or video conference at the following addresses:
Cota Cole, LLP, 3401 Centrelake Drive, Suite 670, Ontario, CA 91761*

The agenda for the September 24, 2014, adjourned meeting of the Oversight Board for the Successor Agency to the former Oroville Redevelopment Agency (Oversight Board) was posted on the bulletin board at the front of City Hall on Friday, September 19, 2014, at 3:01 p.m.

The September 24, 2014 adjourned meeting of the Oversight Board was called to order by Chairperson Andoe at 10:02 a.m.

ROLL CALL

Present: Board Members Bergstrand, Bultema, Connelly, Gill, Stewart, Chairperson Andoe
Absent: Vice Chairperson Grundmann

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Chairperson Andoe.

RECOGNITION OF INDIVIDUALS WHO WISH TO SPEAK ON AGENDA ITEMS

Jim Simon – Item No. 2

CONSENT AGENDA

A motion was made by Board Member Connelly, and seconded by Board Member Gill to approve the Consent Calendar:

- 1. APPROVAL OF THE MINUTES OF AUGUST 27, 2014 MEETING OF THE OVERSIGHT BOARD** - minutes attached.

The motion was passed by the following vote:

Ayes: Board Members Connelly, Bergstrand, Gill, Stewart
Noes: None
Abstain: Board Member Bultema, Chairperson Andoe
Absent: Vice Chairperson Grundmann

REGULAR BUSINESS

- 2. ADOPTION OF THE JANUARY THROUGH JUNE 2015 RECOGNIZED OBLIGATION PAYMENT SCHEDULE** – staff report

The Oversight Board considered the Recognized Obligation Payment Schedule (ROPS14-

15B). (Rick Farley, RDA Coordinator)

Jim Simon, Rosenow Spevacek Group, Inc, answered questions pertaining to the Recognized Obligation Payment Schedule.

Following discussion, a motion was made by Board Member Bergstrand, seconded by Board Member Connelly, to:

Adopt Resolution No. 05-14 – A RESOLUTION OF THE OVERSIGHT BOARD OF THE CITY OF OROVILLE SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF OROVILLE ADOPTING THE JANUARY THROUGH JUNE 2015 RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS14-15B) PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177 (m).

The motion was passed by the following vote:

Ayes:	Board Members Connelly, Bergstrand, Gill, Chairperson Andoe
Noes:	Board Members Bultema, Stewart
Abstain:	None
Absent:	Vice Chairperson Grundmann

ADJOURNMENT

The meeting was adjourned at 10:25 a.m. An adjourned meeting of the Oversight Board will be held on Wednesday, October 29, 2014 at 10:00 a.m.

Randy Murphy, Secretary

Gordon Andoe, Chairperson

**OVERSIGHT BOARD
STAFF REPORT**

TO: CHAIRPERSON AND BOARD MEMBERS

FROM: RICK FARLEY, RDA COORDINATOR

RE: BOND EXPENDITURE AGREEMENT BETWEEN THE CITY OF OROVILLE AND THE OROVILLE SUCCESSOR AGENCY FOR THE USE OF EXCESS BOND PROCEEDS

DATE: DECEMBER 17, 2014

SUMMARY

The Oversight Board may consider a Bond Expenditure Agreement between the City of Oroville and the Successor Agency for the transfer of approximately \$3,368,183 of excess bond proceeds to the City of Oroville for implementation of projects consistent with the original bond covenants. The City Council and Successor Agency approved the Bond Expenditure Agreement at their meeting on December 16, 2014.

DISCUSSION

Pursuant to AB 1484, the amended state legislation dissolving redevelopment agencies, Health and Safety Code Section 34191.4(c), successor agencies are allowed to spend so-called "excess bond proceeds", which are pre-2011 tax allocation bond proceeds that are otherwise not obligated for a project, once a Finding of Completion has been received from the Department of Finance ("DOF"). The expenditure of these excess bond proceeds must still comply with the bond covenants for which the bonds were issued.

The former Redevelopment Agency of the City of Oroville issued bonds as follows:

- 1995 Tax Allocation Revenue Bond - \$5,000,000
- 2002 Tax Allocation Revenue Bond - \$18,255,000
- 2004 Series A Tax Allocation Revenue Bond - \$8,480,000
- 2004 Series B Tax Allocation Revenue Bond - \$2,145,000

Of those bond revenue funds that were originally issued for project implementation, approximately \$3,368,163 remains unspent as excess bond proceeds.

The Oroville Successor Agency received their Finding of Completion on May 6, 2014 and at this time requests approval of a Bond Expenditure Agreement between the City of Oroville and the Successor Agency which would authorize the transfer of all unspent bond proceeds from the Successor Agency to the City in order to complete projects and activities consistent with the bond covenants. As of the last accounting, there is approximately \$3,368,183 in excess bond proceeds from the Series 1995, Series 2002 and Series 2004 tax allocation bonds. The amount is approximate due to accruing interest, and the total amount to be transferred to the City may be adjusted after the execution of the Agreement, to the actual amount on the day of the transfer.

The attached Bond Expenditure Agreement will be a master agreement authorizing the City to use excess bond proceeds transferred from the Successor Agency, consistent with bond covenants, on projects and programs indicated in the original bond documents. As shown in the attached official statements for the bond issuances, the bonds were originally issued for projects for the Oroville Redevelopment Project No. 1 including public facility improvements, private development projects, rehabilitation projects, revitalization of the Oroville Riverfront and downtown areas, parking and road improvements, purchase of land and buildings for resale to private developers, loans to private developers and a revolving loan fund, and other projects allowed under the Redevelopment Plan.

Allowing the City to implement these projects with the excess bond proceeds would help to revitalize the Oroville Redevelopment Project No. 1 area which would in turn help improve property values in the area, benefiting all the taxing entities.

FISCAL IMPACT

Approval of the Bond Expenditure Agreement would allow the City of Oroville receive excess bond funds to implement approximately \$3,368,183 worth of projects consistent with the bond covenants and the original intent of the bonds.

RECOMMENDATION

Adopt Resolution No. 06-14 – A RESOLUTION OF THE OVERSIGHT BOARD OF THE CITY OF OROVILLE SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF OROVILLE ADOPTING THE BOND EXPENDITURE AGREEMENT BETWEEN THE CITY OF OROVILLE AND THE OROVILLE SUCCESSOR AGENCY.

ATTACHMENTS

Resolution No. 06-14
Bond Expenditure Agreement

Copies of the 1995 Tax Allocation Revenue Bond Official Statement, 2002 Tax Allocation Revenue Bond Official Statement and 2004 Series A and Series B Tax Allocation Revenue Bond Official Statement are available for review in the City Clerk's Office upon request, Monday through Friday, 8:00 a. – 5:00 pm.

**OVERSIGHT BOARD
RESOLUTION NO. 06-14**

**A RESOLUTION OF THE OVERSIGHT BOARD OF THE CITY OF OROVILLE
SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE
CITY OF OROVILLE ADOPTING THE BOND EXPENDITURE AGREEMENT
BETWEEN THE CITY OF OROVILLE AND THE OROVILLE SUCCESSOR AGENCY**

WHEREAS, the Oroville Successor Agency ("Successor Agency") received its Finding of Completion under Health and Safety Code Section 34179.7 from the California Department of Finance on May 6, 2014; and

WHEREAS, Health and Safety Code Section 34191.4(c) allows a successor agency that has received a finding of completion to use bond proceeds from bonds issued prior to 2011 for purposes for which the bonds were sold, provides that such proceeds in excess of amounts needed to satisfy approved enforceable obligations shall be expended in a manner consistent with the original bond covenants, and further provides that such expenditures shall constitute "excess bond proceeds obligations" that shall be listed separately on the successor agency's Recognized Obligation Payment Schedule ("ROPS"); and

WHEREAS, as of its last accounting, the Successor Agency has determined it is holding so-called "excess bond proceeds" in the amount of approximately \$3,368,383 (said amount may be adjusted, increased or decreased after the date of this Agreement) that are not otherwise obligated for a project or other enforceable obligations from the 1995, 2002, 2004 Series A and Series B Tax Allocation Revenue Bonds for the Oroville Redevelopment Project No. 1; and

WHEREAS, the Successor Agency desires to provide excess bond proceeds to the City of Oroville to enable the City to use such funds, in a manner consistent with the original bond covenants, to undertake projects and programs that were not previously funded and obligated by Successor Agency or the City; and

WHEREAS, the Agreement would advance the City's community development goals while maximizing fiscal and social benefits flowing to the taxing entities from successful development. The City Council has found that the use of excess bond proceeds to fund projects detailed in the Agreement is in accordance with Health and Safety Code Sections 33445, 33445.1, and 33679, the original bond covenants, and other applicable laws; and

BE IT HEREBY RESOLVED by the Oversight Board as follows:

SECTION 1. The foregoing recitals are true and correct.

SECTION 2. The Oversight Board of the Oroville Successor Agency determines that the expenditure of excess bond proceeds in accordance with the attached Agreement will benefit the affected taxing entities, and herein approves the execution of the attached Agreement and the provision of excess bond proceeds to the City for the purposes described.

SECTION 3. The Secretary shall attest to the adoption of this Resolution.

PASSED and ADOPTED by the Oversight Board to the Oroville Successor Agency to the former Oroville Redevelopment Agency at an adjourned meeting on December 17, 2014 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

Gordon Andoe, Chairperson

Randy Murphy, Secretary

BOND EXPENDITURE AGREEMENT

This Bond Expenditure Agreement (the "Agreement") is entered into effective December 17, 2014, by and between the City of Oroville, a municipal corporation (the "City"), and the Oroville Redevelopment Successor Agency, successor agency to the Redevelopment Agency of the City of Oroville under Health and Safety Code Section 34173 ("Oroville SA") pursuant to City Council Resolution No. _____, Oroville SA Resolution No. _____, and the Oroville Oversight Board Resolution No. _____.

Recitals

A. Oroville SA received its Finding of Completion under Health and Safety Code Section 34179.7 from the California Department of Finance on May 6, 2014.

B. Health and Safety Code Section 34191.4(c) allows a successor agency that has received a finding of completion to use bond proceeds from bonds issued prior to 2011 for purposes for which the bonds were sold, provides that such proceeds in excess of amounts needed to satisfy approved enforceable obligations shall be expended in a manner consistent with the original bond covenants, and further provides that such expenditures shall constitute "excess bond proceeds obligations" that shall be listed separately on the successor agency's Recognized Obligation Payment Schedule ("ROPS").

C. Oroville SA has so so-called "excess bond proceeds," i.e., pre-2011 tax allocation bond proceeds that are not otherwise obligated for a project or other enforceable obligation from the 1995, 2002 and 2004 Series A and Series B Tax Allocation Revenue Bonds for the Oroville Redevelopment Project No.1. Oroville SA wishes to use such proceeds for redevelopment purposes consistent with applicable bond covenants.

D. The California Community Redevelopment Law (Health and Safety Code Section 33000, et seq.) provides for a cooperative relationship between cities and their redevelopment agencies, as well as their successor agencies who have assumed the duties and obligations of the former redevelopment agencies. Under Health and Safety Code Section 33220, a city may aid and cooperate in the planning, undertaking, construction, or operation of redevelopment projects. Health and Safety Code Section 33220(e) specifically authorizes a city to enter into an agreement with its redevelopment agency or any other public entity to further redevelopment purposes. Health and Safety Code Section 34178 allows a successor agency and its sponsoring city to enter into agreements with the approval of the oversight board.

E. Oroville SA desires to provide excess bond proceeds to the City to enable the City to use such funds, in a manner consistent with the original bond covenants; to undertake projects and programs that were not previously funded and obligated by Oroville SA or the City. The transfer of these funds to the City would advance the City's community development goals while maximizing fiscal and social benefits flowing to the taxing entities from successful development. The City Council has found that the use of excess bond proceeds to fund projects is in accordance with Health and Safety Code Sections 33445, 33445.1, and 33679, the bond covenants, and other applicable law. The Oroville Oversight Board has determined that the

expenditure of excess bond proceeds in accordance with this Agreement will benefit the affected taxing entities, and has approved the execution of this Agreement and the provision of excess bond proceeds to the City for the purposes described herein.

F. In order to facilitate the use of excess bond proceeds consistent with the bond covenants, Oroville SA and the City have negotiated this Agreement requiring the transfer of current excess bond proceeds by Oroville SA to the City, and the City's use of such proceeds consistent with applicable bond covenants. The parties intend that this Agreement shall constitute an excess bond proceeds obligation within the meaning of Health and Safety Code Section 34191.4(c)(2)(A) to be paid from excess bond proceeds. With Oversight Board approval, Oroville SA will list this Agreement, and the requirement to transfer excess bond proceeds herein, on its Recognized Obligation Payment Schedule ("ROPS") for July through December 2015 ("ROPS 15-16A") as an obligation to be funded with excess bond proceeds.

NOW, THEREFORE, the parties hereto do mutually agree as follows:

1. RECITALS

The recitals above are an integral part of this Agreement and set forth the intentions of the parties and the premises on which the parties have decided to enter into this Agreement.

2. Oroville SA'S OBLIGATIONS

Oroville SA shall have the following obligations under this Agreement:

2.1. CURRENT EXCESS BOND PROCEEDS. Oroville SA shall transfer to the City Excess Bond Proceeds currently held by Oroville SA in an amount of \$3,368,183 (said amount may be adjusted, increased or decreased after the date of this Agreement to the actual amount on the date of transfer).

2.2. FUTURE EXCESS BOND PROCEEDS. Oroville SA shall transfer to the City all future Excess Bond Proceeds held or received by Oroville SA. Such future Excess Bond Proceeds shall include, without limitation, (1) Bond Proceeds previously obligated to a project or other Enforceable Obligation that become unobligated for any reason, (2) Bond Proceeds that become available in the form of rents, sale proceeds, loan repayments, or other revenues that are generated by properties or other assets acquired and/or improved with Bond Proceeds and that are not otherwise obligated to a project or other Enforceable Obligation, and (3) any other funds held by Oroville SA that qualify as Excess Bond Proceeds under this Agreement.

The parties intend that payments of future Excess Bond Proceeds be made to the City as soon as possible after such Excess Bond Proceeds become available. The transfer of future Excess Bond Proceeds shall be made pursuant to an approved ROPS within 30 days of the commencement of the relevant ROPS period. Oroville SA shall be responsible for ensuring that payments of future Excess Bond Proceeds, as such funds become available, are included on the next possible ROPS.

2.3. PROJECTS FUNDED BY EXCESS BOND PROCEEDS. Oroville SA assigns to the City all responsibilities in relation to the administration of any projects or programs funded by Excess Bond Proceeds. Oroville SA assigns to the City all contracts entered into by Oroville SA or the former Redevelopment Agency of the City of Oroville related to activities to be

funded by Excess Bond Proceeds, with the exception of those contracts retained by Oroville SA relating to Enforceable Obligations.

3. CITY'S OBLIGATIONS

The City shall have the following obligations under this Agreement:

3.1. **RETENTION OF EXCESS BOND PROCEEDS.** The City shall accept, hold, and disburse Excess Bond Proceeds transferred to the City by Oroville SA under this Agreement, including current Excess Bond Proceeds and future Excess Bond Proceeds. The City shall retain any Excess Bond Proceeds that it receives, such as revenue generated from properties acquired or improved with Excess Bond Proceeds or payments on loans funded from Excess Bond Proceeds, without any obligation to return such funds to Oroville SA, and shall use such funds for uses consistent with applicable bond covenants.

3.2. **USE OF EXCESS BOND PROCEEDS.** The City may spend Excess Bond Proceeds received or retained under this Agreement on any project, program, or activity consistent with the original bond covenants applicable to the particular Excess Bond Proceeds, and must comply with all requirements of federal tax law and all applicable requirements of the California Community Redevelopment Law as to the use of such funds. The City shall be solely responsible for ensuring that Excess Bond Proceeds are maintained and spent in accordance with bond covenants and other applicable laws. The City may transfer funds between approved projects, programs and activities, as long as the transfer is within a single project area if applicable bond covenants restrict such funds to a particular project area.

The City shall indemnify and defend Oroville SA, and its officers and agents, against, and shall hold Oroville SA, and its officers and agents, harmless from, any claims, causes of action, or liabilities arising from the misuse of Excess Bond Proceeds by the City or the failure of the City to ensure that Excess Bond Proceeds are used in accordance with bond covenants, federal tax law, and the California Community Redevelopment Law.

The City assumes all contracts entered into by Oroville SA or the former Redevelopment Agency of the City of Oroville related to activities to be funded by Excess Bond Proceeds, with the exception of those contracts retained by Oroville SA relating to Enforceable Obligations. The City shall perform its obligations hereunder, and under such assumed contracts, in accordance with the applicable provisions of federal, state and local laws, including the obligation to comply with environmental laws such as CEQA, and shall timely complete the work required for each project.

4. ENTIRE AGREEMENT; WAIVERS; AND AMENDMENTS

4.1. This Agreement constitutes the entire understanding and agreement of the parties with respect to the transfer and use of Excess Bond Proceeds. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to the subject matter of this Agreement.

4.2. This Agreement is intended solely for the benefit of the City and Oroville SA. Notwithstanding any reference in this Agreement to persons or entities other than the City and Oroville SA, there shall be no third party beneficiaries under this Agreement.

4.3. All waivers of the provisions of this Agreement and all amendments to this Agreement must be in writing and signed by the authorized representatives of the parties.

5. SEVERABILITY

If any term, provisions, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the parties have been materially altered or abridged by such invalidation, voiding or unenforceability. In addition, the parties shall cooperate in good faith in an effort to amend or modify this Agreement in a manner such that the purpose of any invalidated or voided provision, covenant, or condition can be accomplished to the maximum extent legally permissible.

6. DEFAULT

If either party fails to perform or adequately perform an obligation required by this Agreement within thirty (30) calendar days of receiving written notice from the non-defaulting party, the party failing to perform shall be in default hereunder. In the event of default, the non-defaulting party will have all the rights and remedies available to it at law or in equity to enforce the provisions of this contract, including without limitation the right to sue for damages for breach of contract or to seek specific performance. The rights and remedies of the non-defaulting party enumerated in this paragraph are cumulative and shall not limit the non-defaulting party's rights under any other provision of this Agreement, or otherwise waive or deny any right or remedy, at law or in equity, existing as of the date of the Agreement or hereinafter enacted or established, that may be available to the non-defaulting party against the defaulting party.

7. BINDING ON SUCCESSORS

This Agreement shall be binding on and shall inure to the benefit of all successors and assigns of the parties, whether by agreement or operation of law.

8. FURTHER ASSURANCES

Each party agrees to execute, acknowledge and deliver all additional documents and instruments, and to take such other actions as may be reasonably necessary to carry out the intent of this Agreement.

[SIGNATURES ON NEXT PAGE]

In witness whereof, the undersigned parties have executed this Bond Expenditure Agreement effective as of the date first above written.

“CITY”

THE CITY OF OROVILLE,
a municipal corporation

By: _____
Linda L. Dahlmeier, Mayor

Approved as to form and legality:

By: _____
City Attorney

“OROVILLE SA”

THE OROVILLE REDEVELOPMENT SUCCESSOR AGENCY, successor agency to the
Redevelopment Agency of the City of Oroville under Health and Safety Code Section 34173

By: _____
Linda L. Dahlmeier, Chairperson

Approved as to form and legality:

By: _____
Oroville SA Counsel

**OVERSIGHT BOARD
STAFF REPORT**

TO: CHAIRPERSON AND BOARD MEMBERS

FROM: RICK FARLEY, RDA COORDINATOR

RE: PROCEEDINGS FOR REFUNDING CERTAIN TAX ALLOCATION BONDS

DATE: DECEMBER 17, 2014

SUMMARY

The Oversight Board may consider the issuance of bonds in order to refund the former Redevelopment Agency's 2002 Loan Obligation, 2004A Loan Obligation and 2004B Loan Obligation, approving the execution and delivery of an indenture of trust, and authorizing certain other actions in connection therewith.

DISCUSSION

The Oversight Board resolution provided as Attachment 1 directs the Successor Agency to undertake the refunding of the 2002 and 2004 Loan Obligations. The resolution approves the refinancing of the 2002 and 2004 Loan Obligations and finds that the issuance is in the financial interests of the taxing entities and will comply with all governing laws. The 2002 and 2004 Loan Obligations are being refunded in order to reduce remaining payments. This will increase the amount of Residual Redevelopment Property Tax Trust Funds that are available to distribute to affected taxing entities.

Staff recommends the Oversight Board adopt the attached resolution (Attachment 1) directing the Successor Agency to prepare the proceedings for the refunding of the 2002 and 2004 Loan Obligations. The Resolution and related bond issuance documents (e.g., savings analysis memo and Indenture of Trust) will be transmitted to the California Department of Finance for review, which could take up to 65 days.

FISCAL IMPACT

The estimated present value savings over the remaining life of the bonds is \$3,290,000 to the taxing entities. Savings are expressed net of all costs associated with the refunding bond issuance. Average annual savings is estimated to be \$242,000. When divided among the various taxing entities, the City of Oroville is anticipated to capture an average of approximately \$58,500 per year through 2031.

RECOMMENDATION

Adopt Resolution No. 07-14 – A RESOLUTION OF THE OVERSIGHT BOARD OF THE CITY OF OROVILLE SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF OROVILLE APPROVING THE ISSUANCE AND SALE OF TAX ALLOCATION REFUNDING BONDS BY THE SUCCESSOR AGENCY TO THE OROVILLE REDEVELOPMENT AGENCY AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH.

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ATTACHMENTS

Resolution No. 07-14

Memorandum to Oversight Board and Department of Finance by NHA Advisors

Indenture of Trust

Resolution No. 14-09

**OVERSIGHT BOARD
RESOLUTION NO. 07-14**

A RESOLUTION OF THE OROVILLE SUCCESSOR AGENCY TO THE FORMER OROVILLE REDEVELOPMENT AGENCY AUTHORIZING THE ISSUANCE AND SALE OF TAX ALLOCATION REFUNDING BONDS, AND APPROVING THE FORM OF AN INDENTURE OF TRUST AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH.

WHEREAS, the Redevelopment Agency of the City of Oroville (the "Prior Agency") was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) (the "Law"), and the powers of the Prior Agency included the power to issue bonds for any of its corporate purposes; and

WHEREAS, the "Redevelopment Plan" for a redevelopment project known and designated as the "Oroville Project Area" has been adopted and approved by Ordinance No. 1353 of the City of Oroville on July 6, 1981, and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the Prior Agency previously entered into a Loan Agreement with the Oroville Public Financing Authority (the "Authority") dated as of October 31, 2002 pursuant to which the Authority loaned the proceeds of its 2002 Tax Allocation Revenue Bonds (Oroville Redevelopment Project No. 1) to the Prior Agency (the "2002 Loan") and the Prior Agency pledged its tax increment revenues as the security for the repayment of the Loan (the "2002 Loan Obligation"); and

WHEREAS, the Prior Agency previously entered into a Loan Agreement with the Oroville Public Financing Authority (the "Authority") dated as of August 5, 2004 pursuant to which the Authority loaned the proceeds of its 2004 Tax Allocation Revenue Bonds, Series A (Oroville Redevelopment Project No. 1) to the Prior Agency (the "2004A Loan") and the Prior Agency pledged its tax increment revenues as the security for the repayment of the Loan (the "2004A Loan Obligation"); and

WHEREAS, the Prior Agency previously entered into a Loan Agreement with the Oroville Public Financing Authority (the "Authority") dated as of August 5, 2004 pursuant to which the Authority loaned the proceeds of its 2004 Tax Allocation Revenue Bonds, Series B (Oroville Redevelopment Project No. 1) to the Prior Agency (the "2004B Loan") and the Prior Agency pledged its tax increment revenues as the security for the repayment of the Loan (the "2004B Loan Obligation" and together with the 2002 Loan Obligation and the 2004A Loan Obligation, the "Prior Obligations"); and

WHEREAS, on June 28, 2011, the California Legislature adopted ABx1 26 (the "Dissolution Act") and ABx1 27 (the "Opt-in Bill"); and

WHEREAS, the California Supreme Court subsequently upheld the provisions of the Dissolution Act and invalidated the Opt-in Bill resulting in the Redevelopment Agency of the City of Oroville being dissolved as of February 1, 2012; and

WHEREAS, the powers, assets and obligations of the Prior Agency were transferred on February 1, 2012 to the Successor Agency; and

WHEREAS, on or about June 27, 2012, AB1484 was adopted as a trailer bill in connection with the 2012-13 California Budget; and

WHEREAS, AB1484 specifically authorizes the issuance of refunding bonds by the Successor Agency to refund the bonds or other indebtedness of the Prior Agency to provide savings to the Successor Agency, provided that (A) the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds shall not exceed the total remaining interest cost to maturity on the bonds to be refunded plus the remaining principal of the bonds to be refunded, and (B) the principal amount of the refunding bonds shall not exceed the amount required to defease the refunded bonds, to establish customary debt service reserves, and to pay related costs of issuance; and

WHEREAS, for the corporate purposes of the Successor Agency, the Successor Agency desires to issue at this time tax allocation refunding bonds in an aggregate principal amount sufficient to refund all or part of the Prior Obligations (the "2015 Bonds"), and to irrevocably set aside a portion of the proceeds of such 2015 Bonds in a separate segregated trust fund which will be used to refund the outstanding Prior Obligations, to pay costs in connection with the issuance of the 2015 Bonds and to make certain other deposits as required by the Indenture; and

WHEREAS, the 2015 Bonds shall be secured by a pledge of property tax revenues authorized by California Health and Safety Code Section 34177.5(a) and (g), pursuant to the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"); and

WHEREAS, this Oversight Board to the Successor Agency to the Oroville Redevelopment Agency (the "Oversight Board") desires to approve all matters relating to the issuance and sale of the 2015 Bonds as required by Sections 34177.5 (f) and 34180 of the Health and Safety Code of the State of California.

BE IT RESOLVED by the Oversight Board to the Successor Agency to the Oroville Redevelopment Agency:

SECTION 1. Each of the foregoing recitals is true and correct.

SECTION 2. The issuance by the Successor Agency to the Oroville Redevelopment Agency of the 2015 Bonds in an aggregate principal amount sufficient to refund all or a portion of the Prior Obligations for the purpose of achieving debt

service savings in accordance with Health & Safety Code Section 34177.5(a)(1) and the pledge of property tax revenues to the 2015 Bonds pursuant to the Indenture approved by Section 2 of the Successor Agency Resolution (as authorized by California Health and Safety Code Section 34177.5(a) and (g)) are hereby approved. The 2015 Bonds may be issued as a single issue, or from time to time in separate series, as the Successor Agency shall determine. The approval of the issuance of the 2015 Bonds by the Successor Agency and the Oversight Board shall constitute the approval of each and every separate series of 2015 Bonds and the sale of the 2015 Bonds at a public or private sale, without the need for any further approval from the Oversight Board.

SECTION 3. The Successor Agency is authorized and directed to prepare, approve and execute such other documents, including, as necessary, a Bond Purchase Contract, a private placement memorandum, an Official Statement, a Continuing Disclosure Agreement, the Escrow Agreements for the Prior Obligations and any additional agreements as may be required to carryout the purposes hereof without the need for any further approval from the Oversight Board.

SECTION 4. The Chairman of the Oversight Board and the other officers and members of staff having responsibility for the affairs of the Successor Agency to the Oroville Redevelopment Agency are hereby authorized to execute such documents and certificates necessary to assist the Successor Agency in the issuance of the 2015 Bonds.

SECTION 5. This Resolution shall take effect immediately upon its adoption.

PASSED and ADOPTED by the Oversight Board for the Successor Agency to the Oroville Redevelopment Agency at a regular meeting on December 17, 2014 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

Gordon Andoe, Chairperson

Randy Murphy, Secretary

MEMORANDUM

To: Oversight Board
State Department of Finance

Date: December 9, 2014

From: Mark Northcross / Eric Scriven
Financial Advisor to the Successor Agency to the Redevelopment Agency of the City of Oroville

RE: Refunding of Outstanding Revenue Bonds of the Successor Agency to the Redevelopment Agency of the City of Oroville

Introduction

Dissolution Act; Successor Agency - On June 29, 2011, Assembly Bill No. 26 (1st Extraordinary Session) ("AB 26") was enacted together with a companion bill, Assembly Bill No. 27 (2nd Extraordinary Session) ("AB 27"). The provisions of AB 26 provided for the dissolution of all redevelopment agencies. The provisions of AB 27 permitted redevelopment agencies to avoid dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, California Redevelopment Association, et al., v. Matosantos, et al., 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB 26 and AB 27. The California Supreme Court largely upheld AB 26, invalidated AB 27, and held that AB 26 may be severed from AB 27 and enforced independently. As a result of AB 26 and the Matosantos decision, all redevelopment agencies in the State were dissolved as of February 1, 2012, including the Redevelopment Agency of the City of Oroville (the "Redevelopment Agency"), and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies. The City of Oroville (the "City") acts as successor agency to the Redevelopment Agency (the "Successor Agency").

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

Refunding Bonds under the Dissolution Act - Section 34177.5 of the Health & Safety Code, which was added to the Dissolution Act by AB 1484, authorizes the Successor Agency to issue bonds for the purpose of refunding outstanding tax allocation bonds of the Redevelopment Agency or the Successor Agency to provide savings to the Successor Agency provided that (A) the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds does not exceed the total remaining interest cost to maturity on the bonds to be refunded plus the remaining principal of the bonds to be refunded, and (B) the principal amount of the refunding bonds does not exceed the amount required to defease the refunded bonds, to establish customary debt service reserves, and to pay related costs of

issuance. If the foregoing conditions are satisfied, the initial principal amount of the refunding bonds may be greater than the outstanding principal amount of the bonds to be refunded.

Requirement for Independent Financial Advisor - Section 34177.5(h) requires the Successor Agency to make diligent efforts to ensure that the lowest long-term cost financing is obtained, and requires the successor agency to make use of an independent financial advisor in developing financing proposals and to make the work products of the financial advisor available to the Department of Finance at its request.

This report is written by NHA Advisors LLC, which has been engaged as the independent financial advisor to the Successor Agency, to analyze the possible refunding of the Successor Agency's outstanding bonds.

Outstanding Bonds

The Redevelopment Agency previously issued the following outstanding bonds (collectively, the "Outstanding Bonds"), as shown in Table 1 below:

Table 1
Redevelopment Agency of the City of Oroville

	Series 2002	2004 Series A	2004 Series B
Tax Status	Tax Exempt	Tax Exempt	Taxable
Security	Non-housing set aside tax increment	Non-housing set aside tax increment	Non-housing set aside tax increment
Original Par Value	\$18,255,000	\$8,480,000	\$2,145,000
Outstanding Par Amount	\$12,555,000	\$8,480,000	\$555,000
Current Interest Rate	4.99%	4.93%	5.50%
Reserve Fund	Funded from bond proceeds	Funded from bond proceeds	Funded from bond proceeds
Issuance Date	10/31/02	8/5/04	8/5/04
Call Options	Any date after 9/15/12	Any date after 9/15/14	Not callable
Final Maturity	9/15/30	9/15/31	9/15/16

As shown in Table 1, the Redevelopment Agency issued \$18,255,000 in tax exempt tax allocation bonds in 2002 secured by the non-housing tax increment of the Redevelopment Agency. These 2002 bonds have a final maturity of September 15, 2030, with \$12,555,000 of principal outstanding. In 2004, the Redevelopment Agency issued \$8,480,000 in tax exempt tax allocation bonds secured by the non-housing tax increment of the Redevelopment Agency. These 2004 Series A bonds have a final maturity of September 15, 2031, with all of the original principal remaining outstanding. The Redevelopment Agency also issued \$2,145,000 in 2004 Series B taxable tax allocation bonds secured by the non-housing tax increment of the Redevelopment Agency. The 2004 Series B bonds have a final maturity of September 15, 2016, with \$555,000 of principal outstanding.

Overview of the Refunding Opportunity

We have analyzed the potential refunding of the tax exempt 2002 bonds and the tax exempt 2004 Series A bonds as a single tax exempt public offering. We have analyzed refunding all three outstanding series, even though the 2004 Series B bonds are not callable until 2016. Under the dissolution act, leaving the 2004 Series B bonds outstanding results in an approximately \$20 million refunding for the Series 2002 and 2004 Series A bonds being subordinate to \$555,000 in 2004 Series B bonds. This could have a significant adverse

impact on the perception of the credit of the refunding. Table 2 below shows a summary of the potential savings from a refunding of all three outstanding series of bonds issued by the Redevelopment Agency:

Table 2
Public Offering - Projected Savings

Total Cash Flow Savings	\$4,117,941
Average Annual Cash Flow Savings	\$242,300
Total Present Value Savings	\$3,291,605
Par Value	\$19,485,000
Current Outstanding Principal	\$21,590,000
Assumed Closing Date	March 17, 2015
Current Interest Rate	4.98%
All-in True Interest Cost on Refinancing	3.06%

The average annual cash flow savings estimated from a public offering of the combined refunding is about \$242,000 per year through the final maturity in 2031. The present value savings are estimated at about \$3.29 million, 15% of the amount of principal refunded. Note that the estimated refunding par value is less than the outstanding principal being refunded for two reasons: (1) current market conditions allow the use of premium bonds to achieve the lowest overall borrowing cost, and (2) elimination of the debt service reserve fund through use of a surety bond. The all-in true interest cost of the combined 2015 refunding is estimated to be slightly more than 3% under current market conditions, assuming bond insurance can be obtained. Based on our credit review of the Successor Agency financials, we believe bond insurance is very likely.

Benefits to Taxing Entities from the Proposed Refunding

The Successor Agency's fiscal consultant, RSG Inc., obtained information from the County of Butte on the allocation of the 1% Proposition 13 ad valorem tax rate by taxing entities within the former Project Area No. 1. Note that this project area is the only project area securing the outstanding bonds. Table 3 below (attached as Appendix D due to its size) shows an allocation of the projected savings by fiscal year for each taxing entity through the final maturity in September 2031.

Note that Table 3 shows that the City of Oroville will be the largest beneficiary of the potential savings from the proposed refunding.

Sources and Uses and Debt Service Schedule for the Proposed Refunding

Table 4 on the following page shows the estimated sources of uses for the proposed 2015 refunding bonds issued to refund all of the outstanding bonds. Note in Table 4 that the bonds are currently estimated to have the lowest yield if they are sold as premium bonds. Consequently, a premium of approximately \$800,000 is shown as a source. It is also important to note that the combined debt service reserve funds for the outstanding bonds total more than \$1,939,000, which also constitutes a major source of funds. As noted earlier, there is not a cash-funded debt service reserve fund for the proposed 2015 refunding bonds, since a surety bond is anticipated instead. Consequently, all \$1,939,000 of reserve fund proceeds from the outstanding bonds can be used to downsize the 2015 refunding bonds.

Table 4
Sources and Uses for Proposed Refunding of
All Successor Agency Outstanding Bonds

Sources:	
Bond Proceeds	19,485,000.00
Bond Premium	800,047.00
2002 Debt Service Reserve Fund	1,939,891.00
Total Sources	22,224,938.00
Uses	
Refunding Escrow	21,707,424.64
Debt Service Reserve Fund	-
Costs of Issuance	200,000.00
Underwriter's Discount	146,137.50
Bond Insurance Premium	122,171.28
Surety Bond Premium	48,794.97
Surplus Proceeds	409.61
Total Uses	22,224,938.00

Table 5 shows the actual cash flows for the proposed refunding, net of the use of the debt service reserve fund to make the last debt service payments on the original bonds, as well as the debt service reserve fund earnings to make debt service payments prior to final maturity.

Table 5
Proposed Refunding Cash Flows

Bond Year Ending	2002 and 2004 Series A and B Combined Debt Service	2002 and 2004 Series A & B Debt Service Reserve Fund Release and Earnings	2002 and 2004 Series A and B Combined Net Debt Service	2015 Refunding Bonds Debt Service	Annual Net Cash Flow Savings from Refunding
9/15/15	1,410,939	(11,030)	1,399,909	1,163,299	236,610
9/15/16	1,933,486	(98,033)	1,835,452	1,576,124	259,329
9/15/17	1,906,951	(18,718)	1,888,233	1,624,674	263,560
9/15/18	1,907,874	(18,717)	1,889,156	1,624,674	264,482
9/15/19	1,906,151	(18,718)	1,887,433	1,623,774	263,660
9/15/20	1,905,977	(18,717)	1,887,259	1,621,374	265,885
9/15/21	1,908,178	(18,718)	1,889,460	1,622,374	267,086
9/15/22	1,908,761	(18,717)	1,890,043	1,621,574	268,469
9/15/23	1,906,678	(18,718)	1,887,960	1,620,874	267,086
9/15/24	1,906,693	(18,717)	1,887,975	1,620,249	267,726
9/15/25	1,905,786	(18,718)	1,887,068	1,622,499	264,569
9/15/26	1,906,560	(18,717)	1,887,842	1,626,499	261,343
9/15/27	1,905,157	(18,718)	1,886,439	1,619,798	266,641
9/15/28	1,905,250	(18,717)	1,886,532	1,620,267	266,265
9/15/29	1,906,750	(18,718)	1,888,032	1,622,492	265,540
9/15/30	1,904,250	(1,457,223)	447,021	363,092	83,927
9/15/31	1,842,750	(444,123)	1,398,627	1,312,862	85,763
Total	31,878,191	(2,253,750)	29,624,441	25,506,499	4,117,941

Table 5 shows that positive cash flow savings can be achieved for every tax cycle by the proposed refunding structure, despite the use of a surety bond for the 2015 refunding.

Proposed Legal Structure

The proposed indenture for the 2015 refunding bonds is attached to this report as Exhibit B. This indenture largely mirrors the 2002 indenture. The differences are as follows: (1) no parity bonds are allowed unless the legislation dissolving redevelopment agencies is amended to allow parity bonds, and (2) Pledged Tax Revenues are defined to include all moneys deposited in the Redevelopment Property Tax Trust Fund. The 2015 refunding bonds will be fixed rate bonds, most likely sold through a negotiated sale.

Process and Timing

Exhibit A shows the proposed schedule for the financing. The Oroville Successor Agency is scheduled to approve the refunding at its meeting on December 16, 2014. The Oversight Board is scheduled to approve the refunding at its meeting of December 17, 2014. The resolution of the Oversight Board approving the proposed refunding by the Successor Agency is expected to be submitted to the State Department of Finance by December 18th. We anticipate Department of Finance will exercise its right to review the action of the Oversight Board and will complete the review by the week of February 23, 2015. Sale of the refunding bonds would then take place on March 3, 2015, with a closing on March 17, 2015. Accordingly, taxing entities could start receiving their increased property taxes as a result of the refunding when the County of Butte makes its distributions FY 2015-16 ROPS B in January 2016.

EXHIBIT A

SUCCESSOR AGENCY TO THE OROVILLE REDEVELOPMENT AGENCY
2015 TAX ALLOCATION REFUNDING BONDS
(REFUNDING OF 2002 TABs AND 2004 TABs, SERIES A & B)

FINANCING SCHEDULE

DECEMBER 9, 2014

Issuer: Successor Agency of Oroville RDA (AGENCY)
Oversight Board: City of Oroville (OB)
Financial Advisor: NHA Advisors (FA)
Bond Counsel: Stradling Yocca Carlson & Rauth (BC)
Disclosure Counsel: Stradling Yocca Carlson & Rauth (DC)
Fiscal Consultant: RSG, Inc. (FC)
Underwriter: Southwest Securities (UW)

Date	Activity	Participants
November 21	Circulate First Drafts of Financing Documents (Excluding Draft POS)	BC
December 2	All-Hands Meeting/Conference Call to Review Financing Documents (City Hall at 10:30 am)	ALL
December 2	Circulate Draft Letter for the California Department of Finance ("DOF")	FA
December 5	Circulate Second Drafts of Financing Documents	BC
December 9	Agenda Deadline for Staff Report and Resolutions	ALL
December 16	Successor Agency Approval of Financing Documents (6:00 pm)	AGENCY
December 17	Oversight Board Approval of Financing Documents (10:00 am)	OB
December 18	Submit Financing Documents to DOF for Approval (65-Day "Clock" Begins)	AGENCY
Week of January 12	Draft Fiscal Consultant's Report Released	FC
January 16	Circulate Draft POS	DC
Week of January 19	Credit Package to Rating Agency	FA
Week of February 2	Conference Call with Rating Agency	AGENCY/FA
Week of February 9	Receive Credit Rating	FA
February 17	City Council Approval of POS	AGENCY
February 20	Conference Call to Prepare for Due Diligence Call with Underwriter	AGENCY/FA/ FC

Date	Activity	Participants
February 21	Due Diligence Conference Call with Underwriter and Underwriter Counsel	UW/UC/ AGENCY/FA
Week of February 23	Receive DOF Approval of Financing (12/18/14 – 2/21/15)	AGENCY
February 24*	Release POS for Distribution	BC/DC/FA
March 3*	Bond Pricing	UW/FA
March 16*	Pre-Close Financing	ALL
March 17*	Closing	ALL

*-dependent upon receipt of DOF approval and bond market conditions

EXHIBIT B

PROPOSED INDENTURE

INDENTURE OF TRUST

Dated as of March 1, 2015

by and between the

SUCCESSOR AGENCY TO THE OROVILLE REDEVELOPMENT AGENCY

and

as Trustee

Relating to

OROVILLE REDEVELOPMENT PROJECT NO. 1
TAX ALLOCATION REFUNDING BONDS
SERIES 2015

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "Indenture") is dated as of March 1, 2015, by and between the SUCCESSOR AGENCY TO THE OROVILLE REDEVELOPMENT AGENCY, a public body corporate and politic, duly organized and existing under the laws of the State of California (the "Agency" or "Successor Agency"), and _____, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, the Redevelopment Agency of the City of Oroville (the "Prior Agency") was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) (the "Law"), and the powers of the Prior Agency included the power to issue bonds for any of its corporate purposes; and

WHEREAS, the "Redevelopment Plan" for a redevelopment project known and designated as the "Oroville Project Area" has been adopted and approved by Ordinance No. 1353 of the City of Oroville on July 6, 1981, and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the Prior Agency previously entered into a Loan Agreement with the Oroville Public Financing Authority (the "Authority") dated as of October 31, 2002 pursuant to which the Authority loaned the proceeds of its 2002 Tax Allocation Revenue Bonds (Oroville Redevelopment Project No. 1) to the Prior Agency (the "2002 Loan") and the Prior Agency pledged its tax increment revenues as the security for the repayment of the Loan (the "2002 Loan Obligation"); and

WHEREAS, the Prior Agency previously entered into a Loan Agreement with the Oroville Public Financing Authority (the "Authority") dated as of August 5, 2004 pursuant to which the Authority loaned the proceeds of its 2004 Tax Allocation Revenue Bonds, Series A (Oroville Redevelopment Project No. 1) to the Prior Agency (the "2004A Loan") and the Prior Agency pledged its tax increment revenues as the security for the repayment of the Loan (the "2004A Loan Obligation"); and

WHEREAS, the Prior Agency previously entered into a Loan Agreement with the Oroville Public Financing Authority (the "Authority") dated as of August 5, 2004 pursuant to which the Authority loaned the proceeds of its 2004 Tax Allocation Revenue Bonds, Series B (Oroville Redevelopment Project No. 1) to the Prior Agency (the "2004B Loan") and the Prior Agency pledged its tax increment revenues as the security for the repayment of the Loan (the "2004B Loan Obligation"); and

WHEREAS, for the corporate purposes of the Successor Agency, the Successor Agency desires to issue at this time tax allocation refunding bonds in an aggregate principal amount of _____ Dollars (_____) (the "Bonds"), and to irrevocably set aside a portion of the proceeds of such Bonds in a separate segregated trust fund which will be used to refund the outstanding 2002 Loan Obligation and 2004A Loan Obligation of

the Prior Agency, to pay costs in connection with the issuance of the Bonds and to make certain other deposits as required by this Indenture; and

WHEREAS, on June 28, 2011, the California Legislature adopted ABx1 26 (the "Dissolution Act") and ABx1 27 (the "Opt-in Bill"); and

WHEREAS, the California Supreme Court subsequently upheld the provisions of the Dissolution Act and invalidated the Opt-in Bill resulting in the Redevelopment Agency of the City of Oroville being dissolved as of February 1, 2012; and

WHEREAS, the powers, assets and obligations of the Prior Agency were transferred on February 1, 2012 to the Successor Agency; and

WHEREAS, on or about June 27, 2012, AB1484 was adopted as a trailer bill in connection with the 2012-13 California Budget; and

WHEREAS, AB1484 specifically authorizes the issuance of refunding bonds by the Successor Agency to refund the bonds or other indebtedness of the Prior Agency to provide savings to the Successor Agency, provided that (A) the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds shall not exceed the total remaining interest cost to maturity on the bonds to be refunded plus the remaining principal of the bonds to be refunded, and (B) the principal amount of the refunding bonds shall not exceed the amount required to defease the refunded bonds, to establish customary debt service reserves, and to pay related costs of issuance; and

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

WHEREAS, the Successor Agency hereby certifies that all acts and proceedings required by law necessary to make the Bonds, when executed by the Successor Agency, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the Successor Agency, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken.

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

ARTICLE I

DETERMINATIONS; DEFINITIONS

Section 1.1 Findings and Determinations. The Successor Agency has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Successor Agency is now duly empowered, pursuant to each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

Section 1.2 Definitions. Unless the context otherwise requires, the terms defined in this Section 1.2 shall, for all purposes of this Indenture, of any Supplemental Indenture, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

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

“Annual Debt Service” means, for any Bond Year, the principal and interest, including scheduled sinking fund payments, payable on the Outstanding Bonds in such Bond Year.

“Bond Counsel” means Stradling Yocca Carlson & Rauth, a Professional Corporation, an attorney or firm of attorneys acceptable to the Successor Agency of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions.

“Bond”, “Bonds” or “2015 Bonds” means the Oroville Redevelopment Project No. 1, Tax Allocation Refunding Bonds, Series 2015, authorized by and at any time Outstanding pursuant to this Indenture.

“Bond Year” means the twelve (12) month period commencing on September 16 of each year, provided that the first Bond Year shall extend from the Delivery Date to September 15, 2015.

“Bondowner” or “Owner”, or any similar term, means any person who shall be the registered owner or his duly authorized attorney, trustee or representative of any Outstanding Bond.

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

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

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

“City” means the City of Oroville, State of California.

“Code” means the Internal Revenue Code of 1986, as amended, and any regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Computation Year” means, with respect to the Bonds, the period beginning on the Delivery Date and ending on September 15, 2015, and each 12-month period ending on September 15 thereafter until there are no longer any Bonds Outstanding.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed and delivered by the Successor Agency, dated the Delivery Date as originally executed and as it may be amended from time to time in accordance with the terms thereof.

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

“Costs of Issuance” means the costs and expenses incurred in connection with the issuance and sale of the Bonds including the initial fees and expenses of the Trustee, rating agency fees, legal fees and expenses, costs of printing the Bonds and Official Statement, fees of financial consultants and other fees and expenses set forth in a Written Certificate of the Successor Agency.

“Costs of Issuance Fund” means the trust fund established in Section 3.3 of this Indenture.

“County” means the County of Butte, California.

“Debt Service Fund” means that trust fund established in Section 4.2 of this Indenture.

“Defeasance Securities” means:

1. Cash
2. Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - U.S. treasury obligations
 - All direct or fully guaranteed obligations
 - Farmers Home Administration
 - General Services Administration
 - Guaranteed Title XI financing
 - Government National Mortgage Association (GNMA)
 - State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

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

“Dissolution Act” means Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State of California.

“DOF” means the California Department of Finance.

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

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

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

“Indenture” means this Indenture of Trust dated as of March 1, 2015, between the Successor Agency and _____, as trustee, approved by Resolution No. SA 2014-XX, adopted by the Successor Agency on December 16, 2014, Resolution No. SA 2015-XX, adopted by the Successor Agency on _____, 2015, and Resolution No. OB 2014-XX, adopted by the Oversight Board on December 17, 2014, authorizing the issuance of the Bonds.

“Independent Financial Consultant” “Independent Engineer” “Independent Certified Public Accountant” or “Independent Redevelopment Consultant” means any individual or firm engaged in the profession involved, appointed by the Successor Agency, and who, or each of whom, has a favorable reputation in the field in which his/her opinion or certificate will be given, and:

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

“Insurance Policy” or “Policy” means the insurance policy issued by the Insurer that guarantees the scheduled payment of principal of and interest on the Insured Bonds when due.

“Insured Bonds” means the Bonds maturing on and after _____.

“Insurer” means _____, or any successor thereto or assignee thereof.

“Interest Account” means the account by that name referenced in Section 4.3 of this Indenture.

“Interest Payment Date” means March 15 and September 15, commencing September 15, 2015 so long as any of the Bonds remain Outstanding hereunder.

“Law” means the Community Redevelopment Law of the State of California as cited in the recitals hereof.

“Maximum Annual Debt Service” means the largest of the sums obtained for any Bond Year after the computation is made, by totaling the following for each such Bond Year:

(1) The principal amount of all Bonds and Parity Bonds, if any, and the amount of any sinking account payments payable in such Bond Year; and

(2) The interest which would be due during such Bond Year on the aggregate principal amount of Bonds and Parity Bonds which would be outstanding in such Bond Year if the Bonds and Parity Bonds outstanding on the date of such computation were to mature or be redeemed in accordance with the maturity schedules for the Bonds and Parity Bonds. At the time and for the purpose of making such computation, the amount of term Bonds and term Parity Bonds already retired in advance of the above-mentioned schedules shall be deducted pro rata from the remaining amounts thereon.

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

“Outstanding” means, when used as of any particular time with reference to Bonds, subject to the provisions of this Indenture, all Bonds theretofore issued and authenticated under this Indenture except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and authenticated pursuant to this Indenture.

“Oversight Board” means the oversight board duly constituted from time to time pursuant to Section 34179 of the Dissolution Act.

“Parity Bonds” means any additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations) issued by the Successor Agency as permitted by Section 3.4 of this Indenture.

“Pass-Through Agreements” means the agreements entered into prior to the date hereof pursuant to Section 33401 of the Health and Safety Code with the County of Butte,

“Permitted Investments” means:

- (a) For all purposes, including defeasance investments in refunding escrow accounts.
 - (1) Defeasance Securities
- (b) For all purposes other than defeasance investments in refunding escrow accounts.
 - (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export-Import Bank
 - Rural Economic Community Development Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - U.S. Department of Housing & Urban Development (PHAs)
 - Federal Housing Administration -Federal Financing Bank
 - (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:
 - Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
 - Obligations of the Resolution Funding Corporation (REFCORP)
 - Senior debt obligations of the Federal Home Loan Bank System
 - Senior debt obligations of other Government Sponsored Agencies
 - (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar 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 single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;
 - (5) Investments in a money market fund, including those of an affiliate of the Trustee rated “AAAm” or “AAAm-G” or better by S&P;
 - (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 governmental 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 rating category of Moody’s or S&P or any successors thereto; 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 obligations described in paragraph (2) of the definition of Defeasance Securities, 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) Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P.
 - (8) Investment Agreements with an entity rated “A” or higher by S&P; and;
 - (9) The Local Agency Investment Fund of the State or any state administered pooled investment fund in which the Successor Agency is statutorily permitted or required to invest will be deemed a permitted investment.
- (c) The value of the above investments shall be determined as follows:
- (1) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, and Bank of America Merrill Lynch.
 - (2) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and
 - (3) As to any investment not specified above: the value thereof established by prior agreement among the Successor Agency and the Trustee.

“Pledged Tax Revenues” means the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of Section 34183 of the

Dissolution Act. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

“Policy Costs” has the meaning set forth in Section 4.3.

“Prior Agency” means the Redevelopment Agency of the City of Oroville.

“Principal Account” means the account by that name referenced in Section 4.3 of this Indenture.

“Principal Payment Date” means September 15, commencing September 15, 2015, so long as any of the Bonds remain Outstanding hereunder.

“Rebate Fund” means the fund by that name referenced in Section 4.4 of this Indenture.

“Rebate Regulations” means the final Treasury Regulations issued under Section 148(f) of the Code.

“Recognized Obligation Payment Schedule” means a Recognized Obligation Payment Schedule, each prepared and approved from time to time pursuant to subdivision (I) of Section 34177 of the Dissolution Act.

“Redemption Account” means the account by that name referenced in Section 4.3 of this Indenture.

“Redevelopment Agency of the City of Oroville” means the Redevelopment Agency of the City of Oroville.

“Redevelopment Plan” means the Redevelopment Plan for a redevelopment project known and designated as the “Oroville Redevelopment Project No. 1” that was adopted and approved by Ordinance No. 1353 of the City of Oroville on July 6, 1981, as amended to date.

“Redevelopment Project Area,” “Redevelopment Project” or “Project Area” means the Project Area described in the Redevelopment Plan.

“Refunded Obligations” means the 2002 Loan Obligation and the 2004A Loan Obligation.

“Registration Books” means the books kept by the Trustee containing the registration and transfer information for the Bonds.

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

“Report” means a document in writing signed by an Independent Financial Consultant and including:

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

(b) A brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) 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” means the account by that name referenced in Section 4.3 hereof.

“Reserve Policy” means the reserve surety issued by the Insurer on the date of the issuance of the Bonds in an amount equal to the Reserve Requirement.

“Reserve Requirement” means, as of the date of computation, an amount equal to the combined lesser of (i) Maximum Annual Debt Service on the Bonds and any Parity Bonds, (ii) 10% of the net proceeds of the Bonds and any Parity Bonds, or (iii) 125% of the Annual Debt Service on all Bonds and Parity Bonds Outstanding.

“Redevelopment Obligation Retirement Fund” means the fund by that name referenced in Section 4.2 of this Indenture.

“State” means the State of California, United States of America.

“Supplemental Indenture” means any indenture then in full force and effect which has been duly adopted by the Successor Agency under the Dissolution Act, or any act supplementary thereto or amendatory thereof, at a meeting of the Successor Agency duly convened and held, of which a quorum was present and acted thereon, amendatory of or supplemental to this Indenture or any indebtedness entered into in connection with the issuance of Parity Bonds; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Statutory Pass-Through Amounts” means amounts paid to affected taxing agencies, if any, pursuant to Sections 33607.5 and/or 33607.7 of the Law and Section 34183 of the Dissolution Act.

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

[“Term Bonds” means those Bonds maturing on September 15, _____.]

“Trust Office” means the principal corporate trust office of the Trustee in _____, California, or such other office as the Trustee may from time to time designate in writing to the Agency and the Owners except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Trustee” means _____, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in this Indenture.

“2002 Authority Bonds” means the Oroville Public Financing Authority, 2002 Tax Allocation Revenue Bonds (Oroville Redevelopment Project No. 1), issued pursuant to the 2002 Bonds Indenture for the purpose of making a loan to the Prior Agency as provided in the 2002 Loan Agreement.

“2002 Loan Agreement” means the Loan Agreement entered into by the Prior Agency with the Oroville Public Financing Authority dated as of October 31, 2002.

“2002 Loan Obligation” means the Prior Agency’s loan obligation under the 2002 Loan Agreement.

“2002 Escrow Agreement” means the 2002 Escrow Agreement dated as of March 1, 2015, by and between the Agency and the 2002 Escrow Bank.

“2002 Escrow Bank” means Union Bank of California, N.A., its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in this Indenture.

“2002 Bonds Indenture” means the Indenture of Trust dated as of October 1, 2002 by and between the Prior Agency and Union Bank of California, N.A., pursuant to which the 2002 Authority Bonds were issued.

“2004A Authority Bonds” means the Oroville Public Financing Authority, 2004 Tax Allocation Revenue Bonds, Series A (Oroville Redevelopment Project No. 1), issued pursuant to the 2004A Bonds Indenture for the purpose of making a loan to the Prior Agency as provided in the 2004A Loan Agreement.

“2004A Loan Agreement” means the Loan Agreement entered into by the Prior Agency with the Oroville Public Financing Authority dated as of August 5, 2004.

“2004A Loan Obligation” means the Prior Agency’s loan obligation under the 2004A Loan Agreement.

“2004A Escrow Agreement” means the 2004A Escrow Agreement dated as of March 1, 2015, by and between the Agency and the 2004A Escrow Bank.

“2004A Escrow Bank” means Union Bank of California, N.A., its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in this Indenture.

“2004A Bonds Indenture” means the Indenture of Trust dated as of July 1, 2004 by and between the Prior Agency and Union Bank of California, N.A., pursuant to which the 2004A Authority Bonds were issued.

“2004B Authority Bonds” means the Oroville Public Financing Authority, 2004 Tax Allocation Revenue Bonds, Series B (Oroville Redevelopment Project No. 1), issued pursuant to the

2004B Bonds Indenture for the purpose of making a loan to the Prior Agency as provided in the 2004B Loan Agreement.

“2004B Loan Agreement” means the Loan Agreement entered into by the Prior Agency with the Oroville Public Financing Authority dated as of August 5, 2004.

“2004B Loan Obligation” means the Prior Agency’s loan obligation under the 2004A Loan Agreement.

“2004B Bonds Indenture” means the Indenture of Trust dated as of July 1, 2004 by and between the Prior Agency and Union Bank of California, N.A., pursuant to which the 2004B Authority Bonds were issued.

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

Section 1.3 Rules of Construction. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

AUTHORIZATION AND TERMS

Section 2.1 Authorization of Bonds. (a) Bonds in the aggregate principal amount of _____ Dollars (_____) are hereby authorized to be issued by the Successor Agency under and subject to the terms of this Indenture and the Act. This Indenture constitutes a continuing agreement with the Trustee for the benefit of the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal and redemption 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 “Successor Agency to the Oroville Redevelopment Agency, Oroville Redevelopment Project No. 1, Tax Allocation Refunding Bonds, Series 2015.”

(a) The Bonds shall be and are special obligations of the Successor Agency and are secured on a parity with the 2004B Loan Obligation by an irrevocable pledge of Pledged Tax Revenues and other funds as hereinafter provided. The Bonds, interest and premium, if any, thereon are not a debt of the City, the State or any of its political subdivisions (except the Successor Agency), and none of the City, the State nor any of its political subdivisions (except the Successor Agency) is liable on them. In no event shall the Bonds, interest thereon and premium, if any, be payable out of any funds or properties other than those of the Successor Agency as set forth in this Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Successor Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

The Bonds shall be and are equally secured together with the 2004B Loan Obligation and any other Parity Bonds, by an irrevocable pledge of the Pledged Tax Revenues and other funds as hereinafter provided, without priority for number, maturity, date of sale, date of execution or date of delivery, except as expressly provided herein.

Nothing in this Indenture shall preclude: (a) the payment of the Bonds from the proceeds of refunding bonds issued pursuant to the Law, or (b) the payment of the Bonds from any legally available funds. Nothing in this Indenture shall prevent the Successor Agency from making advances of its own funds, however derived, to any of the uses and purposes mentioned in this Indenture.

The Successor Agency shall have the right to defease the Bonds and be discharged from the lien of this Indenture in accordance with the provision of Section 9.3 hereof. If the Successor Agency shall cause to be paid, or shall have made provision to pay upon maturity or upon redemption prior to maturity, to the Bondowners the principal of, premium, if any, and interest to become due on the Bonds, through setting aside trust funds or setting apart in a reserve fund or special trust account created pursuant to this Indenture or otherwise, or through the irrevocable segregation for that purpose in some sinking fund or other fund or trust account with a fiscal agent or otherwise, moneys sufficient therefor, including, but not limited to, interest earned or to be earned on the investment of such funds, then the lien of this Indenture, including, without limitation, the pledge of the Pledged Tax Revenues, and all other rights granted hereby, shall cease, terminate and become void and be discharged and satisfied, and the principal of, premium, if any, and interest on the Bonds shall no longer be deemed to be outstanding and unpaid; provided, however, that nothing in this Indenture shall require the deposit of more than such amount as may be sufficient, taking into account both the principal amount of such funds and the interest to become due on the investment thereof, to implement any refunding of the Bonds.

Section 2.2 Term of Bonds. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof and the Bonds shall mature on the dates and in the amounts and shall bear interest at the rate per annum as follows:

Date	Principal Amount	Interest Rate
9/1/2015	\$	%
9/1/2016		
9/1/2017		
9/1/2018		
9/1/2019		
9/1/2020		
9/1/2021		
9/1/2022		
9/1/2024		
9/1/2025		
9/1/2026		
9/1/2027		
9/1/2028		
9/1/2029		
9/1/2030		
9/1/2031 (maturity)		

Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed on the Interest Payment Date by first class mail to such Owner at the address of such Owner as it appears on the Registration Books; provided, however, that upon the written request of any Owner of at least \$1,000,000 in principal amount of Bonds received by the Trustee at least fifteen (15) days prior to such Regular Record Date, payment shall be made by wire transfer in immediately available funds to an account in the United States designated by such Owner. Principal of and redemption premium (if any) on any Bond shall be paid upon presentation and surrender thereof, at maturity or redemption, at the Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America Interest shall be calculated based upon a 360-day year of twelve thirty-day months.

Each Bond shall be initially dated as of the Delivery Date and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Regular Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) a Bond is authenticated on or before February 15, 2015, in which event it shall bear interest from the Delivery Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 2.3 Redemption of Bonds.

(a) Optional Redemption. The Bonds maturing on or before September 15, 2024 are not subject to redemption prior to maturity. The Bonds maturing on and after September 15, 2025 are subject to redemption prior to maturity in whole, or in part in the manner determined by the Agency, on any date on or after September 15, 2024, from any available source of funds, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed) as follows, together with accrued interest thereon to the redemption date:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 15, 2024 and thereafter	100%

In the event the Agency shall elect to redeem Bonds as provided in this Section 2.3(a), the Agency shall give written notice to the Trustee of its election so to redeem, the redemption date and the principal amount of the Bonds to be redeemed. The notice to the Trustee shall be given at least 45 but no more than 60 days prior to the redemption date or such shorter period as shall be acceptable to the Trustee in the sole determination of the Trustee, such notice for the convenience of the Trustee.

(b) Sinking Account Redemption. The Term Bonds maturing on September 15, _____ are subject to redemption in part by lot on September 15 in each year shown below until maturity, from sinking account payments made by the Agency, at a redemption price equal to the principal amount thereof to be redeemed with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; provided, however, that if some but not all of the Bonds have been redeemed the total amount of all future sinking account payments will be reduced by an amount corresponding to the aggregate principal amount of Bonds so redeemed, to be allocated among such sinking account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (notice of which determination will be given by the Agency to the Trustee).

<u>Term Bonds Maturing on September 15, 20__</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>

]

(c) Purchase In Lieu of Redemption. In lieu of optional or sinking account redemption of Bonds, amounts on deposit in the Redevelopment Obligation Retirement Fund (to the extent not required to be transferred to the Trustee during the current Bond Year) may also be used and withdrawn by the Successor Agency at any time for the purchase of the Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Successor Agency may in its discretion determine. The par amount of any of the Bonds so purchased by the Successor Agency and surrendered to the Trustee for cancellation in any twelve-month period ending on August 15, in any year will be credited towards and will reduce the principal amount of the Bonds otherwise required to be redeemed on the following September 15 pursuant to this Indenture.

(d) Notice of Redemption. The Trustee on behalf of and at the expense of the Agency will mail (by first class mail, postage prepaid) notice of any redemption at least 30 but not more than 60 days prior to the redemption date, to (i) the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access system, or any successor thereto; but such mailing will not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the redemption date and the redemption price, will designate the CUSIP number of the Bonds to be redeemed, state the individual number of each Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding (or all Bonds of a maturity) are to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Section 2.4 Form of Bonds. The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the form set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

Section 2.5 Execution of Bonds. The Bonds shall be executed on behalf of the Successor Agency by the signature of its Executive Director and the signature of its Secretary who are in office on the date of execution and delivery of this Indenture or at any time thereafter. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any 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 Successor Agency by such persons as at the actual date of the execution of such Bond shall be the proper officers of the Successor Agency although on the date of such Bond any such person shall not have been such officer of the Successor Agency.

Only such of the Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit A hereto, manually executed and dated by and in the name of the Trustee by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture. In the event temporary Bonds are issued pursuant to Section 2.9 hereof, the temporary Bonds shall bear thereon a certificate of authentication manually executed and dated by the Trustee, shall be initially registered

by the Trustee, and, until so exchanged as provided under Section 2.9 hereof, the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.6 Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Successor Agency shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of like series, interest rate, maturity and principal amount of authorized denominations. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds pursuant to this Section 2.6 from the Bondowner transferring the Bond or Bonds. The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any exchange or transfer shall be paid by the Successor Agency.

The Trustee may refuse to transfer, under the provisions of this Section 2.6, either (a) any Bonds during the period established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption pursuant to the provisions of Section 2.3.

Section 2.7 Exchange of Bonds. Bonds may be exchanged at the Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds pursuant to this Section 2.7 from the Bondowner exchanging the Bond or Bonds. The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any exchange or transfer shall be paid by the Successor Agency.

The Trustee may refuse to exchange, under the provisions of this Section 2.7, either (a) any Bonds during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bonds selected by the Trustee for redemption pursuant to the provisions of Section 2.3.

Section 2.8 Registration Books. The Trustee will keep or cause to be kept, at its Trust Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours be open to inspection by the Successor Agency with reasonable prior 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 the Registration Books, Bonds as hereinbefore provided.

Section 2.9 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 Successor Agency, 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 Successor Agency upon the same conditions and in substantially the same manner as the definitive Bonds. If the Successor Agency issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange therefor at the Trust Office of the Trustee, 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 2.10 Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Successor Agency, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon deliver, a new Bond of like amount and maturity 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. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Successor Agency and the Trustee and, if such evidence is satisfactory to both and indemnity satisfactory to them shall be given, the Successor Agency, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like amount and maturity in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Successor Agency may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section 2.10 and of the expenses which may be incurred by the Successor Agency 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 Successor Agency whether or not the Bond so alleged to be lost, destroyed or stolen shall 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.

Section 2.11 Book-Entry Only System. It is intended that the Bonds, be registered so as to participate in a securities depository system with DTC (the "DTC System"), as set forth herein. The Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities of the Bonds. The Successor Agency and the Trustee are authorized to execute and deliver such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including a representation letter in the form required by DTC (the "Representation Letter"). In the event of any conflict between the terms of any such letter or agreement, including the Representation Letter, and the terms of this Indenture, the terms of this Indenture shall control. DTC may exercise the rights of a Bondholder only in accordance with the terms hereof applicable to the exercise of such rights.

With respect to the Bonds registered in the books of the Trustee in the name of Cede & Co., as nominee of DTC, the Successor Agency and the Trustee, shall have no responsibility or obligation to any broker-dealer, bank or other financial institution for which DTC holds Bonds from time to time as securities depository (each such broker-dealer, bank or other financial institution being referred to herein as a "DTC Participant") or to any person on behalf of whom such a DTC Participant directly or indirectly holds an interest in the Bonds (each such person being herein referred to as an "Indirect Participant"). Without limiting the immediately preceding sentence, Successor Agency and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (b) the delivery to any DTC Participant or any Indirect Participant or any other person, other than a Bondholder, as shown in the Register, of any notice with respect to the Bonds, including any notice of redemption, (c) the payment to any DTC Participant or Indirect Participant or any other Person, other than a Bondholder, as shown in the Registration Books, of any amount with respect to principal of, premium, if any, or interest on, the Bonds or (d) any consent given by DTC as registered owner. So long as certificates for the Bonds are not issued pursuant to Section 2.12 and the Bonds are registered to DTC, the Successor Agency, and the Trustee shall treat DTC or any successor securities depository as, and deem DTC or any successor securities depository to be, the absolute owner of the Bonds for all purposes whatsoever, including without limitation (i) the

payment of principal and interest on the Bonds, (ii) giving notice of redemption and other matters with respect to the Bonds, (iii) registering transfers with respect to the Bonds and (iv) the selection of Bonds for redemption. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a Bond certificate with respect to any Bond. Notwithstanding any other provision of this Indenture to the contrary, so long as any of the Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds and all notices with respect to such Bonds shall be made and given, respectively, in the manner provided in the Representation Letter.

Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Indenture with respect to interest checks being mailed to the registered owner at the close of business on the Record Date applicable to any Interest Payment Date, the name "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

Section 2.12 Successor Securities Depository; Transfers Outside Book-Entry Only System. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Successor Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. The Successor Agency, without the consent of any other person, but following written notice to the Successor Agency and the Trustee, may terminate the services of DTC with respect to the Bonds. Upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to the foregoing provisions, unless a substitute securities depository is appointed to undertake the functions of DTC hereunder, the Successor Agency, at the expense of the Successor Agency, is obligated to deliver Bond certificates to the beneficial owners of the Bonds, as described in this Indenture, and the Bonds shall no longer be restricted to being registered in the books of the Trustee in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names the Bondowner transferring or exchanging Bonds shall designate to the Trustee in writing, in accordance with the provisions of this Indenture. The Successor Agency may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a securities depository system, qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, as amended, as may be acceptable to the Successor Agency, or such depository's agent or designee.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS OF BONDS; PARITY DEBT

Section 3.1 Issuance of Bonds. Upon the execution and delivery of this Indenture and receipt by the Successor Agency of evidence satisfactory to it of satisfaction of the conditions precedent to issuance of the Bonds, the Successor Agency shall execute and deliver Bonds in the aggregate principal amount of _____ Dollars (_____) to the Trustee and the Trustee shall authenticate and deliver the Bonds upon the Written Request of the Successor Agency.

Section 3.2 Application of Proceeds of Bonds. On the Delivery Date the net proceeds of the sale of the Bonds (consisting of the par amount of the Bonds, plus net original issue premium of \$ _____, less Underwriter's Discount of \$ _____, and less moneys wired to the Insurer for the Policy and the Reserve Policy in the amount of \$ _____) shall be paid to the

Trustee and said amount together with moneys transferred from the Funds and Accounts held in connection with the Refunded Bonds shall be applied as follows:

(i) The Trustee shall transfer the amount of \$ _____ (consisting of \$ _____ from Bond proceeds and \$ _____ from amounts transferred from funds held in connection with the 2002 Authority Bonds) to the 2002 Escrow Bank for deposit pursuant to the 2002 Escrow Agreement;

(ii) Trustee shall transfer the amount of \$ _____ (consisting of \$ _____ from Bond proceeds and \$ _____ from amounts transferred from funds held in connection with the 2004A Authority Bonds) to the 2004A Escrow Bank for deposit pursuant to the 2004A Escrow Agreement; and

(iii) The Trustee shall deposit the amount of \$ _____ from Bond proceeds into the Costs of Issuance Fund.

The Trustee may establish a temporary fund or account in its records to facilitate and record such deposits and transfers.

The Reserve Policy shall be held by the Trustee in the Bonds Reserve Account in satisfaction of the Reserve Requirement.

Moneys held under the 2002 Escrow Agreement and the 2004A Escrow Agreement pursuant to Section 3.2 hereof shall be held by the 2002 Escrow Bank and 2004A Escrow Bank, respectively, and used to pay the principal of and interest on the 2002 Authority Bonds and the 2004A Authority Bonds, respectively, in accordance therewith.

Section 3.3 Costs of Issuance Fund. There is hereby established a separate fund to be known as the "Costs of Issuance Fund," which shall be held by the Trustee in trust. The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said Fund. On the date that is three (3) months following the Delivery Date, or upon the earlier Written Request of the Successor Agency, all amounts (if any) remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Debt Service Fund and the Trustee shall close the Costs of Issuance Fund.

Section 3.4 Issuance of Parity Bonds. In addition to the Bonds, subject to the requirements of this Indenture, the Successor Agency may issue or incur Parity Bonds in such principal amount as shall be determined by the Successor Agency, pursuant to a separate or Supplemental Indenture adopted or entered into by the Successor Agency and Trustee and for such purposes as are permitted under the Dissolution Act, including without limitation Section 34177.5 thereof. The Successor Agency may issue or incur such Parity Bonds subject to the following specific conditions precedent:

(a) The Successor Agency will be in compliance with all covenants set forth in this Indenture;

(b) The Oversight Board shall have approved the issuance of Parity Bonds;

(c) The Parity Bonds will be on such terms and conditions as may be set forth in a separate or Supplemental Indenture, which will provide for (i) bonds substantially in accordance with this Indenture, and (ii) the deposit of moneys into the Reserve Account in an amount sufficient, together with the balance of the Reserve Account, to equal the Reserve Requirement on all Bonds expected to be outstanding including the Parity Bonds;

(d) Receipt of a certificate or opinion of an Independent Financial Consultant stating:

(i) For the current and each future Bond Year the debt service for each such Bond Year with respect to all Bonds and other Parity Bonds reasonably expected to be outstanding following the issuance of the Parity Bonds;

(ii) For the then current Fiscal Year, the Pledged Tax Revenues to be received by the Successor Agency based upon the most recently certified assessed valuation of taxable property in the Project Area provided by the appropriate officer of the County;

(iii) For each future Fiscal Year, the Pledged Tax Revenues referred to in item (ii) together with (a) the amount determined in accordance with Section 51(a) of the California Revenue and Taxation Code and (b) the amount of Pledged Tax Revenues to be payable with respect to construction completed but not yet on the tax rolls, and taking into account the expiration of the time to receive Pledged Tax Revenues with respect to any portion of the Project Area and any amounts to be paid pursuant to the Pass Through Agreements and the Statutory Pass-Through Amounts; and

(iv) That for the then current Fiscal Year, the Pledged Tax Revenues referred to in item (ii) and for each future Fiscal Year the Pledged Tax Revenues referred to in item (iii) are at least equal to the sum of 125% of the Maximum Annual Debt Service with respect to amounts referred to in item (i) above (excluding debt service with respect to any portion of the Parity Bonds deposited in an escrowed proceeds account to the extent such debt service is paid from earnings on the investment of such funds), and, for the then current Fiscal Year, 100% of Annual Debt Service with respect to any subordinate debt and that the Successor Agency is entitled under the Dissolution Act, the Law and the Redevelopment Plan to receive taxes under Section 33670 of the Law in an amount sufficient to meet expected debt service with respect to all Bonds and other Parity Bonds.

(e) The Parity Bonds will mature on and interest will be payable on the same dates as the Bonds (except the first interest payment may be from the date of the Parity Bonds until the next succeeding March 15 or September 15) provided, however, nothing herein shall preclude the Successor Agency from issuing and selling Parity Bonds which do not pay current interest.

Section 3.5 Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the Redevelopment Project or upon the performance by any person of his obligation with respect to the Redevelopment Project.

ARTICLE IV

SECURITY OF BONDS; FLOW OF FUNDS

Section 4.1 Security of Bonds; Equal Security. Except as provided in Sections 4.2 and 6.6, the Bonds, the 2004B Loan Obligation and any additional Parity Bonds shall be equally secured by a pledge and lien on all of the Pledged Tax Revenues and on all of the moneys in the Redevelopment Obligation Retirement Fund and the Debt Service Fund (including the Interest Account, the Principal Account, the Reserve Account and the Redemption Account therein) without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Pledged Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

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

Section 4.2 Redevelopment Obligation Retirement Fund, Debt Service Fund, Deposit of Pledged Tax Revenues. There has been established a special trust fund known as the "Redevelopment Obligation Retirement Fund," which shall be held by the Successor Agency pursuant to Section 34170.5 of the Dissolution Act. There is hereby continued a special trust fund known as the "Debt Service Fund" and the accounts therein referred to below which shall be held by the Trustee in accordance with this Indenture. The Successor Agency shall deposit all of the Pledged Tax Revenues received in any Bond Year in the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency, and promptly thereafter shall transfer amounts therein to the Trustee for deposit in the Debt Service Fund established and held under this Indenture until such time that the aggregate amounts on deposit in such Debt Service Fund equal the aggregate amounts required to be deposited into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to Section 4.3 of this Indenture and for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in any Supplemental Indenture.

Section 4.3 Transfer of Amounts by the Trustee. There are hereby created accounts within the Debt Service Fund as set forth below, to be known respectively as the Bonds Interest Account, the Bonds Principal Account, the Bonds Reserve Account and the Bonds Redemption Account. Moneys in the Debt Service Fund will be transferred by the Trustee in the following amounts at the following times, for deposit in the following respective accounts within the Debt Service Fund, which are hereby established with the Trustee, in the following order of priority:

(a) Bonds Interest Account. On or before the 5th Business Day preceding each Interest Payment Date, the Trustee will withdraw from the Debt Service Fund and transfer to the Bonds Interest Account an amount which, when added to the amount contained in the Bonds Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable

on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Bonds 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 Outstanding Bonds. Subject to this Indenture, all moneys in the Bonds Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to this Indenture).

(b) Bonds Principal Account. On or before the 5th Business Day preceding each Principal Payment Date in each calendar year beginning September 15, 2015, the Trustee will withdraw from the Debt Service Fund and transfer to the Bonds Principal Account an amount equal to the principal or sinking account payments becoming due and payable on Outstanding Bonds on such September 15, to the extent monies on deposit in the Redevelopment Obligation Retirement Fund are available therefor. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal and sinking account payments to become due on such September 15 on all Outstanding Bonds. Subject to this Indenture, all moneys in the Bonds Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal and sinking account payments of the Bonds as it becomes due and payable.

(c) Bonds Reserve Account. In the event the moneys on deposit in the Debt Service Fund five (5) Business Days before any Interest Payment Date are less than the full amount of the interest and principal and sinking account payments required to be deposited, the Trustee will, five (5) Business Days before such Interest Payment Date, withdraw from the Bonds Reserve Account an amount equal to any such deficiency and will notify the Successor Agency of any such withdrawal. Promptly upon receipt of any such notice, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Reserve Account an amount that will be sufficient to maintain the Reserve Requirement on deposit in the Bonds Reserve Account and the Reserve Account of any additional Parity Bonds. If there is not sufficient moneys in the Redevelopment Obligation Retirement Fund to transfer an amount, which will be sufficient to maintain the Reserve Requirement on deposit in the Bonds Reserve Account and the Reserve Account for any additional Parity Bonds, the Successor Agency will have an obligation to continue making transfers of Pledged Tax Revenues into the Debt Service Fund, as such revenues become available, and thereafter, as moneys become available in the Debt Service Fund, the Trustee will make transfers to the Reserve Account and the Reserve Account for any additional Parity Bonds until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Bonds Reserve Account and the Reserve Account for any additional Parity Bonds. No such transfer and deposit need be made to the Bonds Reserve Account (or any subaccount therein) so long as there is on deposit therein a sum at least equal to the Reserve Requirement. Subject to this Indenture all money in the Bonds Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Bonds Interest Account and the Bonds Principal Account (and subaccounts therein, as the case may be), in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Successor Agency is not in default hereunder, any amount in the Bonds Reserve Account in excess of the Reserve Requirement will be withdrawn from the Bonds Reserve Account semiannually on or before the 5th Business Day preceding March 15 and September 15 by the Trustee and deposited in the Bonds Interest Account. All amounts in the Bonds Reserve Account on the 5th Business Day preceding the final Interest Payment Date will be withdrawn from the Reserve Account and will be transferred either (i) to the Bonds Interest Account and the Bonds Principal Account, in such order, to the extent required to make the deposits then required to be made or, (ii) if the Successor Agency shall have caused to be deposited with the Trustee an amount sufficient to

make the deposits required by this Indenture, then at the Written Request of the Successor Agency such amount shall be transferred as directed by the Successor Agency.

When no Bonds remain Outstanding, amounts on deposit in the Bonds Reserve Account shall be transferred to any Parity Bonds Reserve Account to the extent necessary to maintain the Reserve Requirement on any Parity Bonds then outstanding.

The prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument, besides the Reserve Policy, provided in lieu of a cash deposit into the Bonds Reserve Account. Notwithstanding anything herein to the contrary, amounts on deposit in the Bonds Reserve Account shall be applied solely to the payment of debt service due on the Bonds.

Notwithstanding the foregoing, the following terms shall govern the Bonds Reserve Account so long as the Reserve Policy is deposited therein:

(1) The Successor Agency shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Insurer and shall pay interest thereon from the date of payment by the Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of: (x) the greater of: (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (the "Prime Rate") (any change in such Prime Rate to be effective on the date that such change is announced by JPMorgan Chase Bank) plus 3%; and (ii) the then applicable highest rate of interest with respect to the Certificates; and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that JPMorgan Chase Bank ceases to announce its Prime Rate publicly, the Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Insurer shall specify. If the interest provisions of this section shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Insurer, with the same force and effect as if the Successor Agency had specifically designated such extra sums to be so applied and the Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

(2) Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to one-twelfth (1/12th) of the aggregate of Policy Costs related to such draw.

(3) Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy. The obligation

to pay Policy Costs shall be secured by a valid lien on all Pledged Tax Revenues (subject only to the priority of payment provisions set forth hereunder).

(4) All cash and investments in the Bonds Reserve Account, if any, shall be transferred to the Debt Service Fund for payment of principal of and interest on the Bonds before any drawing may be made on the Reserve Policy or any other credit facility, surety bond (other than the Reserve Policy), municipal bond insurance policy, unconditional irrevocable letter of credit or any other security device, in each case issued by providers whose long term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, is rated, at the time such security device is issued, "AA" or better by S&P credited to the Bonds Reserve Account in lieu of cash (each, a "Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Bonds Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Bonds Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(5) If the Successor Agency shall fail to pay any Policy Costs in accordance with the requirements of this section, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided hereunder, other than: (i) acceleration of the maturity of the Bonds; or (ii) remedies which would adversely affect Owners of the Bonds.

(6) The Indenture shall not be discharged until all Policy Costs owing to the Insurer shall have been paid in full. The Successor Agency's obligation to pay such amounts shall expressly survive payment in full of the Bonds.

(7) The Successor Agency shall include any Policy Costs then due and owing the Insurer in the calculation of the additional bonds test and the rate covenant in this Indenture.

(8) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of this section and provide notice to the Insurer in accordance with the terms of the Reserve Policy at least five (5) Business Days prior to each date upon which interest or principal is due on the Bonds. Where deposits are required to be made by the Successor Agency with the Trustee to the Debt Service Fund more often than semiannually, the Trustee shall be instructed to give notice to the Insurer of any failure of the Successor Agency to make timely payment in full of such deposits within two (2) Business Days of the date due.

(d) Bonds Redemption Account. On or before the 5th Business Day preceding any date on which Bonds are to be redeemed, the Trustee shall transfer from the Debt Service Fund for deposit in the Bonds Redemption Account an amount required to pay the principal of, interest and premium, if any, on the Bonds (other than Bonds redeemed from sinking account payments) to be redeemed on such date. Subject to this Indenture, all moneys in the Bonds Redemption Account will

be used and withdrawn by the Trustee solely for the purpose of paying the principal of, interest and premium, if any, on the Bonds to be redeemed on the date set for such redemption.

Section 4.4 Rebate Fund. The Trustee shall establish the Rebate Fund and the Successor Agency shall comply with the requirements below. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section and the applicable Tax Certificate, unless the Successor Agency obtains an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes if such requirements are not satisfied.

(a) Excess Investment Earnings

(i) Computation. Within 55 days of the end of each fifth Computation Year with respect to the Bonds, the Successor Agency shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exception of Section 148(f)(4)(B) and the construction expenditure exception of Section 148(f)(4)(C) of the Code), for this purpose treating the last day of the applicable Computation Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”). The Successor Agency shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Transfer. Within 55 days of the end of each fifth Computation Year with respect to the Bonds, upon the Finance Officer’s written direction, an amount shall be deposited to the Rebate Fund by the Trustee from any legally available funds, including the other funds and accounts established herein, so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this Section 4.4(a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written instructions from the Finance Officer, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Debt Service Fund.

(iii) Payment to the Treasury. The Successor Agency shall direct the Trustee in writing to pay to the United States Treasury, out of amounts in the Rebate Fund.

(X) Not later than 60 days after the end of (A) the fifth Computation Year with respect to the Bonds, and (B) each applicable fifth Computation Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Computation Year; and

(Y) Not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Computation Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Successor Agency shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source, including the other funds and accounts established herein, equal to such deficiency in the Rebate Fund prior to the time such payment is due. Each payment required to be made pursuant to this Subsection 4.4(a)(iii) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T prepared by the Successor Agency, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Bonds and the payments described in Section 4.4(a)(iii), shall be transferred by the Trustee to the Successor Agency at the written direction of the Successor Agency and utilized in any manner by the Successor Agency.

(c) Survival of Defeasance. Notwithstanding anything in this Section 4.4 or this Indenture to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of the Bonds and any Parity Bonds.

(d) Trustee Responsible. The Trustee shall have no obligations or responsibilities under this Section other than to follow the written directions of the Successor Agency. The Trustee shall have no responsibility to make any calculations of rebate or to independently review or verify such calculations.

Section 4.5 Claims upon the Insurance Policy. If, on the third Business Day prior to an Interest Payment Date there is not on deposit with the Trustee, after making all transfers and deposits required hereunder, moneys sufficient to pay the principal of and interest on the Insured Bonds due on such Interest Payment Date, the Trustee shall give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Interest Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Insured Bonds due on such Interest Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Bonds and the amount required to pay principal of the Insured Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Trustee shall designate any portion of payment of principal of the Insured Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Bonds registered to the then current Bondowner, whether DTC or its Nominee or otherwise, and shall issue a replacement Insured Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Bond shall have no effect on the amount of principal or interest payable by the Successor Agency with respect to any Insured Bond or the subrogation rights of the Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (as such term is defined below) and the allocation of such funds to payment of interest on and principal of any Insured Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Bondowners referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Bondowners and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Bondowners in the same manner as principal and interest payments are to be made on the Bonds under this Indenture. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Successor Agency agrees to pay to the Insurer: (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the "Bond Insurer Advances"); and (ii) interest on such Bond Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate (as such term is defined below) per annum (collectively, the "Bond Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of: (a) the greater of: (1) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%; and (2) the then applicable highest rate of interest on the Insured Bonds; and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Successor Agency hereby covenants and agrees that the Bond Insurer Reimbursement Amounts are secured by a lien on and pledge of the Pledged Tax Revenues and payable from such Pledged Tax Revenues on a parity with debt service due on the Insured Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the Insurer.

The Insurer shall, to the extent that it makes any payment of principal of or interest on the Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the Successor Agency to the Insurer hereunder shall survive the discharge or termination thereof.

The Successor Agency shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with: (i) the administration, enforcement, defense or preservation of any rights or security herein; (ii) the pursuit of any remedies hereunder or otherwise afforded by law or equity; (iii) any amendment, waiver or other action with respect to, or related to, this Indenture whether or not executed or completed; or (iv) any litigation or other dispute in connection herewith or the transactions contemplated hereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect hereof.

The Insurer shall be entitled to pay principal of or interest on the Insured Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Successor Agency (as such terms are defined in the Insurance Policy), whether or not the Insurer has received a Notice of Nonpayment (as such term is defined in the Insurance Policy) or a claim upon the Insurance Policy.

ARTICLE V

OTHER COVENANTS OF THE SUCCESSOR AGENCY

Section 5.1 Covenants of the Successor Agency. As long as the Bonds are outstanding and unpaid, the Successor Agency shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in this Indenture or in any Bond issued hereunder, including the following covenants and agreements for the benefit of the Bondowners which are necessary, convenient and desirable to secure the Bonds and will tend to make them more marketable; provided, however, that the covenants do not require the Successor Agency to expend any funds other than the Pledged Tax Revenues:

Covenant 1. Use of Proceeds; Management and Operation of Properties. The Successor Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in this Indenture and that it will manage and operate all properties owned by it comprising any part of the Project Area in a sound and businesslike manner.

Covenant 2. No Priority. The Successor Agency covenants and agrees that it will not issue any obligations payable, either as to principal or interest, from the Pledged Tax Revenues which have any lien upon the Pledged Tax Revenues prior or superior to the lien of the Bonds. Except as permitted by Section 3.4 hereof, it will not issue any obligations, payable as to principal or interest, from the Pledged Tax Revenues, which have any lien upon the Pledged Tax Revenues on a parity with the Bonds authorized herein. Notwithstanding the foregoing, nothing in this Indenture shall prevent the Successor Agency (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful lien upon the Pledged Tax Revenues, if such refunding obligations are issued for the purpose of, and are sufficient for the purpose of, refunding all or a portion of the Outstanding Bonds and Parity Bonds, (ii) from issuing and selling obligations which have, or purport to have, any lien upon the Pledged Tax Revenues which is junior to the Bonds or (iii) from issuing and selling bonds or other obligations which are payable in whole or in part from sources other than the Pledged Tax Revenues. As used herein "obligations" includes, without limitation, bonds, notes, interim certificates, debentures or other obligations.

Covenant 3. Punctual Payment. The Successor Agency covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds on the date, at the place and in the manner provided in the Bonds. Further, it will take all actions required under the Dissolution Act to include on the Recognized Obligation Payment Schedules for each six-month period all payments to the Trustee to satisfy the requirements of Section 4.2 of this Indenture, including any amounts required under the Indenture to replenish the Reserve Account of the Debt Service Fund to full amount of the Reserve Requirement.

Covenant 4. Payment of Taxes and Other Charges. The Successor Agency covenants and agrees that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Successor Agency or any of the properties then owned by it in the

Project Area, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of the properties, revenues or income or which might impair the security of the Bonds or the use of Pledged Tax Revenues or other legally available funds to pay the principal of and interest on the Bonds, all to the end that the priority and security of the Bonds shall be preserved; provided, however, that nothing in this covenant shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of the payment.

Covenant 5. Books and Accounts; Financial Statements. The Successor Agency covenants and agrees that it will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Redevelopment Project and the Pledged Tax Revenues and other funds relating to the Project Area. The Successor Agency will prepare within one hundred eighty (180) days after the close of each of its Fiscal Years a postaudit of the financial transactions and records of the Successor Agency for the Fiscal Year to be made by an Independent Certified Public Accountant appointed by the Successor Agency, and will furnish a copy of the postaudit to the Trustee and any rating agency which maintains a rating on the Bonds, and, upon written request, to any Bondowner. The Trustee shall have no duty to review such postaudits.

Covenant 6. Eminent Domain Proceeds. The Successor Agency covenants and agrees that if all or any part of the Redevelopment Project Area should be taken from it without its consent, by eminent domain proceedings or other proceedings authorized by law, for any public or other use under which the property will be tax exempt, it shall take all steps necessary to adjust accordingly the base year property tax roll of the Project Area.

Covenant 7. Disposition of Property. The Successor Agency covenants and agrees that it will not dispose of more than ten percent (10%) of the land area in the Project Area (except property shown in the Redevelopment Plan in effect on the date this Indenture is adopted as planned for public use, or property to be used for public streets, public offstreet parking, sewage facilities, parks, easements or right-of-way for public utilities, or other similar uses) to public bodies or other persons or entities whose property is tax exempt, unless such disposition will not result in Pledged Tax Revenues to be less than the amount required for the issuance of Parity Bonds as provided in Section 3.4, based upon the certificate or opinion of an Independent Financial Consultant appointed by the Successor Agency.

Covenant 8. Protection of Security and Rights of Bondowners. The Successor Agency covenants and agrees to preserve and protect the security of the Bonds and the rights of the Bondowners and to contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the Successor Agency that (i) the Law (except as modified by the Dissolution Act) is unconstitutional or (ii) that the Pledged Tax Revenues pledged under this Indenture cannot be paid to the Successor Agency for the debt service on the Bonds or (b) any other action affecting the validity of the Bonds or diluting the security therefor, including, with respect to the Pledged Tax Revenues, the senior lien position of the Bonds to the Pass-Through Agreements.

Covenant 9. Tax Covenants. The Successor Agency covenants and agrees to contest by court action or otherwise any assertion by the United States of America or any departments or agency thereof that the interest received by the Bondowners is includable in gross income of the recipient under federal income tax laws on the date of issuance of the Bonds. Notwithstanding any other

provision of this Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest with respect to the Bonds will not be adversely affected for federal income tax purposes, the Successor Agency covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(1) Private Activity. The Successor Agency will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or Parity Bonds or of any other monies or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(2) Arbitrage. The Successor Agency will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds or Parity Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(3) Federal Guaranty. The Successor Agency will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(4) Information Reporting. The Successor Agency will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(5) Hedge Bonds. The Successor Agency will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either any Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Successor Agency takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes; and

(6) Miscellaneous. The Successor Agency will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the Successor Agency in connection with each issuance of Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Covenant 10. Compliance with Dissolution Act. The Successor Agency covenants that it will comply with the requirements of the Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Successor Agency with its covenants hereunder. The Successor Agency covenants that in accordance with the Dissolution Act it will petition the DOF for a written confirmation that its determinations with respect to the Bonds are final and conclusive.

Covenant 11. Limitation on Indebtedness. The Successor Agency covenants and agrees that it has not and will not incur any loans, obligations or indebtedness repayable from Pledged Tax Revenues such that the total aggregate debt service on said loans, obligations or indebtedness

incurred from and after the date of adoption of the Redevelopment Plan, when added to the total aggregate debt service on the Bonds, will exceed the maximum amount of Pledged Tax Revenues to be divided and allocated to the Successor Agency pursuant to the Redevelopment Plan. The Successor Agency shall file annually with the Trustee on or prior to September 1 of each year a Written Certificate of the Successor Agency certifying that Pledged Tax Revenues received by the Successor Agency through the date of the certificate combined with the amount remaining to be paid on all outstanding obligations of the Successor Agency will not exceed the Plan Limit. To the extent it does, all Pledged Tax Revenues will be deposited in an escrow account and applied to the payment of such outstanding obligations.

Covenant 12. Further Assurances. The Successor Agency covenants and agrees to adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Indenture.

Covenant 13. Continuing Disclosure. The Successor Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the Successor Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default (as defined in Article VIII); however, any participating underwriter, holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Covenant 14. Insurer's Rights. Anything herein to the contrary notwithstanding, so long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, upon the occurrence and continuance of an Event of Default, the Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured Bonds are entitled to take pursuant hereto pertaining to: (a) defaults and remedies; and (b) the duties and obligations of the Trustee. In furtherance thereof and as a term of this Indenture and each Bond, the Trustee and each Bondholder appoint the Insurer as their agent and attorney-in-fact and agree that the Insurer may at any time during the continuation of any proceeding by or against the Successor Agency under the United State Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Bondholder delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Bondholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

So long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, the Trustee may not waive any Event of Default without the Insurer's prior written consent.

ARTICLE VI

THE TRUSTEE

Section 6.1 Duties, Immunities and Liabilities of Trustee.

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

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

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

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

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

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

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

(g) Before taking any action under Article VIII or this Section 6.1 at the request or direction of the Owners, the Trustee may require that an indemnity bond satisfactory to the Trustee be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or its willful misconduct in connection with any action so taken.

Section 6.2 Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under subsection (e) of Section 6.1, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 6.3 Liability of Trustee.

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

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

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

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

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at its Trust Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee pursuant to Section 5.1 and may rely conclusively on the certificates accompanying such financial statements to establish the Successor Agency's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Pledged Tax Revenues into the Redevelopment Obligation Retirement Fund and the investment and application of moneys on deposit in the Redevelopment Obligation Retirement Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

(f) No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder.

(g) The Trustee may execute any of the trust 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.

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

(i) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

Section 6.4 Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties, in the absence of negligence or willful misconduct by the Trustee. The Trustee may consult with counsel, including, without limitation, counsel of or to the Successor Agency, with regard to legal questions, and, in the absence of negligence or willful misconduct by the Trustee, the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

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

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Successor Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Written Certificate, 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 deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant or Independent Redevelopment Consultant appointed by the Successor Agency.

Section 6.5 Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times during regular business hours upon reasonable notice to the inspection of the Successor Agency and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 6.6 Compensation and Indemnification. The Successor Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under this Indenture and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Indenture. Upon the occurrence of an Event of Default, the Trustee shall have a first lien on the Pledged Tax Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in Article VIII hereof.

The Successor Agency further covenants and agree, but only to the extent permitted and limited by law, to indemnify and save the Trustee and its officers, directors, agents and employees, harmless from and against any loss, expense, and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses and those of its attorneys and advisors of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Successor Agency under this section shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

Section 6.7 Investment of Moneys in Funds and Accounts. Subject to the provisions of Article V hereof, all moneys held by the Trustee in the Debt Service Fund, Costs of Issuance Fund, the Redemption Account or the Rebate Fund, shall, at the written direction of the Successor Agency, be invested only in Permitted Investments. If the Trustee receives no written directions from the Successor Agency as to the investment of moneys held in any Fund or Account, the Trustee shall request such written direction from the Successor Agency and, pending receipt of instructions, shall invest such moneys solely in Permitted Investments described in subsection (b)(5) of the definition thereof.

(a) Moneys in the Redevelopment Obligation Retirement Fund shall be invested by the Successor Agency only in obligations permitted by the Law, which will by their terms mature not later than the date the Successor Agency estimates the moneys represented by the particular investment will be needed for withdrawal from the Redevelopment Obligation Retirement Fund.

(b) Moneys in the Interest Account, the Principal Account and the Redemption Account of the Debt Service Fund shall be invested only in obligations, which will by their terms mature on such dates as to ensure that before each interest and principal payment date, there will be in such account, from matured obligations and other moneys already in such account, cash equal to the interest and principal payable on such payment date.

(c) Moneys in the Reserve Account shall be invested in (i) obligations, which will by their terms mature on or before the date of the final maturity of the Bonds or five (5) years from the date of investment, whichever is earlier or (ii) an investment agreement, which permits withdrawals or deposits without penalty at such time as such moneys will be needed or in order to replenish the Reserve Account.

(d) Moneys in the Rebate Fund shall be invested in Defeasance Securities that mature on or before the date such amounts are required to be paid to the United States.

Obligations purchased as an investment of moneys in any of the Funds or Accounts shall be deemed at all times to be a part of such respective Fund or Account and the interest accruing thereon and any gain realized from an investment shall be credited to such Fund or Account and any loss resulting from any authorized investment shall be charged to such Fund or Account without liability to the Trustee. The Successor Agency or the Trustee, as the case may be, shall sell or present for redemption any obligation purchased whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such Fund or Account as required by this Indenture and shall incur no liability for any loss realized upon such a sale. All interest earnings received on any monies invested in the Interest Account, Principal Account, Redemption Account or Reserve Account, to the extent they exceed the amount required to be in such Account, shall be transferred on

each Interest Payment Date to the Debt Service Fund. All interest earnings on monies invested in the Rebate Fund shall be retained in such Fund and applied as set forth in Section 4.4. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 6.7. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 6.7 hereof. The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Successor Agency periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

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

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

Section 6.8 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 accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts held by it established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Successor Agency at reasonable hours and under reasonable circumstances with reasonable prior notice. The Trustee shall furnish to the Successor Agency, at least quarterly, an accounting of all transactions in the form of its regular account statements relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to this Indenture.

Section 6.9 Appointment of Co-Trustee or Agent. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith,

it may be necessary that the Trustee or Successor Agency appoint an additional individual or institution as a separate co-trustee. The following provisions of this Section 6.9 are adopted to these ends.

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

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

In addition to the appointment of a co-trustee hereunder, the Trustee may, at the expense and with the prior written consent of the Successor Agency, appoint any agent of the Trustee in St. Paul, Minnesota, for the purpose of administering the transfers or exchanges of Bonds or for the performance of any other responsibilities of the Trustee hereunder.

ARTICLE VII

MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 7.1 Amendment Without Consent of Owners. This Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, with the prior written consent of the Insurer but without consent of any Owners, to the extent permitted by law for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Successor Agency in this Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any rights or power herein reserved to or conferred upon the Successor Agency; or

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

(c) to provide the issuance of Parity Bonds pursuant to Section 3.4, and to provide the terms and conditions under which such Parity Bonds may be issued, including but not

limited to the establishment of Redevelopment Obligation Retirement Funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 3.4; or

(d) to amend any provision hereof relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any of the Bonds, in the opinion of nationally-recognized bond counsel.

Section 7.2 Amendment With Consent of Owners. Except as set forth in Section 7.1, this Indenture and the rights and obligations of the Successor Agency, the Insurer and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding, upon the prior written consent of the Insurer, when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Section 7.3 Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 7.4 Endorsement or Replacement of Bonds After Amendment. After the effective date of any amendment or modification hereof pursuant to this Article VII, the Successor Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Successor Agency, as to such amendment or modification and in that case upon demand of the Successor Agency, the Owners of such Bonds shall present such Bonds for that purpose at the Trust Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Successor Agency may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and, in that case upon demand of the Successor Agency, the Owners of the Bonds shall present such Bonds for exchange at the Trust Office of the Trustee, without cost to such Owners.

Section 7.5 Amendment by Mutual Consent. The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

Section 7.6 Opinion of Counsel. The Trustee shall be provided an opinion of counsel that any such Amendment or Supplemental Indenture entered into by the Successor Agency and the Trustee complies with the provisions of this Article VII and the Trustee may conclusively rely upon such opinion.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 8.1 Events of Default and Acceleration of Maturities. The following events shall constitute "Events of Default" hereunder:

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

(b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of 30 days following receipt by the Successor Agency of written notice from the Trustee or any Owner of the occurrence of such default; or

(c) if the Successor Agency shall commence a voluntary action under Title 11 of the United States Code or any substitute or successor statute.

If an Event of Default has occurred and is continuing, the Trustee may, or if requested in writing by the Owners of the majority in aggregate principal amount of the Bonds then Outstanding, the Trustee shall, by written notice to the Successor Agency, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, and (b) upon receipt of indemnity to its satisfaction exercise any other remedies available to the Trustee and the Owners in law or at equity.

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

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the net effective rate then borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, including but not limited to attorneys' fees, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such

declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Upon the occurrence of an event of default, the Trustee may, upon the prior written consent of the Insurer, with the consent of a majority of the Holders, by written notice to the Successor Agency, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture in the Bonds to the contrary notwithstanding. Notwithstanding the foregoing, in the event the principal of the Insured Bonds is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Insurer) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer's obligations under the Insurance Policy with respect to such Insured Bonds shall be fully discharged.

Section 8.2 Application of Funds Upon Acceleration. All of the Pledged Tax Revenues and all sums in the funds and accounts established and held by the Trustee hereunder upon the date of the declaration of acceleration as provided in Section 8.1, 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 fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in this Article VIII, including reasonable compensation to its agents, attorneys and counsel including all sums owed the Trustee pursuant to Section 6.6 herein; and

Second, 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 net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest or any Bond over any other Bond.

Section 8.3 Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action;

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

Section 8.4 Limitation on Owner's Right to Sue. No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

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

Section 8.5 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 Successor Agency, which is absolute and unconditional, to pay from the Pledged Tax Revenues and other amounts pledged hereunder, the principal of and interest and redemption premium (if any) on the Bonds to the respective Owners on the respective Interest Payment Dates, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Dissolution Act 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.

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

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

Section 8.6 Actions by Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds or Parity Bonds, as applicable, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, provided the Trustee shall have no duty or obligation to enforce any such right or remedy if it has not been indemnified to its satisfaction from loss, liability or any expense including, but not limited to reasonable fees and expenses of its attorneys.

Section 8.7 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Benefits Limited to Parties. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Successor Agency, the Trustee, and the registered Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Successor Agency shall be for the sole and exclusive benefit of the Successor Agency, the Trustee, and the registered Owners of the Bonds.

Section 9.2 Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture either the Successor Agency or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Successor Agency or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.3 Discharge of Indenture. If the Successor Agency shall pay and discharge the entire indebtedness on all Bonds or any portion thereof in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on all Outstanding Bonds, including all principal, interest and redemption premiums, (if any), or;

(ii) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and

accounts established pursuant to this Indenture, is fully sufficient to pay all Outstanding Bonds, including all principal, interest and redemption premiums (if any), or,

(iii) by irrevocably depositing with the Trustee, in trust, Defeasance Securities in such amount as an Independent Certified Public Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums, if any) at or before maturity, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given pursuant to Section 2.3(d) or provision satisfactory to the Trustee shall have been made for the giving of such notice then, at the election of the Successor Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Pledged Tax Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the Successor Agency under this Indenture with respect to all Outstanding Bonds shall cease and terminate, except only (a) the obligation of the Trustee to transfer and exchange Bonds hereunder and (b) the obligation of the Successor Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees, expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee. Any funds thereafter held by the Trustee, which are not required for said purpose, shall be paid over to the Successor Agency.

In the event of a refunding, the Successor Agency shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the Bonds in full, and (ii) an opinion of nationally recognized Bond Counsel to the effect that the Bonds are no longer "Outstanding" under this Indenture, each of which shall be addressed to the Successor Agency and the Trustee.

In addition, so long as the Insurance Policy in is full force and effect and the Insurer has not defaulted on its obligations thereunder, the Successor Agency shall deliver to the Insurer the items set forth in (i) and (ii) of the preceding paragraph as applicable to the Insured Bonds, both of which shall be acceptable in form and substance to the Insurer, along with (iii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer) and (iv) a certificate of discharge of the Trustee with respect to the Insured Bonds. The Insurer shall receive drafts of these documents at least three Business Days prior to the funding of the escrow for the refunding.

Section 9.4 Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

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

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

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

Section 9.5 Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Successor Agency or the City (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded.

Section 9.6 Waiver of Personal Liability. No member, office, agent or employee of the Successor Agency shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.7 Destruction of Canceled Bonds. Whenever in this Indenture provision is made for the surrender to the Trustee of any Bonds which have been paid or canceled pursuant to the provisions of this Indenture, the Trustee shall destroy such Bonds and upon written request of the Successor Agency, provide the Successor Agency a certificate of destruction. The Successor Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

Section 9.8 Notices. Any notice, request, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by first class mail, postage prepaid, or sent by telegram or facsimile, addressed as follows:

If to the Successor Agency: Successor Agency to the Oroville Redevelopment
Agency
1735 Montgomery Street
Oroville, CA 95965
Attention: City Manager

If to the Trustee: _____

Attention: Global Corporate Trust Services

If to the Insurer:

In each case in which notice or other communication to the Insurer refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the Insurer's General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

Section 9.9 Partial Invalidity. If any section, paragraph, sentence, clause or phrase of this Indenture shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The Successor Agency 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, pending appointment of a successor Trustee in accordance with the provisions of Section 6.1 hereof, be assumed by and vest in the Finance Officer of the Successor Agency in trust for the benefit of the Owners that the Finance Officer 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 Bondowners, pending appointment of a successor Trustee in accordance with the provisions of Section 6.1 hereof.

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

Section 9.11 Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.12 Governing Law. This Indenture shall be construed and governed in accordance with the Laws of the State.

Section 9.13 Payments Due on Other Than a Business Day. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment, with no interest accruing for the period from and after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided therefore in this Indenture.

Section 9.14 Insurer as Third Party Beneficiary. So long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, the Trustee may not waive any Event of Default without the Insurer's written consent.

The rights granted to the Insurer hereunder to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondowners, and such action

does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Bondowners or any other person is required in addition to the consent of the Insurer.

So long as the Insurance Policy is in full force and effect and the Insurer has not defaulted on its obligations thereunder, the Insurer shall be provided with the following information by the Successor Agency or the Trustee, as the case may be:

(i) Annual audited financial statements within 180 days after the end of the Successor Agency's Fiscal Year (together with a certification of the Successor Agency that it is not aware of any default or Event of Default hereunder), and the Successor Agency's annual budget, if any, within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(ii) Notice of any draw upon amounts in the Reserve Account within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement and (ii) withdrawals in connection with a refunding of the Insured Bonds;

(iii) Notice of any default known to the Trustee, or the Successor Agency within five (5) Business Days after knowledge thereof;

(iv) Prior notice of the advance refunding or prepayment of any of the Insured Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the Successor Agency commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of or interest on the Insured Bonds;

(viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver hereto; and

(ix) All reports, notices and correspondence to be delivered to Bondowners under the terms hereof.

In addition, so long as the Insurance Policy is in full force and effect and the Insurer has not defaulted on its obligations thereunder:

(1) the Insurer shall have the right to receive such additional information as it may reasonably request;

(2) the Successor Agency will permit the Insurer to discuss the affairs, finances and accounts of the Successor Agency or any information that the Insurer may reasonably request regarding the security for the Insured Bonds with appropriate officers of the Successor Agency and will use commercially reasonable efforts to enable the Insurer to have access to the

facilities, books and records of the Successor Agency on any Business Day upon reasonable prior notice;

(3) the Trustee shall notify the Insurer of any failure of the Successor Agency to provide notices, certificates and other information hereunder;

(4) in determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, hereunder would adversely affect the security for the Insured Bonds or the rights of the Bondowners, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy;

(5) no contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Insured Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer; and

(6) No issuance or delivery of Additional Parity Bonds may occur (i) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (ii) unless the Reserve Account is fully funded at the Reserve Requirement (including the proposed issue) upon the issuance or delivery of such Additional Parity Bonds, in either case unless otherwise permitted by the Insurer.

IN WITNESS WHEREOF, the SUCCESSOR AGENCY TO THE OROVILLE REDEVELOPMENT AGENCY, has caused this Indenture to be signed in its name by its Chairman and attested by its Secretary, and _____, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer hereunto duly authorized, all as of the day and year first above written.

SUCCESSOR AGENCY TO THE OROVILLE
REDEVELOPMENT AGENCY

By: _____
Its: Chairman

ATTEST:

By: _____
Secretary

as Trustee

By: _____
Its: Authorized Officer

EXHIBIT A
(FORM OF BOND)

No. R-__

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
(COUNTY OF BUTTE)

SUCCESSOR AGENCY TO THE OROVILLE REDEVELOPMENT AGENCY
OROVILLE REDEVELOPMENT PROJECT NO. 1
TAX ALLOCATION REFUNDING BONDS, SERIES 2015

Interest Rate	Maturity Date	Dated Date	CUSIP
_____%	_____ 1, 20__	March __, 2015	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: _____ DOLLARS

The SUCCESSOR AGENCY TO THE OROVILLE REDEVELOPMENT AGENCY, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California (the "Successor Agency"), 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 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 calendar day of the month preceding such interest payment date (a "Record Date"), in which event it shall bear interest from such interest payment date, or (iii) this Bond is authenticated on or before September 1, 2015, in which event it shall bear interest from the Dated Date stated 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 March 15 and September 15 in each year (each an "interest payment date"), commencing September 15, 2015, calculated on the basis of a 360-day year composed of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender of this Bond at the corporate trust office of _____, as trustee (the "Trustee"). Interest hereon (including the final interest payment upon maturity or earlier redemption) is payable by check of the Trustee mailed on the interest payment date by first class mail to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books maintained by the Trustee at the close of business on the Record Date next preceding such interest

payment date; provided, however, that upon the written request of any Registered Owner of at least \$1,000,000 in principal amount of Bonds received by the Trustee at least fifteen (15) days prior to such Record Date, payment shall be made by wire transfer in immediately available funds to an account in the United States designated by such Owner.

This Bond is one of a duly authorized issue of Bonds of the Successor Agency designated as “Successor Agency to the Oroville Redevelopment Agency, Oroville Redevelopment Project No. 1, Tax Allocation Refunding Bonds, Series 2015” (the “Bonds”), in an aggregate principal amount of _____ Dollars (_____), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, maturities, interest rates or redemption and other provisions) and all issued pursuant to the provisions of the Refunding Bond Act, being Article II (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Act”), and pursuant to a resolution of the Successor Agency adopted December 16, 2014, a resolution of the Successor Agency adopted on _____, 2015, and a resolution adopted by the Oversight Board on December 17, 2015, and an Indenture of Trust, dated as of March 1, 2015, entered into by and between the Successor Agency and the Trustee (the “Indenture”), authorizing the issuance of the Bonds. Additional bonds, notes or other obligations may be issued on a parity with the Bonds, but only subject to the terms of the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Successor Agency) 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 Pledged Tax Revenues, as that term is defined in the 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 Successor Agency thereunder, to all of the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Successor Agency to refund loan obligation of the Redevelopment Agency of the City of Oroville (the “Prior Agency”) under the 2002 Loan Agreement by and between the Oroville Public Financing Authority and the Prior Agency and the loan obligation of the Prior Agency under the 2004A Loan Agreement by and between the Oroville Public Financing Authority and the Prior Agency.

The Bonds are special obligations of the Successor Agency and are payable from, and are secured by a pledge of and lien on the Pledged Tax Revenues derived by the Successor Agency from the Project Area (as that term is defined in the Indenture) on a parity with the 2004B Loan Obligation, as defined in the Indenture.

There has been created and will be maintained by the Successor Agency the Redevelopment Obligation Retirement Fund (as defined in the Indenture) into which Pledged Tax Revenues shall be deposited and transferred to the Trustee for deposit into the Debt Service Fund (as defined in the Indenture) from which the Trustee shall pay the principal of and the interest and redemption premium, if any, on the Bonds when due. As and to the extent set forth in the Indenture, all such Pledged Tax Revenues are exclusively and irrevocably pledged to and constitute a trust fund for, in accordance with the terms hereof and the provisions of the Indenture and the Law, the security and payment or redemption of, including any premium upon early redemption, and for the security and payment of interest on, the Bonds, any additional bonds, notes or other obligations, authorized by the Indenture to be issued on a parity therewith. In addition, the Bonds (and, if the indenture authorizing any loans, advances or indebtedness issued on a parity with the Bonds shall so provide, any such loan, advance or indebtedness) shall be additionally secured at all times by a first and exclusive

pledge of and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account and the Redemption Account (as such terms are defined in the Indenture). Except for the Pledged Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium, if any, on the Bonds.

The Bonds maturing on and after September 15, 2025 are subject to redemption prior to maturity in whole, or in part in the manner determined by the Successor Agency, at the option of the Successor Agency, on any date on or after September 15, 2024, from any available source of funds, at a redemption price of 100% percent of the principal amount of the Bonds to be redeemed together with accrued interest thereon to the redemption date without premium.

[The Bonds maturing on September 15, _____ are subject to redemption in part by lot on September 15 in each year until maturity, commencing on September 15, _____, from sinking account payments made by the Successor Agency, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the Indenture; provided, however, that if some but not all of the Bonds have been redeemed the total amount of all future sinking account payments shall be reduced by an amount corresponding to the aggregate principal amount of Bonds so redeemed, to be allocated among such sinking account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Successor Agency (notice of which determination shall be given by the Successor Agency to the Trustee).]

As provided in the 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 Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the 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 Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

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

This Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at the corporate trust office of the Trustee, but only in the manner and subject to the limitations provided in the 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 and of the same maturity will be issued to the transferee in exchange herefor.

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

The rights and obligations of the Successor Agency and the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided herein of any Bond without the express written consent of the registered owner of such Bond, reduce the percentage of Bonds required for the written consent to any such amendment or modification or, without its written consent thereto, modify any of the rights or obligations of the Trustee.

This Bond is not a debt of the City of Oroville, the State of California, or any of its political subdivisions (except the Successor Agency), and none of said City, said State, nor any of its political subdivisions (except the Successor Agency) is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than those of the Successor Agency as set forth in the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

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 and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Successor Agency, 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 Indenture.

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

IN WITNESS WHEREOF, the Successor Agency to the Oroville Redevelopment Agency has caused this Bond to be executed in its name and on its behalf with the facsimile signatures of its Executive Director and its Secretary, all as of the Delivery Date.

SUCCESSOR AGENCY TO THE
OROVILLE REDEVELOPMENT AGENCY

By: _____
Executive Director

By: _____
Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

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

Authentication Date: August 20, 2015

as Trustee

By: _____
Authorized Officer

STATEMENT OF INSURANCE

TO COME

LEGAL OPINION

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

Secretary of the Successor Agency to the Oroville
Redevelopment Agency of the City of Oroville

(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 guarantor institution."

EXHIBIT C

AUTHORIZING RESOLUTIONS FOR SUCCESSOR AGENCY AND OVERSIGHT BOARD

**OVERSIGHT BOARD
OROVILLE SUCCESSOR AGENCY
STAFF REPORT**

TO: CHAIRPERSON AND BOARD MEMBERS
FROM: RICK FARLEY, RDA COORDINATOR
RE: REVISED LONG-RANGE PROPERTY MANAGEMENT PLAN
DATE: DECEMBER 17, 2014

SUMMARY

The Oversight Board may consider a Resolution approving the revised Long-Range Property Management Plan, which includes four additional properties, pursuant to Government Code section 34191.5 for the liquidation of non-housing physical property assets of the former Oroville Redevelopment Agency.

DISCUSSION

The Oversight Board reviewed and approved a LRPMP on August 27, 2014 and the plan was submitted to DOF. Since that time, City staff has done additional research into non-housing properties that are owned by the former Redevelopment Agency. One of the added properties was previously thought to be a housing asset and was therefore not included in the August 2014 LRPMP. However, upon further research, the property was not transferred to the Housing Successor Agency despite being included on other housing asset lists. This prompted City staff to conduct further research, which uncovered three additional properties, for a total of four additional properties added to the LRPMP. In addition, DOF has requested minor modifications to the LRPMP table.

Long Range Property Management Plan

The former Oroville Redevelopment Agency ("Agency") is the owner of record on the title for ten properties in Oroville.

As stated in the August 2014 LRPMP:

- Four of these properties (750, 2044, 2060 and 2062 Montgomery Street), are proposed to be sold by the Successor Agency with the proceeds of the sale to be distributed to taxing entities by the Butte County Auditor-Controller in accordance with the Dissolution Act.
- Two properties (035-290-003 and 035-290-039) are vacant land and are to be transferred to the City for retention of the properties for future development. Compensation agreements with the taxing entities will be entered into for these two properties in accordance with the Dissolution Act.

- There are no material changes in the LRPMP to these six properties.

Four additional properties have been added to the revised LRPMP:

- 1330 Downer Street, 1305 Myers Street, Olive Highway Property No. 1, Olive Highway Property No. 2. All four of these properties are vacant lots and are proposed to be sold by the Successor Agency with the proceeds of the sale to be distributed to taxing entities by the Butte County Auditor-Controller in accordance with the Dissolution Act.

FISCAL IMPACT

The cost for the preparation of the LRPMP will come out of the Successor Agency's Administrative Budget Allowance.

RECOMMENDATION

Adopt Resolution No. 08-14 – A RESOLUTION OF THE OVERSIGHT BOARD OF THE CITY OF OROVILLE SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF OROVILLE ADOPTING THE REVISED PROPERTY MANAGEMENT PLAN PURSUANT TO GOVERNMENT CODE SECTION 34191.5.

ATTACHEMENTS

Resolution No. 08-14
LRPMP Property Report
LRPMP Property Inventory Data Worksheet

**OVERSIGHT BOARD
RESOLUTION NO. 08-14**

A RESOLUTION OF THE OVERSIGHT BOARD OF THE CITY OF OROVILLE SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF OROVILLE ADOPTING THE REVISED PROPERTY MANAGEMENT PLAN PURSUANT TO GOVERNMENT CODE SECTION 34191.5.

WHEREAS, the Oversight Board of the Oroville Successor Agency of the former Redevelopment Agency of the City of Oroville ("Oversight Board") has been established to direct the Successor Agency to the Redevelopment Agency of the City of Oroville ("Successor Agency") to take certain actions to wind down the affairs of the Redevelopment Agency in accordance with the Dissolution Act (enacted by Assembly Bills 26 and 1484, as codified in the California Health and Safety Code); and

WHEREAS, among the duties of successor agencies under the Dissolution Act is the preparation of a long-range property management plan that addresses the disposition and use of the real properties of the former redevelopment agency for consideration by a local oversight board and California Department of Finance ("DOF") for purposes of administering the wind-down of financial obligations of the former Redevelopment Agency; and

WHEREAS, the Long-Range Property Management Plan shall be submitted to the Oversight Board and DOF within six months after receiving a Finding of Completion from DOF; and

WHEREAS, the Long-Range Property Management Plan shall include an inventory of all properties in the Community Redevelopment Property Trust Fund ("Trust"), which was established to serve as the repository of the former redevelopment agency's real properties; and

WHEREAS, the Oroville Successor Agency received a Finding of Completion from DOF on May 6, 2014;

WHEREAS, a Long-Range Property Management Plan was approved by the Oversight Board on August 27, 2014, however four additional properties are being added to the revised Plan;

WHEREAS, the revised Long-Range Property Management Plan, attached hereto as Exhibit "A", has been prepared by staff and consultants consistent with the provisions of the Dissolution Act, Health and Safety Code Section 34191.5, and the guidelines made available by DOF; and

WHEREAS, the Successor Agency desires to approve the revised Long-Range Property Management Plan and transmit it to DOF as required.

BE IT HEREBY RESOLVED by the Oversight Board as follows:

1. The Oversight Board to the Successor Agency of the former Redevelopment Agency of the City of Oroville hereby approves and adopts the revised Long-Range Property Management Plan required by HSC Section 34191.5.
2. The Secretary shall attest to the adoption of this resolution.

PASSED AND ADOPTED by the Oversight Board at a meeting on December 17, 2014, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

Gordon Andoe, Chairperson

Randy Murphy, Secretary

LONG-RANGE PROPERTY MANAGEMENT PLAN

Successor Agency to the
Oroville Redevelopment Agency

REVISED December 16, 2014

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INTRODUCTION

Assembly Bill ("AB") 1484, enacted in June of 2012, requires all successor agencies for former redevelopment agencies that owned property as of the time of redevelopment dissolution in 2011 to prepare a Long Range Property Management Plan ("PMP"). The PMP governs the disposition and use of property held by the former redevelopment agency pursuant to legal requirements, as detailed in the next section.

This is the Long Range Property Management Plan for the Successor Agency to the Oroville Redevelopment Agency ("Successor Agency").

EXECUTIVE SUMMARY

The former Oroville Redevelopment Agency ("Agency") is the owner of record on the title for ten properties in Oroville.

- Eight of these properties (750, 2044, 2060 and 2062 Montgomery Streets, 1330 Downer Street, 1305 Myers Street, 013-260-055 and 013-260-056), are proposed to be sold by the Successor Agency with the proceeds of the sale to be distributed to taxing entities by the Butte County Auditor-Controller in accordance with the Dissolution Act.
- Two properties (035-290-003 and 035-290-039) are vacant land and are to be transferred to the City for retention of the properties for future development. Compensation agreements with the taxing entities will be entered into for these two properties in accordance with the Dissolution Act.

STATEMENT OF LEGAL REQUIREMENTS

Pursuant to Health and Safety Code section 34191.5 (part of AB 1484), each successor agency that holds property from a former redevelopment agency is required to submit a PMP to the State Department of Finance ("DOF") within six months after receiving a "Finding of Completion" from DOF. Prior to the submittal of the PMP to DOF, the successor agency's oversight board must approve the PMP.

In general, the PMP addresses the disposition and use of the real properties of the former redevelopment agency. AB 1484 requires that the PMP include all of the following components:

1. Inventory of all properties in the Community Redevelopment Property Trust Fund ("Trust Fund"), established to serve as the repository of the former redevelopment agency's real properties. This inventory shall consist of all of the following information:
 - a. **Date of acquisition** of the property and the value of the property at that time, and an estimate of the current value of the property.
 - b. **Purpose** for which the property was acquired.
 - c. **Parcel data**, including address, lot size, and current zoning in the former redevelopment agency redevelopment plan or specific, community, or general plan.
 - d. **Estimate of the current value** of the parcel including, if available, any appraisal information.

- e. **Estimate of any lease, rental, or any other revenues** generated by the property, and a description of the contractual requirements for the disposition of those funds.
 - f. **History of environmental contamination**, including designation as a brownfield site, and related environmental studies, and history of any remediation efforts.
 - g. Description of the **property's potential for transit-oriented development and the advancement of the planning objectives** of the successor agency
 - h. Brief history of **previous development proposals** and activity, including the rental or lease of property.
2. Address the use or disposition of all the properties in the Trust Fund. Permissible uses include:
- a. **Retention for governmental use** pursuant to subdivision (a) of Section 34181;
 - b. **Retention for future development;**
 - c. **Sale** of the property; or
 - d. **Use of property to fulfill an enforceable obligation.**
3. Separately identify and list properties in the Trust Fund dedicated to governmental use purposes and properties retained for purposes of fulfilling an enforceable obligation. With respect to the use or disposition of all other properties, all the following shall apply:
- a. If the plan directs the use or liquidation of the property for a project identified in an approved redevelopment plan, the property shall transfer to the city, county, or city and county.
 - b. If the plan directs the liquidation of the property or the use of revenues generated from the property, such as lease or parking revenues, for any purpose other than to fulfill an enforceable obligation or other than that specified in subsection 3(a) above, the proceeds from the sale shall be distributed as property tax to the taxing entities.
 - c. Property shall not be transferred to a successor agency, city, county, or city and county, unless the PMP has been approved by the oversight board and DOF.

PROPERTY VALUATION ESTIMATES AND LIMITATIONS

The Dissolution Act requires that a property management plan include an estimate of the value of property, to provide the oversight board, DOF and other interested parties information on the properties involved. DOF has stated officially they do not expect successor agencies to obtain appraisals on properties if none currently exist, so no such appraisals have been prepared for this PMP.

Instead, an estimate of property value was prepared by the Successor Agency's independent consultant based on the book value provided by the city and analysis of comparable property sales and values of similar properties. It is often difficult to assess property values of former redevelopment properties given the unique deficiencies (size, contamination, location, etc.) Coming out of a real estate recession, it still can be difficult to identify comparable properties in the area because sales volumes of small, infill parcels can be very limited. Not just in Oroville, but elsewhere, many redevelopment agencies have a number of blighted properties in their inventory that were not yet restored to a marketable condition at the time of dissolution.

The property values shown herein reflect book values at the time of purchase, or where book values are not available an Agency estimate has been provided. Given the very soft real estate market in Oroville following the Global Financial Crisis, property values have been slow to recover so despite the passage of time, market values are likely to be at or perhaps even below values of the time of purchase.

PROPERTY INVENTORY – FORMER AGENCY PROPERTIES

The former Agency owned ten parcels at dissolution. The properties are shown in the Property Inventory Data table attached. The property sites are organized by "Permissible Uses" under AB 1484 and a detailed description of the properties is provided below.

The Property Inventory Data table (Attachment 1) utilizes the DOF-created database that provides a matrix of all of the information required pursuant to Health and Safety Code Section 34191.5(c) (part of AB 1484).

It is important to note the following in reviewing the PMP:

- Estimates of current value of property were provided by RSG based on the individual methodologies described under each property profiled in this PMP. As the DOF has provided to RSG in written communication for other cities, the DOF does not require a new appraisal report to be prepared for the purposes of a PMP, even if a recent appraisal does not exist. The Successor Agency will be developing a marketing plan to solicit viable purchase offers on the eight properties designated for sale following DOF approval of this PMP. The ultimate value of the properties sold will be determined based on what the market bears and not what has been estimated.
- Data contained in the "Value at Time of Purchase" column in the Property Inventory Data table includes all available information obtained resulting from comprehensive title research and City staff's best efforts to locate the information.

Properties to be Retained for Future Development

Two properties listed below are proposed to be transferred to the City of Oroville for retention for future development. A description of the properties, including the legally required information, aerial maps, and photographs of each property, are presented in this section.

The Oroville Redevelopment Agency acquired parcels 035-290-003 and 035-290-039 ("Gateway properties") in July 2008 as part of a concerted effort to reverse blighting conditions in and around the City's primary gateway entrance to Downtown Oroville from Highway 70. Underperforming retail, severely blighted and substandard residential in the immediate area, and environmental conditions on the property have historically deterred private investment on the property and surrounding vacant properties, leading to further physical and economic deterioration.

Development of these properties remains a high priority for the City of Oroville even with the dissolution of redevelopment. Revitalization of the City's historic downtown core relies heavily on the successful development of the Gateway properties, and such the Successor Agency proposed to transfer these properties to the City of Oroville for future development.

The City shall return to the Oversight Board no later than three years following approval of the Long Range Property Management Plan by the Department of Finance to demonstrate the progress it has made to develop the properties.

Pursuant to the requirements of 34191.5(c) of the Health and Safety Code, the following information is provided for each of the Gateway properties. The remainder of the information required but not listed below is provided for in Attachment 1.

GATEWAY PROPERTY NO. 1 (PROPERTY 1)

Address:	Along Feather River and Hwy 70 (No situs address available)
APN:	035-290-003
Lot Size:	4.27 acres
Acquisition Date:	July 17, 2008
Value at Time of Purchase:	\$300,000
Purpose of Acquisition:	Eliminate blight and for the commercial development of a hotel, restaurant, and commercial/retail development.
Property Type (DOF Category)	Vacant Land/Lot
Property Type (City Proposed)	Future Development
Current Zoning:	C-2, Intensive Commercial
Estimated Current Value:	\$300,000 Based on the Successor Agency book value of the property, per the SA auditor as of June 30, 2013.
Environmental History:	Previously included in the Brownfield Priority List for US EPA community-wide Brownfields Assessment Grant Program.
Advancement of Planning Objectives:	Eliminate blight and commercial development of a hotel, restaurant, and retail/commercial project.
Previous Development Proposals:	A private developer has previously indicated interest in developing the property. Once the PMP has been approved and the property transferred to the City for future development, the City will evaluate the development proposal and enter into compensation agreements with the taxing entities.
Permissible Use:	Retention for future development.

GATEWAY PROPERTY NO. 1 (PROPERTY 1)

Aerial Photo:



Street View:



GATEWAY PROPERTY NO. 2 (PROPERTY 2)

Address: Along Feather River and Feather River Blvd

APN: 035-290-039

Lot Size: 15.39 acres

Acquisition Date: July 17, 2008

Value at Time of Purchase: \$350,000

Purpose of Acquisition: Eliminate blight and for the commercial development of a hotel, restaurant, and commercial/retail development.

Property Type (DOF Category) Vacant Land/Lot

Property Type (City Proposed) Future Development

Current Zoning: C-2, Intensive Commercial

Estimated Current Value: \$650,000 combined value with Property 1
Based on the Successor Agency book value of the property, per the SA auditor as of June 30, 2013.

Environmental History: Previously included in the Brownfield Priority List for US EPA community-wide Brownfields Assessment Grant Program.

Advancement of Planning Objectives: Eliminate blight and commercial development of a hotel, restaurant, and retail/commercial project.

Previous Development Proposals: A private developer has previously indicated interest in developing the property. Once the PMP has been approved and the property transferred to the City for future development, the City will evaluate the development proposal and enter into compensation agreements with the taxing entities.

Permissible Use: Retention for future development.

GATEWAY PROPERTY NO. 2 (PROPERTY 2)

Aerial Photo:



Street View:



Properties to be Sold by Successor Agency

Eight properties listed below are proposed to be for sale and the revenue from the sales to be distributed to taxing entities. A description of the properties, including the legally required information, aerial maps, and photographs of each property, are presented in this section.

Pursuant to the requirements of 34191.5(c) of the Health and Safety Code, the following characteristics apply to all eight of the following properties listed under "Sale of Property":

- **Estimate of Income Revenue:** None
- **Contractual Requirements for Use of Income/Revenue:** None
- **Description of Property's Potential for Transit Oriented Development:** No potential for transit-oriented development.
- **History of Development Proposals:** There is no history of development proposals nor rentals or leases for these eight properties.
- **Permissible Use:** Sale of property with the revenues from the sales to be distributed to taxing entities.

The remainder of the information required by Health and Safety Code Section 34191.5(c) is provided below and in Attachment 1.

2062 MONTGOMERY STREET (PROPERTY 3)

Address: 2062 Montgomery Street
APN: 012-032-009
Lot Size: 0.11 acres
Acquisition Date: July 14, 2004
Value at Time of Purchase: \$9,000
Purpose of Acquisition: 2062, 2060 and 2044 Montgomery Street were offered in a tax sale by the Butte County Tax Collector's Office due to delinquent property taxes on June 24, 2012. The properties did not sell and remained within the control of Butte County ever since. At that time, redevelopment agencies were eligible to acquire tax-defaulted properties without the necessity of bidding at a public auction. In order to help eliminate blight and further improve the Downtown core, the properties were acquired by the Redevelopment Agency through the County tax-defaulted properties.

Property Type (DOF Category) Commercial
Property Type (City Proposed) Sale of property
Current Zoning: C-2, Intensive Commercial
Estimated Current Value: \$9,368
Based on the Successor Agency book value of the property, per the SA auditor as of June 30, 2013.

Environmental History: The property was previously included in Brownfield Priority List for US EPA community-wide Brownfields Assessment Grant Program.

Advancement of Planning Objectives: Eliminate blight and commercial development in the Downtown core.

Permissible Use: Sale of property with the revenues from the sales to be distributed to taxing entities.

2062 MONTGOMERY STREET (PROPERTY 3)

Aerial Photo:



Street View:



2060 MONTGOMERY STREET (PROPERTY 4)

Address: 2060 Montgomery Street

APN: 012-032-010

Lot Size: 0.14 acres

Acquisition Date: July 14, 2004

Value at Time of Purchase: \$11,500

Purpose of Acquisition: 2062, 2060 and 2044 Montgomery Street were offered in a tax sale by the Butte County Tax Collector's Office due to delinquent property taxes on June 24, 2012. The properties did not sell and remained within the control of Butte County ever since. At that time, redevelopment agencies were eligible to acquire tax-defaulted properties without the necessity of bidding at a public auction. In order to help eliminate blight and further improve the Downtown core, the properties were acquired by the Redevelopment Agency through the County tax-defaulted properties.

Property Type (DOF Category) Commercial

Property Type (City Proposed) Sale of Property

Current Zoning: C-2, Intensive Commercial

Estimated Current Value: \$11,867

Based on the Successor Agency book value of the property, per the SA auditor as of June 30, 2013.

Environmental History: The property was previously included in Brownfield Priority List for US EPA community-wide Brownfields Assessment Grant Program.

Advancement of Planning Objectives: Eliminate blight and commercial development in the Downtown core.

Permissible Use: Sale of property with the revenues from the sales to be distributed to taxing entities.

2060 MONTGOMERY STREET (PROPERTY 4)

Aerial Photo:



Street View:



2044 MONTGOMERY STREET (PROPERTY 5)

Address: 2044 Montgomery Street

APN: 012-032-010

Lot Size: 0.15 acres

Acquisition Date: July 14, 2004

Value at Time of Purchase: \$11,500

Purpose of Acquisition: 2062, 2060 and 2044 Montgomery Street were offered in a tax sale by the Butte County Tax Collector's Office due to delinquent property taxes on June 24, 2012. The properties did not sell and remained within the control of Butte County ever since. At that time, redevelopment agencies were eligible to acquire tax-defaulted properties without the necessity of bidding at a public auction. In order to help eliminate blight and further improve the Downtown core, the properties were acquired by the Redevelopment Agency through the County tax-defaulted properties.

Property Type (DOF Category) Commercial

Property Type (City Proposed) Sale of Property

Current Zoning: C-2, Intensive Commercial

Estimated Current Value: \$11,870

Based on the Successor Agency book value of the property, per the SA auditor as of June 30, 2013.

Environmental History: The property was previously included in Brownfield Priority List for US EPA community-wide Brownfields Assessment Grant Program.

Advancement of Planning Objectives: Eliminate blight and commercial development in the Downtown core.

Permissible Use: Sale of property with the revenues from the sales to be distributed to taxing entities.

2044 MONTGOMERY STREET (PROPERTY 5)

Aerial Photo:



Street View:



750 MONTGOMERY STREET (PROPERTY 6)

Address: 750 Montgomery Street
APN: 012-061-009
Lot Size: 0.61 acres
Acquisition Date: March 25, 2008
Value at Time of Purchase: \$169,000
Purpose of Acquisition: Eliminate blight from the Gateway area of the City.
Property Type (DOF Category) Commercial
Property Type (City Proposed) Sale of Property
Current Zoning: C-2, Intensive Commercial
Estimated Current Value: \$162,972
Based on the Successor Agency book value of the property, per the SA auditor as of June 30, 2013.

Environmental History: The property was previously included in Brownfield Priority List for US EPA community-wide Brownfields Assessment Grant Program.

Advancement of Planning Objectives: Eliminate blight and commercial development in the Downtown core.

Permissible Use: Sale of property with the revenues from the sales to be distributed to taxing entities.

750 MONTGOMERY STREET (PROPERTY 6)

Aerial Photo:



Street View:



1330 DOWNER STREET (PROPERTY 7)

Address: 1330 Downer Street
APN: 012-035-004
Lot Size: 0.23 acres
Acquisition Date: March 8, 2006
Value at Time of Purchase: \$106,593
Purpose of Acquisition: Tax defaulted property acquired from the County to eliminate blight.
Property Type (DOF Category) Commercial
Property Type (City Proposed) Sale of Property
Current Zoning: C-1, Limited Commercial
Estimated Current Value: \$
Based on the Successor Agency book value of the property, per the SA auditor as of June 30, 2013.
Environmental History: The property was previously included in Brownfield Priority List for US EPA community-wide Brownfields Assessment Grant Program.
Advancement of Planning Objectives: Eliminate blight and commercial development in the Downtown core.
Permissible Use: Sale of property with the revenues from the sales to be distributed to taxing entities.

1330 DOWNER STREET (PROPERTY 7)

Aerial Photo:



Street View:



1305 MYERS STREET (PROPERTY 8)

Address: 1305 Myers Street
APN: 012-035-015
Lot Size: 0.24 acres
Acquisition Date: October 5, 1998
Value at Time of Purchase: \$55,000
Purpose of Acquisition: Acquired from the City of Oroville for purposes consistent with the Redevelopment Plan.
Property Type (DOF Category) Commercial
Property Type (City Proposed) Sale of Property
Current Zoning: C-1, Limited Commercial
Estimated Current Value: \$
Based on the Successor Agency book value of the property, per the SA auditor as of June 30, 2013.
Environmental History: None.
Advancement of Planning Objectives: Eliminate blight and commercial development in the Downtown core.
Permissible Use: Sale of property with the revenues from the sales to be distributed to taxing entities.

1305 MYERS STREET (PROPERTY 8)

Aerial Photo:

1305 Myers Street



Street View:



OLIVE HIGHWAY PROPERTY NO. 1 (PROPERTY 9)

Address: Olive Highway (No situs address available)
APN: 013-260-055
Lot Size: 0.79 acres
Acquisition Date: August 9, 1996
Value at Time of Purchase: \$2,400 combined with Property 10
Purpose of Acquisition: Drainage slope and channel.
Property Type (DOF Category) Commercial
Property Type (City Proposed) Sale of Property
Current Zoning: C-2, Heavy Commercial
Estimated Current Value: \$
Based on the Successor Agency book value of the property, per the SA auditor as of June 30, 2013.
Environmental History: None.
Advancement of Planning Objectives: Preserve drainage for adjacent properties.
Permissible Use: Sale of property with the revenues from the sales to be distributed to taxing entities.

OLIVE HIGHWAY PROPERTY NO. 1 (PROPERTY 9)

Aerial Photo:

013-260-055



Street View:



Subject property is a slope located behind this property.

OLIVE HIGHWAY PROPERTY NO. 2 (PROPERTY 10)

Address: Olive Highway(No situs address available)
APN: 013-260-056
Lot Size: 0.59 acres
Acquisition Date: August 9, 1996
Value at Time of Purchase: \$2,400 combined with Property 9.
Purpose of Acquisition: Drainage slope and channel.
Property Type (DOF Category) Commercial
Property Type (City Proposed) Sale of Property
Current Zoning: C-2, Heavy Commercial
Estimated Current Value: \$
Based on the Successor Agency book value of the property, per the SA auditor as of June 30, 2013.
Environmental History: None.
Advancement of Planning Objectives: Preserve drainage for adjacent properties.
Permissible Use: Sale of property with the revenues from the sales to be distributed to taxing entities.

OLIVE HIGHWAY PROPERTY NO. 2 (PROPERTY 10)

Aerial Photo:



Street View:



Subject property is a slope located behind this property.

Properties Retained For Purposes of Fulfilling an Enforceable
Obligation

There are no properties to be retained for the purpose of fulfilling an Enforceable Obligation, as defined in AB x1 26.

ATTACHMENTS

1 - Property Inventory Data (DOF Form)

No.	HSC 34191.5 (c)(1)(C)			HSC 34191.5 (c)(2)			HSC 34191.5 (c)(1)(A)				SALE OF PROPERTY (if applicable)		Property Value/Sale Info	
	Address or Description	APN	Property Type	Permissible Use	If Sale of Property, specify intended use of sale proceeds	Permissible Use Detail	Acquisition Date	Value at Time of Acquisition	Estimated Current Value	Date of Estimated Current Value	Estimated Current Value Basis	Proposed Sale Value		Proposed Sale Date
1	Gateway Property No. 1	035-290-003	Vacant Lot/Land	Future Development	N/A	The City of Oroville has designated this site as the primary "Gateway" entry into their Downtown-Gateway focus area. The property was acquired in 2008 as part of a concerted effort to reverse blighting conditions in and around the City's primary gateway entrance into Downtown Oroville from Highway 70. The City intends to attract private investment for hotel, restaurants, and a mix of commercial and retail space.	7/17/2008	\$ 300,000	\$ 300,000	6/30/2013	Book	N/A	2015	
2	Gateway Property No. 2	035-290-039	Vacant Lot/Land	Future Development	N/A	The City of Oroville has designated this site as the primary "Gateway" entry into their Downtown-Gateway focus area. The property was acquired in 2008 as part of a concerted effort to reverse blighting conditions in and around the City's primary gateway entrance into Downtown Oroville from Highway 70. The City intends to attract private investment for hotel, restaurants, and a mix of commercial and retail space.	7/17/2008	\$ 350,000	\$ 350,000	6/30/2013	Book	N/A	2015	
3	2062 Montgomery Street	012-032-009	Vacant Lot/Land	Sale of Property	Distribute to Taxing Entities	Sell property and distribute sales proceeds to taxing entities	7/14/2004	\$ 9,000	\$ 9,368	6/30/2013	Book	\$ 9,368	2015	
4	2060 Montgomery Street	012-032-010	Vacant Lot/Land	Sale of Property	Distribute to Taxing Entities	Sell property and distribute sales proceeds to taxing entities	7/14/2004	\$ 11,500	\$ 11,867	6/30/2013	Book	\$ 11,867	2015	
5	2044 Montgomery Street	012-032-010	Vacant Lot/Land	Sale of Property	Distribute to Taxing Entities	Sell property and distribute sales proceeds to taxing entities	7/14/2004	\$ 11,500	\$ 11,870	6/30/2013	Book	\$ 11,870	2015	
6	750 Montgomery Street	012-061-009	Vacant Lot/Land	Sale of Property	Distribute to Taxing Entities	Sell property and distribute sales proceeds to taxing entities	3/25/2008	\$ 169,000	\$ 162,972	6/30/2013	Book	\$ 162,972	2015	
7	1330 Downer Street	012-035-004	Vacant Lot/Land	Sale of Property	Distribute to Taxing Entities	Sell property and distribute sales proceeds to taxing entities	3/8/2006	\$ 106,593					2015	
8	1305 Myers Street	012-035-015	Vacant Lot/Land	Sale of Property	Distribute to Taxing Entities	Sell property and distribute sales proceeds to taxing entities	10/5/1988	\$ 55,000					2015	
9	Olive Hwy Property No. 1	013-260-055	Vacant Lot/Land	Sale of Property	Distribute to Taxing Entities	Sell property and distribute sales proceeds to taxing entities	8/9/1996	\$ 1,200					2015	
10	Olive Hwy Property No. 2	013-260-056	Vacant Lot/Land	Sale of Property	Distribute to Taxing Entities	Sell property and distribute sales proceeds to taxing entities	8/9/1996	\$ 1,200					2015	

No.	HSC 34191.5 (c)(1)(B)		HSC 34191.5 (c)(1)(C)		HSC 34191.5 (c)(1)(D)	HSC 34191.5 (c)(1)(E)		HSC 34191.5 (c)(1)(F)	HSC 34191.5 (c)(1)(G)		HSC 34191.5 (c)(1)(H)	Other Property Info
	Purpose for which property was acquired	Lot Size	Current Zoning	Estimate of Current Parcel Value	Annual Estimate of Income/Revenue	Are there any contractual requirements for use of income/revenue?	Has there been historic environmental contamination, studies, and/or remediation, and designation as a brownfield site for the property?	Does the property have the potential as a transit oriented development?	Were there advancements to the successor agency's planning objectives?	Does the property have a history of previous development proposals and activity?		
1	Commercial development of a hotel, restaurant, retail/commercial project.	4.27 Acres	C-2	\$ 300,000	0	No	Yes	No	Yes	Yes		
2	Commercial development of a hotel, restaurant, retail/commercial project.	15.39 Acres	C-2	\$ 350,000	0	No	Yes	No	Yes	Yes		
3	Tax-defaulted property acquired through the County to eliminate blight.	0.11 Acres	C-2	\$ 9,368	0	No	Yes	No	Yes	No		
4	Tax-defaulted property acquired through the County to eliminate blight.	0.14 Acres	C-2	\$ 11,867	0	No	Yes	No	Yes	No		
5	Tax-defaulted property acquired through the County to eliminate blight.	0.16 Acres	C-2	\$ 11,870	0	No	Yes	No	Yes	No		
6	Commercial development of gateway entrance from Hwy 70 to Downtown core.	0.61 Acres	C-2	\$ 162,972	0	No	Yes	No	Yes	No		
7	Tax-defaulted property acquired through the County to eliminate blight.	0.23 Acres	C-1	\$ -	0	No	Yes	No	Yes	No		
8	Acquired from the City of Oroville for purposes consistent with the Oroville Redevelopment Plan.	0.24 Acres	C-1	\$ -	0	No	No	No	Yes	No		
9	Drainage Channel	0.79 Acres	C-2	\$ -	0	No	No	No	Yes	No		
10	Drainage Channel	0.69 Acres	C-2	\$ -	0	No	No	No	Yes	No		



November 7, 2014

Mr. Jim Simon, Consultant
City of Oroville
309 W. Fourth St
Santa Ana, CA 92701

Dear Mr. Simon:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Oroville Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15B) to the California Department of Finance (Finance) on September 29, 2014 for the period of January 1 through June 30, 2015. Finance has completed its review of your ROPS 14-15B, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 10 – Oroville Inn Code Enforcement Legal Services in the amount of \$20,000 is not allowed. Sufficient documentation was not provided by the Agency to support the amount claimed. Therefore, the \$20,000 requested is not eligible for Redevelopment Property Tax Trust Funds (RPTTF). To the extent the Agency can provide suitable documentation to support the requested funding, such as bids, oversight board action, or executed contracts, the Agency may be able to obtain Redevelopment Property Tax Trust Funds (RPTTF).
- Item No. 21 – City of Oroville (City) Loan in the amount of \$1,821,860 is not allowed at this time. The Agency received a Finding of Completion on May 6, 2014. The City Loan is approved as an enforceable obligation; however, pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount for fiscal year 2014-15 is \$0.

According to the County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal years 2012-13 and 2013-14 are \$5,599,724 and \$3,078,385, respectively. Pursuant to the repayment formula outlined in HSC section 34191.4 (b) (2) (A), the maximum repayment amount authorized for fiscal year 2014-15 is \$0. Therefore, the \$586,287 requested is not eligible for RPTTF funding during this ROPS period. The Agency may be eligible for funding beginning ROPS 15-16A.

- Item No. 22 – Housing Successor Entity Administrative Cost Allowance in the amount of \$2,250,000. Pursuant to HSC section 34171 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the RDA elected to not assume the housing functions and that the housing functions were transferred to a local housing authority in the territorial jurisdiction of the RDA. Here, however, the City of Oroville (City) elected to be the housing entity to the RDA and retained the housing assets by submitting the housing asset transfer form to Finance on August 1, 2012. Therefore, the City is not eligible for the housing entity administrative costs allowance of \$150,000.

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. The Agency provided financial records that displayed available Reserve Balances totaling \$88,861 and available Other Fund Balances totaling \$76,155.

Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified to both Reserve Balances and Other Funds in the amounts specified below:

- Item No. 1 – 2002 Tax Allocation Bonds (Tax Exempt). The Agency requests \$304,271 of RPTTF; however, Finance is reclassifying \$88,861 to Reserve Balances and \$76,155 to Other Funds for a total reclassification of \$165,016. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$165,016 in available Reserve Balances and Other Funds. Therefore, Finance is approving RPTTF in the amount of \$139,255 and the use of Reserve Balances in the amount of \$88,861 and Other Funds in the amount of \$76,155, totaling \$304,271.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15B form the estimated obligations and actual payments (prior period adjustments) associated with the January through June 2014 period. The amount of RPTTF approved in the table below reflects the prior period adjustment self-reported by the Agency. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of RPTTF approved in the table below only reflects the prior period adjustment self-reported by the Agency.

Except for items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 14-15B. If you disagree with the determination with respect to any items on your ROPS 14-15B, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

[http://www.dof.ca.gov/redevelopment/meet and confer/](http://www.dof.ca.gov/redevelopment/meet_and_confer/)

The Agency's maximum approved RPTTF distribution for the reporting period is \$289,925 as summarized in the Approved RPTTF Distribution Table below:

Approved RPTTF Distribution	
For the period of January through June 2015	
Total RPTTF requested for non-administrative obligations	1,282,227
Total RPTTF requested for administrative obligations	-
Total RPTTF requested for obligations on ROPS	\$ 1,282,227
Total RPTTF requested for non-administrative obligations	1,282,227
<u>Denied Items</u>	
Item No. 10	(20,000)
Item No. 21	(586,287)
Item No. 22	(150,000)
	<u>(756,287)</u>
Total RPTTF for non-administrative obligations	525,940
<u>Cash Balances - Item reclassified to other funding sources</u>	
Item No. 1	(165,016)
	<u>(165,016)</u>
Total RPTTF authorized for non-administrative obligations	\$ 360,924
Total RPTTF requested for administrative obligations	0
Total RPTTF authorized for administrative obligations	0
Total RPTTF authorized for obligations	\$ 360,924
ROPS 13-14B prior period adjustment	(70,999)
Total RPTTF approved for distribution	\$ 289,925

Please refer to the ROPS 14-15B schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2015. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

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

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if for

whatever reason the Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Beliz Chappuie, Supervisor or Satveer Ark, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Acting Program Budget Manager

cc: Mr. Rick Farley, Business Assistance Coordinator, City of Oroville
Ms. Maria Solis, Auditor-Accountant, Butte County
California State Controller's Office