



City of La Quinta

CITY / SA / HA / FA MEETING DATE: March 18, 2014

ITEM TITLE: ADOPT RESOLUTION APPROVING
ISSUANCE AND SALE OF SUBORDINATE TAX
ALLOCATION REFUNDING BONDS BY THE
SUCCESSOR AGENCY TO THE DISSOLVED
REDEVELOPMENT AGENCY

AGENDA CATEGORY:

BUSINESS SESSION:

CONSENT CALENDAR:

STUDY SESSION:

PUBLIC HEARING:

RECOMMENDED ACTION:

Adopt a Resolution authorizing the issuance of Tax Allocation Refunding Bonds by the Successor Agency to the La Quinta Redevelopment Agency in the approximate amount of \$72,375,000 to be issued as 2014 Series A Bonds and authorizing certain actions in connection therewith.

EXECUTIVE SUMMARY:

- The Financing Authority previously issued \$90,000,000 in Local Agency Revenue Bonds, 2004 Series A (the "2004 Bonds"). The 2004 Bonds are currently outstanding in the amount of \$75,480,000 and were not included in the 2013 refunding bond program due to Federal Tax Law considerations.
- The 2004 Bonds are not subject to optional call and redemption until September 1, 2014; therefore, under the Federal Tax Law, the 2004 Bonds cannot be refinanced before June 2, 2014 (a current refunding).
- Refinancing the 2004 Bonds will require State Department of Finance approval and must allow up to 60 days for their review process.
- Current market conditions, although not back to May 2013 levels, have steadily improved over the past 8 months.

FISCAL IMPACT:

The overall estimated debt service savings of approximately \$386,000 annually or \$8.1 million over the 21-year remaining life is calculated after all costs associated with the issuance of the refunding bonds have been paid. These costs have been

conservatively estimated at \$947,638, which includes underwriter's discount, bond insurance, reserve surety bond fee, and legal and consultant costs.

BACKGROUND/ANALYSIS:

Starting in 1985, the former La Quinta Redevelopment Agency (RDA) issued tax allocation bonds to raise capital to invest in infrastructure, public facility, economic development and affordable housing initiatives. Bond debt service payments are funded by property tax revenue. When the RDA was eliminated in February 2012, the Successor Agency to the RDA assumed responsibility to ensure these debt service payments are made. These payments are classified as enforceable obligations and are tracked on the Recognized Obligation Payment Schedule (ROPS), with payments authorized twice annually.

The California Health and Safety Code authorizes the Successor Agency to refinance outstanding bonds and other obligations of the RDA. Additionally, the costs related to refunding proceedings can be recovered. Upon review, it has been determined that refinancing is in the best interest of the Successor Agency and that the statutory prerequisites can be met if the refinancing is approved. Final approval authority resides with the Oversight Board and the Department of Finance.

On December 23, 2013, the Successor Agency successfully issued La Quinta Redevelopment Project Area (PA) Nos. 1 and 2, Subordinate Tax Allocation Refunding Bonds consisting of \$97,190,000 2013 Series A and \$23,055,000 2013 Taxable Series B. These two series of bonds refinanced the RDA's 1998 PA 1 Bonds, 1998 PA 2 Bonds, 2001 Bonds, 2002 Bonds and 2003 Bonds.

The 2013 refunding bond program resulted in annual debt service savings of more than \$555,000 per year with overall savings of \$10,650,000 after paying all costs associated with the refunding bond program.

The current economic environment provides the Successor Agency with an opportunity to lower the costs of annual debt service again by refinancing the 2004 Bonds, which would result in an increase in property tax revenue allocations to all taxing agencies.

Interest rates on the 2014 refunding bonds are estimated to range from 3% to 5% with resulting yields ranging from 0.35% to 4.50%. Current interest rates on the 2004 Bonds being refunded range from 5% to 5.25%.

In summary, refinancing the 2004 Bonds will create a surplus that would bring the City some relief in repayment of recognized obligations, if needed. The \$8.1 million projected savings over 21 years, if unencumbered by recognized obligations, will benefit the taxing agencies with approximately \$5.05 million going to schools,

RESOLUTION NO. 2014 -

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
LA QUINTA, CALIFORNIA, AUTHORIZING THE
ISSUANCE AND SALE OF TAX ALLOCATION
REFUNDING BONDS, AND AUTHORIZING CERTAIN
OTHER ACTIONS IN CONNECTION THEREWITH**

WHEREAS, the La Quinta Redevelopment Agency (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, a Redevelopment Plan for a redevelopment project known and designated as the "La Quinta Redevelopment Project Area No. 1" has been adopted and approved by Ordinance No. 43 of the City of La Quinta on November 29, 1983, and all requirements of the Law for and precedent to the adoption and approval of the Project Area No. 1 Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, a Redevelopment Plan for a redevelopment project known and designated as the "La Quinta Redevelopment Project Area No. 2" has been adopted and approved by Ordinance No. 139 of the City of La Quinta on May 16, 1989, and all requirements of the Law for and precedent to the adoption and approval of the Project No. 2 Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the La Quinta Financing Authority (the "Authority") on behalf of the Prior Agency has previously issued \$90,000,000 La Quinta Financing Authority, Local Agency Revenue Bonds, 2004 Series A (the "2004 Housing Bonds") and loaned the proceeds to the Prior Agency pursuant to the terms of a Loan Agreement dated February 3, 2004, as supplemented by a First Supplemental Loan Agreement, dated as of June 1, 2004 (the "Loan Obligation"); and

WHEREAS, the Prior Agency has previously issued \$6,000,000 La Quinta Redevelopment Agency, La Quinta Redevelopment Project Area No. 2 Subordinate Taxable Tax Allocation Bonds, Series 2011 (the "2011 Project Area No. 2 Taxable Bonds"); and

WHEREAS, the Authority on behalf of the Prior Agency has previously issued \$28,850,000 La Quinta Financing Authority, Local Agency Subordinate Taxable

Revenue Bonds, 2011 Series A (the "2011 Taxable Housing Bonds") and loaned the proceeds to the Prior Agency pursuant to the terms of a loan agreement dated February 3, 2004 and a Second Supplemental Loan Agreement, dated as of March 1, 2011 (the "2011 Loan Obligation"); and

WHEREAS, the Successor Agency has previously issued \$97,190,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Series A (the "2013 Series A Bonds") and \$23,055,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Taxable Series B (the "2013 Taxable Series B" and collectively, the "2013 Bonds"); and

WHEREAS, the Successor Agency has determined that it is cost effective and efficient to refund and defease the Loan Obligation in connection with the 2004 Housing Bonds (the "Refunded Bonds") on a senior basis to the 2011 Project Area No. 2 Taxable Bonds, the 2011 Loan Obligation and the 2013 Bonds (collectively, the "Subordinate Bonds"); and

WHEREAS, for the corporate purposes of the Successor Agency, the Successor Agency deems it necessary to issue at this time tax allocation refunding bonds in a total principal amount of approximately seventy two million three hundred seventy five thousand dollars (\$72,375,000), 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 Refunded Bonds of the Prior Agency, to pay costs in connection with the issuance of the Bonds, and to make certain other deposits as required by the Indenture (defined herein); and

WHEREAS, Assembly Bill AB X1 26, effective June 29, 2011, together with Assembly Bill 1484 ("AB 1484") (collectively, the "Dissolution Act") resulted in the La Quinta Redevelopment Agency being dissolved as of February 1, 2012; and

WHEREAS, the authority, rights, powers, assets, duties and obligations of the Prior Agency were transferred on February 1, 2012 to the Successor Agency; 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, the Successor Agency desires to issue its La Quinta Redevelopment Project No. 1 and La Quinta Redevelopment Project Area No. 2, Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A (the "Bonds") pursuant to the Indenture of Trust, by and between the Successor Agency and U.S. Bank National Association, dated as of March 1, 2014 (the "Indenture") for the purpose of refunding the Refunded Bonds, to fund a debt service reserve account and pay 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 will have duly authorized the execution and delivery of the Indenture; and

WHEREAS, the Successor Agency 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 the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken.

WHEREAS, the City Council of the City of La Quinta wishes at this time to approve all matters relating to the issuance and sale of the Bonds;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of La Quinta, California, as follows:

SECTION 1. The issuance of the Series A Bonds in the aggregate principal amount of approximately seventy two million three hundred seventy five thousand dollars (\$72,375,000) on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture, is hereby authorized and approved. The Bonds will be dated, will bear interest at the rates, will mature on the dates, will be issued in the form, will be subject to redemption, and will be as otherwise provided in the Indenture, as the same will be completed as provided in this Resolution. The proceeds of the sale of the Bonds shall be applied as provided in the Indenture.

SECTION 2. The Mayor, Mayor Pro Tem and the City Manager, and any other proper officer of the City, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments, relating to the Bonds and to do and cause to be done any and all acts and things necessary

or proper for carrying out the transactions contemplated by the Indenture, the Bond Purchase Contract, the Official Statement, the Continuing Disclosure Agreement, the Escrow Agreement, this Resolution and any such agreements.

SECTION 3. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED, and ADOPTED at a regular meeting of the La Quinta City Council held on this 18th day of March, 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

DON ADOLPH, Mayor
City of La Quinta, California

ATTEST:

SUSAN MAYSELS, City Clerk
City of La Quinta, California

(CITY SEAL)

APPROVED AS TO FORM:

M. KATHERINE JENSON, City Attorney
City of La Quinta, California



Summary of 2014 Refinancing

Successor Agency to the La Quinta Redevelopment Agency/La Quinta Oversight Board

As previously reported, on December 23, 2013, the Successor Agency completed the refinancing of its 1998, 2001, 2002 and 2003 Tax Allocation financings issued by the former Redevelopment Agency. Issued in a tax-exempt and a taxable series, this refinancing program resulted in annual debt service savings in excess of \$555,000 and overall savings of more than \$10,650,000 over the remaining life of the refinanced Bonds. The present value savings associated with the refunding program was more than 5.5%. The debt service savings result in excess revenues to various taxing agencies as well as increased residual revenues to the City.

Prior to the 2013 Bonds being issued, the Agency's outstanding bonded debt was as follows:

	Original Principal	Outstanding Principal	Final Maturity	Interest Rate Range
Project Area 1				
1998 Bonds	\$ 15,760,000	\$ 15,105,000	2028	5.20%
2001 Bonds	\$ 48,000,000	\$ 46,435,000	2031	5.00% to 5.10%
2002 Bonds	\$ 40,000,000	\$ 32,940,000	2032	5.00% to 5.125%
2003 Bonds (Taxable)	\$ 26,400,000	\$ 21,625,000	2032	6.24% to 6.44%
Project Area 2				
1998 Bonds	\$ 6,750,000	\$ 5,140,000	2033	5.125% to 5.25%
2011 Bonds	\$ 6,000,000	\$ 5,930,000	2039	5.375% to 8.15%
Financing Authority (Housing Bonds)				
2004 Bonds	\$ 90,000,000	\$ 75,480,000	2034	4.50% to 5.25%
2011 Bonds	\$ 28,850,000	\$ 28,330,000	2036	3.75% to 8.07%
Total:	\$ 261,760,000	\$ 230,985,000		

Following the issuance of the 2013 Bonds, the Agency's outstanding bonded debt is currently as follows:

	Original Principal	Outstanding Principal	Final Maturity	Interest Rate Range
Project Areas 1 and 2				
2013A Bonds	\$ 97,190,000	\$ 97,190,000	2033	3.00% - 5.00%
2013B Bonds (Taxable)	\$ 23,055,000	\$ 23,055,000	2032	0.76% - 5.82%
Project Area 2				
2011 Bonds	\$ 6,000,000	\$ 5,930,000	2039	5.375% to 8.15%
Financing Authority (Housing Bonds)				
2004 Bonds	\$ 90,000,000	\$ 75,480,000	2034	4.50% to 5.25%
2011 Bonds	\$ 28,850,000	\$ 28,330,000	2036	3.75% to 8.07%
	\$ 245,095,000	\$ 229,985,000		

The Financing Authority's previously issued \$90,000,000 Local Agency Revenue Bonds, 2004 Series A currently outstanding in the amount of \$75,480,000 (the "2004 Bonds") were not included in the December refunding program due to Federal Tax Law considerations. The 2004 Bonds are not subject to optional redemption until September 1, 2014. Under Federal Tax Law, an advance refunding occurs when bonds are refinanced more than 90 days before the optional call date. A current refunding occurs when bonds are refinanced less than 90 days before the optional call date. While Federal Tax Law allows for one advance refunding per financing, current refundings are not limited. The 2004 Bonds could not be refinanced as tax-exempt bonds in December because a portion of those Bonds included an advance refunding component, and as such are only subject to current refunding.

The municipal market has remained stable and rates and yields have slightly improved from their December levels so an opportunity to refinance the 2004 Bonds has again been presented. As previously discussed, the first optional call date for the 2004 Bonds is September 1, 2014 so a current refunding can be accomplished after June 2, 2014 (90 days before the optional call date). Should the Successor Agency choose to proceed with a refinancing, refunding bond documents would need to be approved by the Successor Agency as well as the Oversight Board. Said bond documents are then subject to review by the State Department of Finance ("DOF"). DOF is allowed 60 days for the review process under the Dissolution Law.

Savings Analysis

The 2004 Bonds to be refinanced will be payable on the same dates (March 1 and September 1) and will mature on their regularly scheduled date without extension (September 1, 2034).

Refunding numbers on the 2004 Bonds show that based on current interest rates and yields, the Successor Agency can achieve annual debt service savings of approximately \$386,000 and overall savings of \$8,121,061 over the remaining life of the 2004 Bonds (2034). At this time, the refunding of the 2004 Bonds results in present value savings of about 7.5%. The overall estimated savings are after ALL costs associated with the financing have been paid.

The principal amount of the refunding bonds would be approximately \$72.375 million. Interest rates on the bonds are conservatively estimated to range from 3% to 5% with the resulting yields ranging from 0.35% in 2014 to 4.50% in 2034.

The following sets forth the detailed annual savings:

Bond Year Ending	Existing 2004 Bonds Debt Service	Proposed 2014 Bonds Debt Service	Total Gross Savings
9/1/2014*	\$ 4,012,653.13	\$ 3,624,180.00	\$ 388,473.13
9/1/2015	5,946,556.26	5,558,000.00	388,556.26
9/1/2016	5,947,368.76	5,562,750.00	384,618.76
9/1/2017	5,947,143.76	5,557,950.00	389,193.76
9/1/2018	5,945,618.76	5,559,750.00	385,868.76
9/1/2019	5,947,531.26	5,558,500.00	389,031.26
9/1/2020	5,947,356.26	5,561,250.00	386,106.26
9/1/2021	5,949,831.26	5,562,500.00	387,331.26
9/1/2022	5,949,431.26	5,562,000.00	387,431.26
9/1/2023	5,945,893.76	5,559,500.00	386,393.76
9/1/2024	5,948,956.26	5,564,750.00	384,206.26
9/1/2025	5,947,831.26	5,562,000.00	385,831.26
9/1/2026	5,946,331.26	5,561,250.00	385,081.26
9/1/2027	5,945,831.26	5,557,000.00	388,831.26
9/1/2028	5,945,831.26	5,559,000.00	386,831.26
9/1/2029	5,945,831.26	5,561,500.00	384,331.26
9/1/2030	5,950,331.26	5,564,000.00	386,331.26
9/1/2031	5,947,787.50	5,561,000.00	386,787.50
9/1/2032	5,948,200.00	5,562,250.00	385,950.00
9/1/2033	5,945,800.00	5,557,000.00	388,800.00
9/1/2034	5,950,075.00	5,565,000.00	385,075.00
Total	\$122,962,190.79	\$114,841,130.00	\$ 8,121,060.79
Present Value Savings %			7.546%

Since the reduced debt service after refunding will reduce the amount of property taxes deposited in the Redevelopment Property Tax Trust Fund required to be paid to the Successor Agency, there will be additional “residual” property tax that can be distributed to taxing agencies that overlap the boundaries of the Redevelopment Project Areas in accordance with their share of the general property tax levy shown below. The City may be able to use up to 50% of the additional residual generated by the refunding first to repay certain City advances to the former Agency, and if so, the taxing agencies will receive their percentage of the remaining residual after such payment.

- School Districts: 62.50%
- Riverside County: 22.18%
- Water District: 7.21%
- City of La Quinta: 5.29%
- Recreation and Parks: 2.82%

Costs of Issuance

The following table sets forth the estimated Costs associated with the 2014 financing. Underwriter's discount estimated at 0.525%, costs of issuance estimated at 0.39%, bond insurance estimated at 0.21% and a debt service reserve surety bond fee of 0.19% for all in costs of 1.31% which is in line with the percentage of costs associated with the December refunding program. As previously mentioned, the savings discussed above are after all costs of issuance associated with the financing.

Estimated 2014 Bonds Costs of Issuance	
Rutan & Tucker, Bond Counsel	\$ 105,000.00
Stradling Yocca Carlson & Rauth, Disclosure Counsel	75,000.00
Harrell & Company Advisors, Financial Advisor	65,000.00
Standard & Poor's Ratings Group, Rating Services	25,000.00
Grant Thornton, Verification Consultant	2,500.00
US Bank National Association, Trustee and Escrow Bank	3,500.00
Avia Communications, Financial Printing	2,000.00
Miscellaneous	2,000.00
Subtotal Costs of Issuance	\$ 280,000.00
Underwriter's Discount	379,968.75
Bond Insurance Provider	287,670.00
Total Costs of Issuance	947,638.75
Percentage of Bond Financing	1.31%

The Financing Team expects the Bonds to be rated "A+" or possibly "AA-" by Standard and Poor's (current outstanding bonds are all rated "A+"). Purchasing insurance will bring the rating up to "AA" or "AA-" depending on which bond insurer approves the financing and provides the best insurance premium bid. The increase in rating should offset the insurance premium through reduced interest rates and yields on the refunding bonds. The Financing Team will prepare a stress test at the time the refunding bonds are marketed to determine the actual savings generated by using bond insurance. If the insurance premium isn't justified by savings, bond insurance will not be utilized.

The Prior Agency's Bonds all carry a reserve fund surety bond in lieu of cash for the reserve funds. Using cash at this point would greatly increase the amount of refunding bonds required to be issued in order to cash fund the new reserve funds. The use of a reserve fund surety bond will be required in order to achieve the reported savings.

Underwriter's Discount will be based in part on the rating of the refunding bonds. If bond insurance is utilized the underwriter's discount would be reduced over a standalone rating only. This is predominately due to the amount of takedown (commission) necessary to pay salespeople to sell the bonds. The higher the rating, the less takedown required.

Conclusion

There is no way of knowing if the municipal market will maintain current interest rates and yields long enough for the Successor Agency to complete the approval and DOF review process estimated to require 60 to 75 days. We believe your Financing Team should be able to steer the refinancing thru the approval process at little or no cost to the Successor Agency, should the refunding bonds not be economically feasible following the approval and review process. In addition, prior to the issuance of refunding bonds, the Financing Team will return to the Successor Agency Board for the approval of a substantially final Preliminary Official Statement and to provide an update of refunding numbers and financing costs at that time.

Timeline

The following is a general timeline for the proposed refinancing. This schedule will be updated based on DOF approval actions and market conditions.

Scheduled Event	Date to Complete
Successor Agency Board adopts Resolution approving Financing Documents	March 18
Oversight Board adopts Resolution approving Financing Documents Submit Revised OB Resolution and Documents to DOF	March 19
Submit Documents to Rating Agency/Insurer	May 20
DOF Approval of Financing	May 20
Receive Rating/Insurance	June 6
Bond Sale - Successor Agency signs Purchase Contract	June 17
Bond Closing	July 8

INDENTURE OF TRUST

Dated as of March 1, 2014

by and between the

SUCCESSOR AGENCY TO THE
LA QUINTA REDEVELOPMENT AGENCY

and

U.S. BANK NATIONAL ASSOCIATION

as Trustee

Relating to

\$ _____

Successor Agency to the
La Quinta Redevelopment Agency
La Quinta Redevelopment Project Areas No. 1 and 2
Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this “Indenture”) is dated as of March 1, 2014, by and between the SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY, a public body corporate and politic, duly organized and existing under the laws of the State of California (the “Successor Agency” or “Issuer”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as trustee (the “Trustee”);

WITNESSETH:

WHEREAS, the La Quinta Redevelopment Agency (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, a Redevelopment Plan for a redevelopment project known and designated as the “La Quinta Redevelopment Project Area No. 1” has been adopted and approved by Ordinance No. 43 of the City of La Quinta on November 29, 1983, and all requirements of the Law for and precedent to the adoption and approval of the Project Area No. 1 Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, a Redevelopment Plan for a redevelopment project known and designated as the “La Quinta Redevelopment Project Area No. 2” has been adopted and approved by Ordinance No. 139 of the City of La Quinta on May 16, 1989, and all requirements of the Law for and precedent to the adoption and approval of the Project No. 2 Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the La Quinta Financing Authority (the “Authority”) on behalf of the Prior Agency has previously issued \$90,000,000 La Quinta Financing Authority, Local Agency Revenue Bonds, 2004 Series A (the “2004 Housing Bonds”) and loaned the proceeds to the Prior Agency pursuant to the terms of a Loan Agreement dated February 3, 2004, as supplemented by a First Supplemental Loan Agreement, dated as of June 1, 2004 (the “Loan Obligation”); and

WHEREAS, the Prior Agency has previously issued \$6,000,000 La Quinta Redevelopment Agency, La Quinta Redevelopment Project Area No. 2 Subordinate Taxable Tax Allocation Bonds, Series 2011 (the “2011 Project Area No. 2 Taxable Bonds”); and

WHEREAS, the Authority on behalf of the Prior Agency has previously issued \$28,850,000 La Quinta Financing Authority, Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A (the “2011 Taxable Housing Bonds”) and loaned the proceeds to the Prior Agency pursuant to the terms of a loan agreement dated February 3, 2004 and a Second Supplemental Loan Agreement, dated as of March 1, 2011 (the “2011 Loan Obligation”); and

WHEREAS, the Successor Agency has previously issued \$97,190,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Series A (the “2013 Series A Bonds”) and \$23,055,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Taxable Series B (the “2013 Taxable Series B” and collectively the “2013 Bonds”); and

WHEREAS, the Successor Agency has determined that it is cost effective and efficient to refund and defease the Loan Obligation in connection with the 2004 Housing Bonds (the “Refunded Bonds”) on a senior basis to the 2011 Project Area No. 2 Taxable Bonds, the 2011 Loan Obligation and the 2013 Bonds (collectively, the 2011 Project Area No. 2 Taxable Bonds, the 2011 Loan Obligation and the 2013 Bonds, the “Subordinate Bonds”); and

WHEREAS, for the corporate purposes of the Successor Agency, the Successor Agency deems it necessary to issue at this time tax allocation refunding bonds in a total principal amount of approximately Seventy-Two Million Three Hundred Seventy-Five Thousand Dollars (\$72,375,000), 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 Refunded Bonds of the Prior Agency, to pay costs in connection with the issuance of the Bonds, and to make certain other deposits as required by the Indenture (defined herein); and

WHEREAS, Assembly Bill AB X1 26, effective June 29, 2011, together with Assembly Bill 1484 (“AB 1484”) (collectively, the “Dissolution Act”) resulted in the La Quinta Redevelopment Agency being dissolved as of February 1, 2012; and

WHEREAS, the authority, rights, powers, assets, duties and obligations of the Prior Agency were transferred on February 1, 2012 to the Successor Agency; 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, the Successor Agency desires to issue its La Quinta Redevelopment Project Nos. 1 and 2, Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A (the “Bonds”) pursuant to the Indenture of Trust, by and between the Successor Agency and U.S. Bank National Association, dated as of March 1, 2014 (the “Indenture”) for the purpose of refunding the Refunded Bonds, to fund a debt service reserve account and pay 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 will have duly authorized the execution and delivery of the Indenture; and

WHEREAS, the Successor Agency 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 the 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.

“Alternative Reserve Account Security” means an irrevocable standby or direct pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indentures, provided that all of the following requirements are met at the time the Successor Agency determines delivery thereof to the Trustee: (a) the long-term credit rating of such bank or the claims paying rating of such insurance company is, at the time of commencement, A+ or better from S & P; (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indentures; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist

from time to time in the Interest Account and the Principal Account or the purpose of making payments required pursuant to the Indentures.

“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.

“Authority” means the La Quinta Financing Authority.

“Bond” or “Bonds” means the Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A and any refunding bonds or obligations issued therefor.

“Bonds” means the Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A.

“Bond Counsel” means Rutan & Tucker, LLP, 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.

“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.

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

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

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

“Bonds Reserve Account” means the account by that name referenced in Section 4.3 hereof.

“Bond Year” means the twelve (12) month period commencing on September 2 of each year, provided that the first Bond Year shall extend from the Delivery Date to September 1, 2014.

“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.

“Chair” means the chair 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 chair in the event of the chair’s absence or disqualification.

“City” means the City of La Quinta, 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 1, 2014(?), and each 12-month period ending on September 1 thereafter until there are no longer any Bonds Outstanding.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement among the Successor Agency and Willdan Financial Services 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 U.S. Bank National Association, except for exchange, surrender and payment of the Bonds, in which case “Trust Office” shall refer to the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota, 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, staff time and costs, fees of financial consultants, escrow fees and costs, bond insurance premiums, 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 Riverside, California.

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

“Defeasance Securities” means (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (5) subject to the prior written consent of the Insurer, securities eligible for “AAA” defeasance under then existing criteria of S & P or any combination, unless the Insurer otherwise approves.

“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.

“Escrow Agreement” means the escrow agreement for the Refunded Bonds.

“Escrow Bank” means U.S. Bank National Association.

“Escrow Fund” means the Escrow Fund created pursuant to each of the Escrow Agreements for each of the Refunded Bonds.

“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 that certain Indenture of Trust dated as of March 1, 2014, between the Successor Agency and U.S. Bank National Association, approved by Resolution No. _____, adopted by the Successor Agency on _____, 2014, and Resolution No. _____, adopted by the Oversight Board on _____, 2014, authorizing the issuance of the Bonds, as amended or supplemented from time to time.

“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” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Insured Bonds when due.

“Insured Bonds” means any and all, as the case may be, of the Bonds maturing on September 1 of the years 20__ and 20__.

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

“Interest Payment Date” means March 1 and September 1, commencing September 1, 2014 so long as any of the Bonds remain Outstanding hereunder.

“La Quinta Redevelopment Agency” or “La Quinta Agency” means the La Quinta Redevelopment Agency.

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

“Loan Agreement” means, collectively, that Loan Agreement by and between the La Quinta Redevelopment Agency and La Quinta Financing Authority, dated as of February 3, 2004, as amended and modified pursuant to the First Supplemental Loan Agreement, by and among the La Quinta Redevelopment Agency, the La Quinta Financing Authority, and U.S. Bank National Association, as Fiscal Agent, dated as of June 1, 2004 relating to \$90,000,000 Project Areas No. 1 and 2 Housing Loan; and the Second Supplemental Loan Agreement, by and among the La Quinta Redevelopment Agency, the La Quinta Financing Authority, and U.S. Bank National Association, as Fiscal Agent, dated as of March 1, 2011, relating to \$28,850,000 2011 Project Areas No. 1 and 2 Subordinate Housing Loan.

“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 the Prior Parity Bonds and any additional tax allocation bonds (including, without limitation, bonds, notes, loans, 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 on or prior to the date hereof pursuant to Section 33401 of the Health and Safety Code with (i) the County of Riverside; (ii) Desert Sands Unified School District; (iii) Coachella Valley Water District; (iv) Desert Community College District; (v) County of Riverside Superintendent of Schools; (vi) Coachella Valley Mosquito and Vector Control District; and (vii) Desert Recreation District.

“Paying Agent” means any paying agent appointed by the Successor Agency pursuant to the Indenture.

“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 otherwise acceptable to the Insurer; 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 portion of the monies deposited from time to time in the Redevelopment Property Tax Trust Fund 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.

“Prior Law” means the Community Redevelopment Law of the State of California (commencing with Health and Safety Code Section 33000) as it existed on or before June 29, 2011.

“Real Property Tax Trust Fund” or “RPTTF” means the fund by that name established pursuant to Health & Safety Code Section 34170.5 (b) and administered by the County auditor-controller.

“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 (l) of Section 34177 of the Dissolution Act.

“Redevelopment Obligation Retirement Fund” means the fund by that name established pursuant to Health & Safety Code Section 34170.5 (b) and administered by the Successor Agency.

“Redevelopment Project Area No. 1 Plan” means the La Quinta Redevelopment Plan for the project designated as the “La Quinta Redevelopment Project Area No. 1,” adopted and approved by Ordinance No. 43, which became effective on December 29, 1983, together with any amendments thereof heretofore or hereafter duly enacted pursuant to the law.

“Redevelopment Project Area No. 2 Plan” means the La Quinta Redevelopment Plan for the project designated as the “La Quinta Redevelopment Project Area No. 2,” approved and adopted by the City Council of the City by Ordinance No. 139, on May 16, 1989, and includes any amendments thereof heretofore or hereafter made pursuant to the law.

“Redevelopment Project Area No. 1,” means the project area formed by the Redevelopment Project Area No. 1 Plan.

“Redevelopment Project Area No. 2,” means the project area formed pursuant to the Redevelopment Project Area No. 2 Plan.

“Redevelopment Project Areas” or “Redevelopment Projects” or “Project Areas” means the Project Areas defined and described in the Redevelopment Plan for Redevelopment Project Area No. 1 and Redevelopment Project Area No. 2.

“Refunded Bonds” means the 2004 Housing Bonds as secured by the 2004 Loan Obligation.

“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 Surety Bond” or “Reserve Policy” means the Municipal Bond Debt Service Insurance Policy issued by the Insurer for the credit of the Bonds Reserve Account.

“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 the Bonds and Parity Bonds Outstanding.

“S&P” or “Standard and Poor’s” means Standard & Poor’s Ratings Group, New York, New York, and its successors and assigns.

“Subordinate Bonds” means the 2011 Project Area No. 2 Taxable Bonds, the remaining 2004 Loan Obligation, the 2011 Loan Obligation and the 2013 Bonds and any refunding bonds or obligations issued therefor.

“Subordinate Bond Indentures” means the 2011 Project Area No. 2 Taxable Bonds Indenture, the Loan Agreements, the 2013 Series A Indenture and the 2013 Series B First Supplemental 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.

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

“Trustee” means U.S. Bank National Association, a national banking association, 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.

“2004 Housing Bonds” means the \$90,000,000 La Quinta Financing Authority, Local Agency Revenue Bonds, 2004 Series A.

“2004 Housing Bonds Indenture” means that Indenture of Trust, dated as of June 1, 2004, by and between the La Quinta Financing Authority and U.S. Bank National Association, as Trustee, relating to \$90,000,000 La Quinta Financing Authority, Local Agency Revenue Bonds, 2004 Series A.

“2004 Loan Obligation” means the Prior Agency’s loan obligation under the Loan Agreement, dated as of February 3, 2004 as supplemented by the First Supplemental Loan Agreement, dated as of June 1, 2004.

“2011 Loan Obligation” means the Prior Agency’s loan obligation under the Loan Agreement, dated February 3, 2004 as supplemented by the Second Supplemental Loan Agreement, dated as of March 1, 2011, and any refunding bonds issued therefor.

“2011 Project Area No. 2 Taxable Bonds” means the \$6,000,000 La Quinta Redevelopment Agency, La Quinta Redevelopment Project Area No. 2 Subordinate Taxable Tax Allocation Bonds, Series 2011, and any refunding bonds issued therefor.

“2011 Project Area No. 2 Taxable Bonds Indenture” means that Indenture of Trust dated as of March 1, 2011, by and between the La Quinta Redevelopment Agency and U.S. Bank National Association, as Trustee, relating to \$6,000,000 La Quinta Redevelopment Agency, La

Quinta Redevelopment Project Area No. 2 Subordinate Taxable Tax Allocation Bonds, Series 2011.

“2011 Taxable Housing Bonds” means the \$28,850,000 La Quinta Financing Authority, Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A, and any refunding bonds issued therefor.

“2011 Taxable Housing Bonds Indenture” means that Indenture of Trust, dated as of March 1, 2011, by and between the La Quinta Financing Authority and U.S. Bank National Association, as Trustee, relating to \$28,850,000 La Quinta Financing Authority Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A.

“2013 Series A Bonds” means the \$97,190,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Series A and any refunding bonds issued therefore.

“2013 Series A Bonds Indenture” means that Indenture of Trust dated as of December 1, 2013, by and between the Successor Agency to the La Quinta Redevelopment Agency and U.S. Bank National Association, as Trustee relating to the 2013 Series A Bonds.

“2013 Series B Bonds” means the \$23,055,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Taxable Series B and any refunding bonds issues therefore.

“2013 Series B Bonds Indenture” means that First Supplemental Indenture of Trust, dated as of December 1, 2013, by and between the Successor Agency to the La Quinta Redevelopment Agency and U.S. Bank National Association, as Trustee relating to the 2013 Series B Bonds.

“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 OF SERIES A BONDS

Section 2.1 Authorization of the Bonds. Bonds in the aggregate principal amount of _____ Thousand 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 La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A.”

(a) The Bonds shall be and are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, on a senior basis to the 2011 Project Area No. 2 Taxable Bonds, the 2011 Loan Obligation and the 2013 Bonds. 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 any 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 and by an irrevocable pledge of Pledged Tax Revenues senior to the Subordinate Bonds .

Nothing in this Indenture shall preclude: (a) the payment of the Series A 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 the 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 September 1, in the years and in the amounts and shall bear interest at the rate per annum as follows:

Maturity Date	Principal Amount	Interest Rate
	\$	%

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 Series A 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 Series A Bond is authenticated on or before August 15, 20__, in which event it shall bear interest from the

Delivery Date; provided, however, that if, as of the date of authentication of any Series A 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 the Bonds.

(a) Optional Redemption. The Bonds may be called before maturity and redeemed at the option of the Successor Agency, in whole or in part, from the proceeds of refunding bonds or other available funds, on September 1, 20__ or on any date thereafter prior to maturity. Bonds called for redemption will be redeemed at the following redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed) plus accrued interest to the redemption date:

<i>Redemption Date</i>	<i>Redemption Date</i>
September 1, 20__ and thereafter	100%

(b) 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 Series A 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 1 pursuant to this Indenture. The prior written approval of the Insurer shall be required if any Series A Bond so purchased is not cancelled upon purchase.

Section 2.4 Form of the 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 the 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 Series A 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 Series A 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 Series A Bond shall be the proper officers of the Successor Agency although on the date of such Series A 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 the 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. 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 the 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. 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 in the name of Southwest Securities, Inc. and shall thereafter be assigned to and registered in the name of Cede & Co., as nominee of DTC. 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 Register, 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 name 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 SERIES A BONDS; PARITY DEBT

Section 3.1 Issuance of the 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 _____ Thousand 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 the Bonds. (a) On the Delivery Date the proceeds of sale of the Bonds shall be paid to the Trustee and said amount together with moneys transferred from the Funds and Accounts held in connection with the Refunded Tax Exempt Bonds shall be applied as follows:

(i) The Trustee shall transfer the amount of \$_____ to the Escrow Bank for deposit in the Escrow Fund pursuant to the Escrow Agreement relating to the Refunded Bonds;

(ii) 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.

Moneys deposited in the Escrow Bank and the Escrow Fund pursuant to Section 3.2(a) hereof shall be held by the Escrow Bank, and used to pay the principal of and interest on the Refunded Bonds in accordance with the provisions of the Escrow Agreement.

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 which 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 and the Senior Indentures, 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 and the Subordinate Indentures;

(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 the Subordinate Indentures, and (ii) the deposit of moneys into the Bonds Reserve Account in an amount sufficient, together with the balance of the Bonds 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, the Subordinate 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, the Subordinate 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 1 or September 1) 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 the 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 the Bonds; Equal Security. Except as provided in Sections 4.2 and 6.6, the 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 Bonds Interest Account, the Bonds Principal Account, the Bonds Reserve Account and the Bonds 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(a) 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 from the RPTTF in accordance with the Dissolution Act 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 Bonds Interest Account, the Bonds Principal Account, the Bonds Reserve Account and the Bonds 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 September 1 in each calendar year beginning September 1, 2014, 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 and Parity Bonds on such September 1, 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 Bonds Principal Account if the amount contained therein is at least equal to the principal and sinking account payments to become due on such September 1 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 Bonds Reserve Account an amount sufficient to maintain the Reserve Requirement on deposit in the 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 sufficient to maintain the Reserve Requirement on deposit in the 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 Bonds 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 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 1 and September 1 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 Bonds 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. The prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Bonds Reserve Account. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Bonds Reserve Account shall be applied solely to the payment of debt service due on the Bonds.

(d) Reserve Account Surety Bond. The Reserve Requirement for the Bonds will be initially maintained in the form of the issuance of the Reserve Account Surety Bond. Under the terms and conditions of the Reserve Account Surety Bond and Article XI, the Trustee shall deliver to the Insurer a demand for payment under the Reserve Account Surety Bond in the required form prior to the date on which funds are required for the purposes set forth above. The Trustee shall comply with all of the terms and provisions of the Reserve Account Surety Bond and Article XI for the purpose of assuring that funds are available thereunder when required for the purposes of the Bonds Reserve Account, within the limits of the coverage amount provided by the Reserve Account Surety Bond. All amounts drawn by the Trustee under the Reserve Account Surety Bond will be deposited into the Bonds Reserve Account and applied for the purposes thereof.

(e) 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.

(f) Equal Rights. It is the intention of the Successor Agency that the Bonds and any Parity Bonds shall be secured by and payable from all moneys deposited in the Redevelopment Obligation Payment Fund on an equal basis. To the extent that moneys deposited in the Redevelopment Obligation Payment Fund are insufficient to pay debt service on the Bonds and any Parity Bonds as it becomes due, the Bonds and Parity Bonds shall be payable

on a pro-rata basis from all available moneys deposited in the Redevelopment Obligation Payment Fund.

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.

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 senior 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 of the Outstanding 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 this Indenture to replenish the Bonds 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 Projects and the Tax Revenues and other funds relating to the Redevelopment Projects. The Successor Agency will prepare within one hundred eighty (180) days after the close of each of its Fiscal Years a complete financial statement or statements for such year, in reasonable detail covering the Tax Revenues and other funds, accompanied by an opinion of an Independent Certified Public Accountant appointed by the Successor Agency, and will furnish a copy of the statement or statements 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 the Successor

Agency's financial statements. The Successor Agency's financial statements may be included as part of the City's Comprehensive Annual Financial Report.

Covenant 6. Eminent Domain Proceeds. The Successor Agency covenants and agrees that if all or any part of the Redevelopment Project Areas 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 Areas.

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 Areas (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 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 Relating to the Bonds. 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 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 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 shall comply with all of the requirements of the Dissolution Act. The Successor Agency shall take all actions required under the Dissolution Act to prepare and file Recognized Obligation Payment Schedules so as to enable the Riverside County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund all amounts as shall be required to enable the Successor Agency to pay timely principal of, and interest on, the Bonds coming due in such Bond Year.

Without limiting the generality of the foregoing paragraph, the Successor Agency will take all actions required under the Dissolution Act to include on the Recognized Obligation Payment Schedules for each Semiannual Period all payments to the Trustee to satisfy the requirements of this Indenture, including any amounts required to replenish the respective reserve accounts established for the Bonds. In addition, the Successor Agency will take all actions required under the Dissolution Act to include scheduled debt service on the Bonds, as well as any amount required to replenish the respective reserve accounts established for the Bonds, in Recognized Obligation Payment Schedules for each semiannual period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Redevelopment Obligation Retirement Fund on each January 2 and June 1, the amounts required to pay principal of and interest on the Bonds coming due in the respective semiannual period. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and the California Department of Finance, to the extent required, the amounts to be held by the Successor Agency as a reserve until the next semiannual period that are required to provide for the payment of principal of and interest on the Bonds. Further, to the extent that the Subordinated Pass-Through Amounts are necessary to meet the pay debt service on the Bonds, the Agency covenants to comply with the

requirements of Health & Safety Code Section 34183(b) to ensure that the Subordinated Pass-Through Amounts are paid to the Agency.

With regard to each semiannual period ending on June 30 of a calendar year, the Agency shall include in the Recognized Obligation Payment Schedule for such semiannual period an amount which is at least equal to the sum of (a) the full amount of principal and interest on the Bonds coming due and payable on the succeeding March 1 and September 1, plus (b) the full amount of interest coming due and payable on the Subordinate Bonds and any obligations issued on a parity with the Bonds on the next succeeding March 1.

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 Plans. The Successor Agency shall file annually with the Trustee on or prior to August 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 Agreement. Notwithstanding any other provision of this Indenture, failure of the Successor Agency to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; 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.

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 duties 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 man would exercise or use under the circumstances in the conduct of his 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 of 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 agrees 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 Bonds 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.

(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 Bonds Interest Account, the Bonds Principal Account and the Bonds 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 Bonds 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, (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 Bonds Reserve Account or (iii) Alternate Reserve Account Security.

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

Obligations purchased as an investment of moneys in any of the Funds or Accounts shall be deemed at all times to be a part of such respective Fund or Account and the interest accruing thereon and any gain realized from an investment shall be credited to such Fund or Account and any loss resulting from any authorized investment shall be charged to such Fund or Account without liability to the Trustee. The Successor Agency or the Trustee, as the case may be, shall sell or present for redemption any obligation purchased whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such Fund or Account as required by 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 Bonds Interest Account, Bonds Principal Account, Bonds Redemption Account or Bonds 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, without consent of any Owners, to the extent permitted by law and any 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 and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (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. Any amendment, supplement, modification to, or waiver of, this Indenture or any other transaction document, including any underlying security agreement (each a “Related Document”), that requires the consent of Bondowners or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

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 (including default by the obligor on any underlying agreement) 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, with the consent of a majority of the Holders, by written notice to the Successor Agency, declare the principal of the Bonds and any Parity 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. Notwithstanding the foregoing, the maturity of the Insured Bonds shall not be accelerated without the consent of the Insurer and in the event the maturity 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 Successor Agency) 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;

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 and Parity 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 and any Parity 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 or Parity Bonds over any other Bond or any Parity Bonds; and

Third, to the payment of any amounts due and owing the Insurer.

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. 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 to this Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. The rights granted to the Insurer under this Indenture or any other Related Document 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 owners of the Insured Bonds and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the owners of the Insured Bonds or any other person is required in addition to the consent of the Insurer.

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, including a writ of mandamus 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, the Insurer, 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, the Insurer, and the registered Owners of the Bonds. The Insurer is a third party beneficiary to the Indenture.

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(h) 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. Notwithstanding the foregoing, to accomplish defeasance of the Insured Bonds, the Successor Agency shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer (“Accountant”) verifying the sufficiency of the escrow established to pay the Insured Bonds in full on the maturity or redemption date (“Verification”), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Insured Bonds are no longer “Outstanding” under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the Insured Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Successor Agency, Trustee and Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow.

Insured Bonds shall be deemed “Outstanding” under this Indenture unless and until they are in fact paid and retired or the above criteria are met.

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 personal 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 La Quinta Redevelopment Agency
78-495 Calle Tampico
La Quinta, California 92253
Attention: City Manager

If to the Trustee: U.S. Bank National Association
633 W. Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Global Corporate Trust Services
Ref. Successor Agency to the La Quinta Redevelopment Agency

If to the Insurer: The notice address of the Insurer is:

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 internal 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.

ARTICLE X PROVISIONS RELATING TO INSURANCE POLICY

As long as the Insurance Policy remains in full force and effect and the Insurer is not then in payment default thereunder, the provisions of this Article X shall govern for the benefit of the Insurer along with such other provisions benefitting the Insurer in this Indenture, notwithstanding anything to the contrary set forth in the Indenture:

(a) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.

(b) Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of Insured Bonds to be redeemed shall be subject to the approval of the Insurer.

(c) Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of this Indenture and the Insured Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance

with this Indenture. This Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

(d) The Issuer covenants and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Pledged Tax Revenues under applicable law.

(e) Claims Upon the Insurance Policy and Payments by and to the Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date (“Payment Date”) there is not on deposit with the Trustee, after making all transfers and deposits required under this Indenture, moneys sufficient to pay the principal of and interest on the Insured Bonds due on such 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 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 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 on 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 Owners of the Insured Bonds, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Series 2014 Bond to the Insurer, registered in the name of _____, 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 Issuer on any Insured Series 2014 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 (defined below) and the allocation of such funds to payment of interest on and principal of any Insured Series 2014 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 Owners of the Insured Bonds 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 Owners of the Insured Bonds 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 Owners of the Insured Bonds in the same manner as principal and interest payments are to be made with respect to the Insured Bonds under the sections of this Indenture regarding payment of Bonds. 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 in this Indenture to the contrary, the Issuer 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 “Insurer Advances”); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the “Insurer Reimbursement Amounts”). “Late Payment Rate” means the lesser of (a) 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 (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) 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 Issuer hereby covenants and agrees that the 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 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.

(f) The Insurer shall, to the extent it makes any payment of principal 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. Each obligation of the Issuer to the Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

(g) The Issuer 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 in any Related Document; (ii) the pursuit of any remedies under this Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, this Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or any other Related Document or the transactions contemplated thereby, 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 of the Indenture or any other Related Document.

(h) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Issuer or rebate only after the payment of past due and current debt service on the Bonds and amounts required to restore the Bonds Reserve Account to the Reserve Requirement.

(i) The Insurer shall be entitled to pay principal or interest on the Insured Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Insurance Policy) and any amounts due on the Insured Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(j) The notice address of the Insurer is: _____.

(k) The Insurer shall be provided with the following information by the Issuer or the Trustee, as the case may be:

(i) Annual audited financial statements within 180 days after the end of the Issuer's fiscal year (together with a certification of the Issuer that it is not aware of any default or Event of Default under the Indenture), and the Issuer's annual budget 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 the Bonds 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 Bonds;

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

(iv) Prior notice of the advance refunding or redemption 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 Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the Issuer 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 to the Related Documents; and

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

In addition, to the extent that the Issuer has entered into a continuing disclosure agreement, covenant or undertaking with respect to the Bonds, all information furnished pursuant

to such agreements shall also be provided to the Insurer, simultaneously with the furnishing of such information.

(l) The Insurer shall have the right to receive such additional information as it may reasonably request.

(m) The Issuer will permit the Insurer to discuss the affairs, finances and accounts of the Issuer or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Issuer on any business day upon reasonable prior notice.

(n) The Trustee shall notify the Insurer of any failure of the Issuer to provide notices, certificates and other information under the transaction documents.

(o) Notwithstanding satisfaction of the other conditions to the issuance of Parity Bonds set forth in this Indenture, no such issuance may occur (1) 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 (2) unless the Bonds Reserve Account is fully funded at the Reserve Requirement (including the proposed issue) upon the issuance of such Parity Bonds, in either case unless otherwise permitted by the Insurer.

(p) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Insured Bonds or the rights of the Owners of the Insured Bonds, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

(q) 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.

(r) The Issuer shall not enter into any interest rate exchange agreement or other interest rate management agreement that is secured by and payable from the Pledged Tax Revenues without the prior written consent of the Insurer.

ARTICLE XI PROVISIONS RELATING TO RESERVE POLICY

As long as the Reserve Policy remains in full force and effect and the Insurer is not then in payment default thereunder, the provisions of this Article XI shall govern, notwithstanding anything to the contrary set forth in this Indenture.

(a) The Issuer 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 (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds 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 JPMorgan Chase Bank ceases to announce its Prime Rate publicly, 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 subparagraph (a) 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 Issuer 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.

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 1/12 of the aggregate of Policy Costs related to such draw. The Issuer shall take all actions required by the Dissolution Act to ensure that Policy Costs are paid to the Insurer when due, including the submission of Recognized Obligation Payment Schedules providing for Policy Costs that are payable to the Insurer.

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 revenues and other collateral pledged as security for the Bonds (subject only to the priority of payment provisions set forth under the Indenture).

All cash and investments in the Bonds Reserve Account shall be transferred to the Bonds Principal Account and the Bonds Interest Account for payment of debt service on Bonds before any drawing may be made on the Reserve Policy or any other credit facility credited to the Bonds Reserve Account in lieu of cash (“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.

(b) If the Issuer shall fail to pay any Policy Costs in accordance with the requirements of subparagraph (a) hereof, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Indenture other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect owners of the Bonds.

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

(d) The Issuer shall include any Policy Costs then due and owing the Insurer in the calculation of the additional bonds test in Section 3.4 of this Indenture.

(e) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of subparagraph (a) hereof and to provide notice to the Insurer in accordance with the terms of the Reserve Policy at least five 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 Issuer with the Trustee to the Debt Service Fund for the Bonds more often than semi-annually, the Trustee shall give notice to the Insurer of any failure of the Issuer to make timely payment in full of such deposits within two Business Days of the date due.

(f) The Issuer will pay or reimburse the Insurer any and all charges, fees, costs, losses, liabilities and expenses which the Insurer may pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the Reserve Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of this Indenture or any other document executed in connection with the Bonds (the “Related Documents”), including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the Issuer) relating to this Indenture or any other Related Document, or the transactions contemplated by the Related Documents, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under this Indenture or any other Related Document, if any, or the pursuit of any remedies under this Indenture or any other Related Document, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, (iv) any amendment, waiver or other action with respect to, or related to this Indenture, the Reserve Policy or any other Related Document whether or not executed or completed, or (v) any action taken by the Insurer to cure a default or termination or similar event (or to mitigate the effect thereof) under this Indenture or any other Related Document; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the Insurer spent in connection with the actions described in clauses (ii) through (v) above. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Indenture or any other Related Document. Amounts payable by the

Issuer hereunder shall bear interest at the Late Payment Rate from the date such amount is paid or incurred by the Insurer until the date the Insurer is paid in full.

(g) The obligation of the Issuer to pay all amounts due to the Insurer shall be an absolute and unconditional obligation of the Issuer and will be paid or performed strictly in accordance herewith with, irrespective of (i) any lack of validity or enforceability of or any amendment or other modifications of, or waiver with respect to the Bonds, this Indenture or any other Related Document; (ii) any amendment or other modification of, or waiver with respect to the Reserve Policy; (iii) any exchange, release or non-perfection of any security interest in property securing the Bonds, this Indenture or any other Related Documents; (iv) whether or not such Bonds are contingent or matured, disputed or undisputed, liquidated or unliquidated; (v) any amendment, modification or waiver of or any consent to departure from the Reserve Policy, this Indenture or all or any of the other Related Documents; (vi) the existence of any claim, setoff, defense (other than the defense of payment in full), reduction, abatement or other right which the Issuer may have at any time against the Trustee or any other person or entity other than the Insurer, whether in connection with the transactions contemplated herein, in this Indenture or in any other Related Documents or any unrelated transactions; (vii) any statement or any other document presented under or in connection with the Reserve Policy proving in any and all respects invalid, inaccurate, insufficient, fraudulent or forged or any statement therein being untrue or inaccurate in any respect; or (viii) any payment by the Insurer under the Reserve Policy against presentation of a certificate or other document which does not strictly comply with the terms of the Reserve Policy.

IN WITNESS WHEREOF, the SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY, has caused this Indenture to be signed in its name by its Chair and attested by its Secretary, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the duties of the Trustee 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 LA
QUINTA REDEVELOPMENT AGENCY

By: _____
Its: Chair

ATTEST:

By: _____
Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Its: Authorized Officer

EXHIBIT A

(FORM OF BOND)

No. R-__

\$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
(COUNTY OF RIVERSIDE)**

**SUCCESSOR AGENCY TO THE
LA QUINTA REDEVELOPMENT AGENCY
LA QUINTA REDEVELOPMENT PROJECT AREAS NO. 1 AND 2
TAX ALLOCATION REFUNDING BONDS
(SENIOR HOUSING LIEN) 2014 SERIES A**

Interest Rate	Maturity Date	Dated Date	CUSIP
_____%	September 1, 20__	_____, 2014	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: _____ THOUSAND DOLLARS

The SUCCESSOR AGENCY TO THE LA QUINTA 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 August 15, 2014, 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 1 and September 1 in each year (each an "interest payment date"), commencing September 1, 2014, 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 U.S. Bank National Association, as trustee (the "Trustee"). Interest here on (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 La Quinta Redevelopment Agency La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A” (the “Bonds”), in an aggregate principal amount of _____ Thousand 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 _____, 2014, and a resolution adopted by the Oversight Board on _____, 2014, and an Indenture of Trust, dated as of March 1, 2014, 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 the outstanding \$90,000,000 La Quinta Financing Authority, Local Agency Revenue Bonds, 2004 Series A (the “Refunded Bonds”).

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 senior basis to the \$6,000,000 La Quinta Redevelopment Agency, La Quinta Redevelopment Project Area No. 2 Subordinate Taxable Tax Allocation Bonds, Series 2011, the loan obligation securing \$28,850,000 La Quinta Financing Authority, Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A and the Successor Agency of the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas Nos. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Series A and the Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Taxable Series B (the “Subordinate Bonds”).

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 Bonds Interest Account, the Bonds Principal Account, the Bonds Reserve Account and the Bonds 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 may be called before maturity and redeemed at the option of the Agency, in whole or in part from the proceeds of refunding bonds or other available funds, on September 1, 20__ or on any date thereafter prior to maturity. Bonds called for redemption will be redeemed at the following redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) plus accrued interest to the redemption date:

Redemption Date	Redemption Price
September 1, 20__ and thereafter	100%

The Bonds are not subject to mandatory 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 Registered 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 Registered 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 La Quinta, 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 La Quinta 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 [and its seal to be reproduced hereon], all as of the Delivery Date.

SUCCESSOR AGENCY TO THE LA
QUINTA 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: _____, 2014

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

LEGAL OPINION

The following is a true copy of the opinion rendered by Rutan & Tucker, LLP, 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 La Quinta
Redevelopment Agency

STATEMENT OF INSURANCE

(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."

NEW ISSUE—BOOK-ENTRY

Standard & Poor's: "___" (___ Insured)
 "___" (Underlying)

(See "CONCLUDING INFORMATION — Ratings" Herein)

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with covenants intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from present State of California personal income taxes. See "CONCLUDING INFORMATION — Tax Exemption" herein.

\$72,375,000*

**SUCCESSOR AGENCY TO THE
 LA QUINTA REDEVELOPMENT AGENCY
 La Quinta Redevelopment Project Areas No. 1 and 2
 Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A**

Dated: Delivery Date

Due: September 1, as shown on the inside front cover

The above-captioned bonds (the "Bonds") will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. The principal of, premium if any, and semiannual interest (due March 1 and September 1 of each year, commencing September 1, 2014) on the Bonds will be payable by U.S. Bank National Association, as Trustee, to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds (see "THE BONDS — Book-Entry System" herein).

The Bonds are subject to optional redemption prior to maturity, in whole or in part, on September 1, 20__ and on any day thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium.

The Bonds are being issued by the Successor Agency to the La Quinta Redevelopment Agency (the "Agency") on a senior basis to the La Quinta Redevelopment Agency's (the "Prior Agency") previously issued \$6,000,000 La Quinta Redevelopment Project Area No. 2, Subordinate Taxable Tax Allocation Bonds, Series 2011 (the "2011 Bonds") of which \$5,930,000 are currently outstanding, the Prior Agency's loan obligation under the Loan Agreement, dated February 3, 2004 as supplemented by the Second Supplemental Loan Agreement, dated as of March 1, 2011 (the "2011 Loan Obligation") in connection with the Authority's previously issued \$28,850,000 Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A (the "2011 Series A Bonds") of which \$28,330,000 are currently outstanding and the Agency's previously issued \$97,190,000 La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Series A and \$23,055,000 La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Taxable Series B (the "2013 Bonds"). The 2011 Bonds, the 2011 Loan Obligation and the 2013 Bonds are sometimes referred to herein as the "Subordinate Bonds."

The Bonds are being issued to refinance the Prior Agency's loan obligation under the Loan Agreement, dated as of February 3, 2004 as supplemented by the First Supplemental Loan Agreement, dated as of June 1, 2004 (the "2004 Loan Obligation") in connection with the La Quinta Financing Authority's (the "Authority") previously issued \$90,000,000 Local Agency Revenue Bonds, 2004 Series A (the "2004 Housing Bonds") of which \$75,480,000 are currently outstanding. The 2004 Housing Bonds are sometimes referred to herein as the "Refunded Bonds."

The Bonds are payable from and secured by the Pledged Tax Revenues, as defined herein, to be derived from the La Quinta Redevelopment Project Area No. 1 and La Quinta Redevelopment Project Area No. 2 (the "Project Areas"). Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the base year property tax rolls deposited in the Redevelopment Property Tax Trust Fund and, to the extent they constitute Pledged Tax Revenues, shall be deposited in the Redevelopment Obligation Retirement Fund, and administered by the Agency and the Trustee in accordance with the Indenture (as herein defined).

The scheduled payment of principal of and interest on the (the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by _____. See "INSURED BONDS BOND INSURANCE" and Appendix G — Specimen Municipal Bond Insurance Policy."

[INSERT INSURER LOGO]

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain risk factors more fully described herein.

The Bonds are not a debt of the City of La Quinta, the State of California or any of its political subdivisions (except the Agency) and neither said City, said State or any of its political subdivisions (except the Agency) is liable therefor. The principal of and interest on the Bonds are payable solely from the Pledged Tax Revenues allocated to the Agency from the Project Areas (all as defined herein and in the Indenture) and other funds 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.

The Bonds are offered, when, as and if issued, subject to the approval of Rutan & Tucker, LLP, Costa Mesa, California, Bond Counsel. Certain legal matters will be passed on for the Agency by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about June __, 2014.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

SOUTHWEST SECURITIES, INC.

The date of this Preliminary Official Statement is _____, 2014.

* *Preliminary, subject to change.*

\$72,375,000*
SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY
La Quinta Redevelopment Project Areas No. 1 and 2
Tax Allocation Refunding Bonds (Senior Housing Lien)
2014 Series A Bonds

Maturity Schedule

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
2014	2,930,000				
2015	2,175,000				
2016	2,245,000				
2017	2,330,000				
2018	2,425,000				
2019	2,545,000				
2020	2,675,000				
2021	2,810,000				
2022	2,950,000				
2023	3,095,000				
2024	3,255,000				
2025	3,415,000				
2026	3,585,000				
2027	3,760,000				
2027	3,950,000				
2028	4,150,000				
2029	4,360,000				
2030	4,360,000				
2031	4,575,000				
2032	4,805,000				
2033	5,040,000				
2034	5,300,000				

[†] CUSIP® is a registered trademark of the American Bankers Association. Copyright© 1999-2014 American Bankers Association. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP® numbers are provided for convenience of reference only. Neither the Agency nor the Underwriter takes any responsibility for the accuracy of such numbers.

**SUCCESSOR AGENCY TO THE
LA QUINTA REDEVELOPMENT AGENCY
LA QUINTA, CALIFORNIA**

BOARD OF DIRECTORS

Don Adolph, *Chair*
Lee M. Osborne, *Vice-Chair*
Linda Evans, *Member*
Kristy Franklin, *Member*
Terry B. Henderson, *Member*

AGENCY/CITY STAFF

Frank J. Spevacek, *Executive Director/City Manager*
Susan Maysels, *Agency Secretary/City Clerk*
Patrick Griffin, *Interim Finance Director*
Katherine Jenson, *Agency Counsel/City Attorney*

SPECIAL SERVICES

Bond Counsel

Rutan & Tucker LLP
Costa Mesa, California

Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Trustee and Escrow Bank

U.S. Bank National Association
Los Angeles, California

Financial Advisor

Harrell & Company Advisors, LLC
Orange, California

Dissemination Agent

Willdan Financial Services
Temecula, California

Underwriter

Southwest Securities, Inc.
Cardiff by the Sea, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been given or authorized by the Agency or the Underwriter.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the Agency with respect to the Bonds that has been deemed “final” by the Agency as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds described in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement does not constitute a contract between any Bond owner and the Agency or the Underwriter.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure made by the Agency, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the other parties described in this Official Statement, since the date of this Official Statement.

Document Summaries. All summaries of the Indenture or other documents contained in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. All references in this Official Statement to the Indenture and such other documents are qualified in their entirety by reference to such documents, which are on file with the Agency.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

No Registration with the SEC. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

Public Offering Prices. The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and the Underwriter may change those public offering prices from time to time.

Web Page. The City of La Quinta maintains a website. However, the information maintained on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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

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OFFICIAL STATEMENT

\$72,375,000*

**SUCCESSOR AGENCY TO THE
LA QUINTA REDEVELOPMENT AGENCY
La Quinta Redevelopment Project Areas No. 1 and 2
Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A**

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the La Quinta Redevelopment Agency (the "Agency") of \$72,375,000* La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A (the "Bonds").

Authority and Purpose

The Bonds are being issued pursuant to the Constitution and laws of the State of California (the "State"), including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Bond Law") and an Indenture of Trust dated as of June 1, 2014 (the "Indenture") by and between the Agency and U.S. Bank National Association, as trustee (the "Trustee"). See "THE BONDS — Authority for Issuance."

The Bonds are being issued to refinance the Prior Agency's previously issued loan obligation under the Loan Agreement, dated as of February 3, 2004 as supplemented by the First Supplemental Loan Agreement, dated as of June 1, 2004 (the "2004 Loan Obligation") in connection with the La Quinta Financing Authority's (the "Authority") previously issued \$90,000,000 Local Agency Revenue Bonds, 2004 Series A (the "2004 Housing Bonds") of which \$75,480,000 are currently outstanding. The 2004 Housing Bonds are sometimes referred to herein as the "Refunded Bonds."

The City of La Quinta (the "City") is located 127 miles east of Los Angeles and 20 miles east of Palm Springs in Riverside County (the "County"). The City was originally a general law city incorporated on May 1, 1982, became a charter city in November, 1996 and provides for a Council-City Manager form of government consisting of five Council Members elected to four-year overlapping terms. The Mayor is directly elected by the citizens to a two year term. The City encompasses an area of approximately 35.31 square miles. The population of the City was estimated to be _____ as of January 1, 2014. See Appendix G — "SUPPLEMENTAL INFORMATION — THE CITY OF LA QUINTA."

The Prior Agency was established on July 5, 1983 by the City Council of the City with the adoption of Ordinance No. 34, pursuant to the Community Redevelopment Law (Part 1, Division 25, commencing with Section 33000 of the Health and Safety Code of the State) (the "Redevelopment Law"). On June 29, 2011, Assembly Bill No. 26 ("ABx1 26") was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 ("ABx1 27"). 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 ABx1 26 and ABx1 27. The California Supreme Court largely upheld ABx1 26, invalidated ABx1 27, and held that ABx1 26 may be severed from ABx1 27 and enforced independently. As a result of ABx1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all

* Preliminary, subject to change.

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

The primary provisions enacted by ABx1 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“AB 1484”), enacted as Chapter 26, Statutes of 2012 (as amended from time to time, the “Dissolution Act”).

On January 3, 2012, the City Council of the City elected to serve as the Agency, pursuant to Resolution No. 2012-002, adopted by the City as the governing body of the Agency and Section 34173 of the Dissolution Act. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City.

The Redevelopment Plans

The Redevelopment Plan for the La Quinta Redevelopment Project Area No. 1 was approved by Ordinance No. 43 adopted by the City Council on November 29, 1983, and has been amended several times. The La Quinta Redevelopment Project Area No. 1 (“Project Area No. 1”) encompasses 17.9 square miles (11,475 acres) of commercial, public and residential properties.

The Redevelopment Plan for the La Quinta Redevelopment Project Area No. 2 was approved by Ordinance No. 139 adopted by the City Council on May 16, 1989, and has also been amended several times. The La Quinta Redevelopment Project Area No. 2 (“Project Area No. 2”) encompasses 4.9 square miles (3,130 acres) of commercial, public and residential properties.

Project Area No. 1 and Project Area No. 2 are referred to herein as the Project Areas, and the Redevelopment Plans for Project Area No. 1 and Project Area No. 2 are referred to herein as the Redevelopment Plans.

Tax Allocation Financing

Prior to the enactment of ABx1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of redevelopment agency obligations.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of monies deposited from time to time in a Redevelopment Property Tax Trust Fund (the “Redevelopment Property Tax Trust Fund”) held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the

financing of redevelopment projects. Under the Indenture, Pledged Tax Revenues consist of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act less certain payments to taxing agencies but subject to any adjustments thereto pursuant to Section 34183(b) of the Dissolution Act. See “SECURITY FOR THE BONDS — Tax Increment Financing” herein for additional information.

The Agency believes that pursuant to the Dissolution Act that the Subordinated Pass-Through Amounts in Project Area No. 1 are included in the amounts pledged to the Bonds and, in certain circumstances, would be available pursuant to Health & Safety Code Section 34183(b) to pay the Bonds, the Financial Advisor has deducted the Subordinated Pass-Through Amounts in calculating Pledged Tax Revenues available to pay debt service shown in the table entitled “SUCCESSOR AGENCY PROJECTED PLEDGED TAX REVENUES” and the tables under the heading “Debt Service Coverage” herein.

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See “RISK FACTORS.”

Security for the Bonds

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Prior Agency had the Prior Agency not been dissolved pursuant to the operation of ABx1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to effective date of ABx1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Agency’s Recognized Obligation Payment Schedule (see Appendix A — “DEFINITIONS” and “SECURITY FOR THE BONDS — Recognized Obligation Payment Schedule”).

The Dissolution Act further provides that bonds authorized thereunder to be issued by the Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the Bonds, are taxes allocated to the Agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax increment revenues under the Redevelopment Law, as described in the foregoing paragraph.

In accordance with the Dissolution Act, “Pledged Tax Revenues” are defined under the Indenture as the portion of the monies deposited from time to time in the Redevelopment Property Tax Trust Fund, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act. In accordance with the Dissolution Act, the Bonds shall be payable from and secured by the Pledged Tax Revenues. 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.

The Agency believes that pursuant to the Dissolution Act that the Subordinated Pass-Through Amounts in Project Area No. 1 are included in the amounts pledged to the Bonds and, in certain circumstances, would be available pursuant to Health & Safety Code Section 34183(b) to pay the Bonds,

the Financial Advisor has deducted the Subordinated Pass-Through Amounts in calculating Pledged Tax Revenues available to pay debt service shown in the table entitled “SUCCESSOR AGENCY PROJECTED PLEDGED TAX REVENUES” and the tables under the heading “Debt Service Coverage” herein.

The Bonds are payable from and secured by the Pledged Tax Revenues to be derived from the Project Areas, all of the monies in the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act, and all of the monies in the Debt Service Fund (including the Interest Account, the Principal Account, and the Reserve Account therein) established and held by the Trustee under the Indenture. Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Areas, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see “SECURITY FOR THE BONDS — Recognized Obligation Payment Schedule”). Monies deposited by the County Auditor-Controller into the Agency’s Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See “RISK FACTORS.”

Subordinate Bonds

The Bonds are being issued by the Agency on a senior basis to the Prior Agency’s previously issued \$6,000,000 La Quinta Redevelopment Project Area No. 2, Subordinate Taxable Tax Allocation Bonds, Series 2011 (the “2011 Bonds”) of which \$5,930,000 are currently outstanding, the Prior Agency’s obligation under the Loan Agreement, dated February 3, 2004 as supplemented by the Second Supplemental Loan Agreement, dated as of March 1, 2011 (the “2011 Loan Obligation”) in connection with the Authority’s previously issued \$28,850,000 Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A (the “2011 Series A Bonds”) of which \$28,330,000 are currently outstanding and the Agency’s previously issued \$97,190,000 La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Series A and \$23,055,000 La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Taxable Series B (the “2013 Bonds”). The 2011 Bonds, the 2011 Loan Obligation and the 2013 Bonds are sometimes referred to herein as the “Subordinate Bonds.”

The 2011 Series A Bonds are payable from that portion of the tax revenues set aside as provided in Sections 33334.2 and 33334.3 of the Redevelopment Law for the Project Areas (the “Housing Set Aside”). Pursuant to the 2011 Bond Indenture, the 2011 Bonds are payable from the tax revenues from Project Area No. 2 less the tax revenues set aside as provided in Sections 33334.2 and 33334.3 of the Redevelopment Law and the tax revenues paid to certain taxing entities in the County pursuant to the pass-through obligations. Under the Dissolution Act, the Bonds are payable from moneys deposited in the Redevelopment Obligation Retirement Fund from the Redevelopment Property Tax Trust Fund on a senior lien basis to the Subordinate Bonds.

Reserve Account

The Indenture provides that in lieu of a cash deposit, the Agency may satisfy all or a portion of a Reserve Requirement by means of a Reserve Account Surety Bond (see “THE INDENTURE” herein). In order to further secure the payment of the principal of and interest on the Bonds, the Agency intends to satisfy the Reserve Requirement for the Bonds by using a portion of the proceeds of the Bonds to purchase a Reserve Account Surety Bond in the face amount of \$_____ (see “Reserve Account Surety Bond” below) which is equal to the Reserve Requirement of the Bonds. “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 any Parity Bonds Outstanding.

Reserve Account Surety Bond. Concurrently with the issuance of the Bonds, the Bond Insurer will issue a Reserve Account Municipal Bond Insurance Policy (the “Reserve Account Municipal Bond Insurance Policy”) with respect to the Bonds. The Reserve Account Municipal Bond Insurance Policy provides that the Insurer will make payment to the Trustee on the later of the Business Day on which principal and interest becomes due for Payment or the Business Day next following the Business Day on which the Insurer shall have received Notice of Nonpayment, not to exceed the Policy Limit of \$_____.

Further Information

Brief descriptions of the Bonds, the Indenture, the Agency, the Prior Agency and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bond Law, the Redevelopment Law, the Dissolution Act, the Constitution and the laws of the State as well as the proceedings of the Prior Agency, the Agency and the City are qualified in their entirety by reference to such documents. References herein to the Bonds are qualified in their entirety by the form thereof included in the Indenture and the information with respect thereto included herein, copies of which are all available for inspection at the offices of the Agency. During the period of the offering of the Bonds, copies of the forms of all documents are available at the offices of Southwest Securities, Inc., 2533 South Coast Hwy 101, Suite 250, Cardiff by the Sea, California 92007, and thereafter from the City Clerk’s office, City of La Quinta, 78-495 Calle Tampico, La Quinta, California 92253.

BOND INSURANCE

Bond Insurance

[INFORMATION TO COME.]

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds is summarized as follows:

Sources:

Principal Amount of Bonds	\$
Underwriter's Discount	
Original Issue Premium/(Discount)	
Total Sources	<u>\$</u>

Uses:

2004 Bonds Escrow Fund ⁽¹⁾	\$
Costs of Issuance Fund ⁽²⁾	
Total Uses	<u>\$</u>

⁽¹⁾ Amount sufficient to pay principal, redemption price and interest on the 2004 Bonds on September 1, 2014.

⁽²⁾ Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Financial Advisor, Trustee, printing expenses, rating fee, bond insurance premiums, Reserve Account Surety Bond premiums and other costs.

THE BONDS

Authority for Issuance

The Bonds were authorized for issuance pursuant to the Indenture, the Bond Law, and the Dissolution Act. The issuance of the Bonds and the Indenture were authorized by the Agency pursuant to Resolution No. SA _____ adopted on March __, 2014 (the "Resolution"), and by the Oversight Board for the Agency pursuant to Resolution No. OB _____ adopted on March __, 2014 (the "Oversight Board Action").

Written notice of the Oversight Board Resolution was provided to the California Department of Finance ("DOF") pursuant to the Dissolution Act on _____, 2014, and the DOF requested a review within five business days of such written notice. On _____, 2014, which is within the time period allotted under the Dissolution Act for the DOF to review the Oversight Board's approving resolution, the DOF provided a letter to the Agency stating that based on the DOF's review and application of the law, the Oversight Board Action approving the Bonds is approved by the DOF.

Description of the Bonds

The Bonds will be executed and delivered as one fully-registered Bond in the denomination of \$5,000 or any integral multiple thereof for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Bonds. See "Book-Entry System" below. The initially executed and delivered Bonds will be dated the Delivery Date and mature on September 1 in the years and in the amounts shown on the inside cover page of this Official Statement. Interest on the Bonds will be calculated at the rates shown on the inside cover page of this Official Statement, payable semiannually on March 1 and September 1 in each year, commencing on September 1, 2014, by check mailed to the registered owners thereof or upon the request of the Owners of \$1,000,000 or more in principal amount of Bonds, by wire transfer to an account in the United States which shall be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the Interest Payment Date.

Book-Entry System

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

Optional Redemption

Optional Redemption. The Bonds may be called before maturity and redeemed at the option of the Agency, in whole or in part, from the proceeds of refunding bonds or other available funds, on September 1, 20__ or on any date thereafter prior to maturity. Bonds called for redemption will be redeemed at the following redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) plus accrued interest to the redemption date:

<i>Redemption Date</i>	<i>Redemption Price</i>
September 1, 20__ and thereafter	100%

SECURITY FOR THE BONDS

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Prior Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Prior Agency not been dissolved pursuant to the operation of ABx1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to effective date of ABx1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Agency’s Recognized Obligation Payment Schedule (see Appendix A — “DEFINITIONS” and “SECURITY FOR THE BONDS — Recognized Obligation Payment Schedule”).

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

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

(a) *To Taxing Agencies:* That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Areas as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the Redevelopment Plans, or the respective effective dates of ordinances approving amendments to the Redevelopment Plans that added territory to the Project Areas, as applicable (each, a “base year valuation”), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) *To the Prior Agency/Agency:* Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the Plan Limit following the Delivery Date, when collected will be paid into a special fund of the Prior Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Agency to pay the debt service on indebtedness incurred by the Prior Agency or the Agency to finance or refinance the redevelopment projects of the Prior Agency.

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

“Pledged Tax Revenues” are defined under the Indenture as the portion of the monies deposited from time to time in the Redevelopment Property Tax Trust Fund, 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.

The Bonds are payable from and secured by (i) an irrevocable pledge of the Pledged Tax Revenues to be derived from the Project Areas, (ii) an irrevocable pledge of all of the monies in the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act, and (iii) an irrevocable first pledge and lien on all of the monies in the Debt Service Fund (including the Interest Account, the Principal Account and the Reserve Account therein) established and held by the Trustee in trust for the Bondowners under the Indenture.

Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Areas, after deducting the county administration costs will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see “SECURITY FOR THE BONDS — Recognized

Obligation Payment Schedule”). Monies deposited by the County Auditor-Controller into the Agency’s Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee for deposit in the Debt Service Fund for the Bonds established under the Indenture and administered by the Trustee in accordance with the Indenture.

The Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Pledged Tax Revenues available in any six-month period to pay the principal of and interest on the Bonds (see “SECURITY FOR THE BONDS — Tax Increment Financing” and “— Recognized Obligation Payment Schedule” and “RISK FACTORS”).

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

Tax Increment Financing

Prior to the enactment of ABx1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of redevelopment agency obligations.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of monies deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a)(1) of the Dissolution Act for payments to other taxing agencies, but subject to prior deduction from such amounts pursuant to Section 34183(b) of Subordinated Pass-Through Amounts. Under the Indenture, Pledged Tax Revenues consist of the amounts distributed semi-annually from the Redevelopment Property Tax Trust Fund pursuant to Section 34183(a)(2) of the Dissolution Act. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See “RISK FACTORS.”

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could not be used to repay indebtedness incurred for another project area. However, the Dissolution Act has only required that county auditor-controllers establish a single Redevelopment Property Tax Trust Fund with respect to each former redevelopment agency within the respective county. Additionally, the Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency will be allocated to the Redevelopment Property Tax Trust Fund of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area, the Dissolution Act combines the property tax revenues derived from all project areas into a single trust fund, the Redevelopment Property Tax Trust Fund, to repay indebtedness of the former redevelopment agency or

the successor agency. To the extent the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Dissolution Act states, "It is the intent ... that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge." The implications of these provisions of the Dissolution Act are not entirely clear when a former redevelopment agency has established more than one redevelopment project area. The Prior Agency established two redevelopment project areas which are referred to herein as the Project Areas. The Pledged Tax Revenues will include tax revenues derived from the Project Areas. The Agency will continue to administer moneys in the Redevelopment Obligation Retirement Fund in accordance with the provisions of the Indenture.

Redevelopment Property Tax Trust Fund

The Redevelopment Law authorized redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. The Prior Agency entered into several agreements for this purpose (the "Pass-Through Agreements"). Some, but not all, of the Pass-Through Agreements in Project Area No. 1 expressly provide that payments thereunder are subordinate to payments on the Prior Agency's bonds. (See "THE PROJECT AREAS — Pass Through Agreements and Obligations with Various Taxing Agencies"). Additionally, Section 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the "Statutory Pass-Through Amounts"). The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under the Pass-Through Agreements and for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed to the Agency's Redevelopment Obligation Retirement Fund each January 2 and June 1, unless (i) pass through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Prior Agency, as succeeded by the Agency, (ii) the Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Agency's enforceable obligations, pass-through payments, and the Agency's administrative cost allowance for the applicable six-month period, and (iii) the State Controller has concurred with the Agency that there are insufficient funds for such purposes for the applicable six month period.

If the requirements stated in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Agency's enforceable obligations, pass-through payments, and the Agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Agency for administrative costs for the applicable six month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt, in an amount not to exceed the Subordinated Pass-Through Amounts may be deducted from the amounts to be distributed under Section 34183(a)(1) to other Taxing Agencies, in order to be paid to the Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted. The Agency has not made any report pursuant to Section 34183(b) and therefore

has not included any Subordinated Pass-Through Amounts for the purpose of determining debt service coverage. The Dissolution Act also provides for a procedure by which the Agency may make non subordinated Pass-Through Agreements and Statutory Tax Sharing Amounts subordinate to the Bonds; however, the Agency has determined not to undertake such procedure, and therefore, such non subordinated Pass-Through Agreements and Statutory Tax Sharing Amounts are not subordinate to the Bonds.

The Agency cannot guarantee that the process prescribed by the Dissolution Act of administering the Pledged Tax Revenues and the subordinations provided in the Pass-Through Agreements will effectively result in adequate Pledged Tax Revenues for the payment of principal and interest on the Bonds when due. See “SECURITY FOR THE BONDS — Recognized Obligation Payment Schedule.” See also “THE PROJECT AREAS — Pass Through Agreements and Obligations with Various Taxing Agencies” for additional information regarding the Pass-Through Agreements and the Statutory Tax Sharing Amounts applicable to the Agency and the revenues derived from the Project Areas.

Recognized Obligation Payment Schedule

Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency’s oversight board and the DOF for approval, a Recognized Obligation Payment Schedule (the “Recognized Obligation Payment Schedule”) pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, “enforceable obligation” includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Low and Moderate Income Housing Fund. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following six-month period (see “THE INDENTURE — Covenants of the Agency”).

Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the Low and Moderate Income Housing Fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance, (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board). Other than amounts deposited in the Redevelopment Property Tax Trust Fund and amounts held in funds and accounts under the Indenture, the Agency does not expect to have any other funds available to pay the Bonds.

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule.

The Recognized Obligation Payment Schedule, with respect to each six-month period beginning January 1 and July 1, must be submitted by the Agency, after approval by the Oversight Board, to the

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

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

In connection with the allocation and distribution by the County Auditor-Controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, under the Dissolution Act the County Auditor-Controller must prepare estimates of the amounts of (i) property tax to be allocated and distributed and (ii) the amounts of pass-through payments to be made in the upcoming six-month period, and provide those estimates to the entities receiving the distributions and the DOF no later than October 1 and April 1 of each year, as applicable. If, after receiving such estimate from the County Auditor-Controller, the Agency determines and reports, no later than December 1 or May 1, as applicable (i.e., by June 1, 2014 with respect to the Recognized Obligation Payment Schedule for January 2, 2014 through June 30, 2014), that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of pass-through obligations, for Agency enforceable obligations listed on the Recognized Obligation Payment Schedule, and for the Agency's administrative cost allowance, the County Auditor-Controller must notify the State Controller and the DOF no later than 10 days from the date of the Agency's notification. If the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under "SECURITY FOR THE BONDS — Redevelopment Property Tax Trust Fund" above.

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to effective date of ABx1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Agency's Recognized Obligation Payment Schedule. Additionally, if an enforceable obligation provides for an irrevocable commitment of property tax revenue and where allocation of revenues is expected to occur over time, the Dissolution Act provides that a successor agency may petition the DOF to provide written confirmation that its determination of such enforceable obligation as approved in a Recognized

Obligation Payment Schedule is final and conclusive, and reflects the department's approval of subsequent payments made pursuant to the enforceable obligation. If the confirmation is granted by the DOF, then the DOF's review of such payments in each future Recognized Obligation Payment Schedule will be limited to confirming that they are required by the prior enforceable obligation.

The Agency has covenanted to take all actions required under the Dissolution Act to include scheduled debt service on the Bonds and on the Subordinate Bonds, as well as any amount required under the Indenture to replenish the Reserve Account of the Debt Service Fund, in Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the Bonds and the Subordinate Bonds coming due in the respective six-month period, including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Indenture and the Subordinate Bonds Indentures or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Bonds and the Subordinate Bonds for the next payment due in the following six-month period.

With regard to each semiannual period ending on June 30 of a calendar year, the Agency shall include in the Recognized Obligation Payment Schedule for such semiannual period an amount which is at least equal to the sum of (a) the full amount of principal and interest on the Bonds coming due and payable on the succeeding March 1 and September 1, plus (b) the full amount of interest coming due and payable on the Subordinate Bonds and any obligations issued on a parity with the Bonds on the next succeeding March 1. (See "THE INDENTURE — Covenants of the Agency").

Parity Bonds

Under the Indenture, in addition to the Bonds, the Agency may issue or incur additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations) secured by a pledge and lien on Pledged Tax Revenues on a parity with the Bonds ("Parity Bonds") in such principal amount as shall be determined by the Agency, pursuant to a separate or Supplemental Indenture adopted or entered into by the Agency and Trustee and for such purposes as are permitted under the Dissolution Act, including without limitation Section 34177.5 thereof.

Section 34177.5 of the Dissolution Act presently permits successor agencies to issue bonds or incur other indebtedness secured by property tax revenues comprised of former tax increment and required to be deposited into the respective Redevelopment Property Tax Trust Fund for the applicable successor agency under limited circumstances:

- (i) to provide debt service savings to the successor agency;
- (ii) for the purpose of financing debt service spikes, including balloon maturities; provided, (A) the existing indebtedness is not accelerated, except to the extent necessary to achieve substantially level debt service, and (B) the principal amount of the refunding bonds or the indebtedness will not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance;
- (iii) for the purpose of amending an existing enforceable obligation under which the successor agency is obligated to reimburse a political subdivision of the state for the payment of debt service on a bond or other obligation of the political subdivision or to pay all or a portion of the debt service on the bond or other obligation of the political subdivision to provide savings to the successor agency, when such amendment is in connection with a refunding of the bonds or

other obligations of the separate political subdivision so that the enforceable obligation will apply to the refunding obligations of the political subdivision; or

(iv) for the purpose of making payments under an existing enforceable obligation when the enforceable obligation includes the irrevocable pledge of property tax increment (i.e., formerly tax increment revenues prior to the effective date of the Dissolution Act) or other funds and the obligation to issue bonds secured by that pledge.

When bonds are issued pursuant to the situations contemplated in clauses (i) and (iii), the following two constraints apply to the size of the financing: (A) the total interest cost to maturity on the refunding bonds or indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (B) the principal amount of the refunding bonds or the indebtedness will not exceed the amount required to defease the refunded bonds or other indebtedness, 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 or indebtedness may be greater than the outstanding principal amount of the bonds or other indebtedness to be refunded. The successor agency may pledge to the refunding bonds or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, having the same lien priority as the pledge of the bonds or other obligations to be refunded.

Subject to the foregoing, the Agency may issue or incur such Parity Bonds subject to the following additional specific conditions precedent:

- (a) The Agency will be in compliance with all covenants set forth in the 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 the Indenture, and (ii) the deposit of moneys or Alternate Reserve Account Security 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 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 Agency based upon the most recently certified assessed valuation of taxable property in the Project Areas 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 (2% inflationary growth) and (b) the amount of Pledged Tax Revenues to be payable with respect to construction completed but not yet on the tax roll, and taking into account the expiration of the time to receive Pledged Tax Revenues with respect to any portion of the Project Areas 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 the amounts referred to in item (i) above, and, for the then current Fiscal Year, 100% of Annual Debt Service with respect to any subordinate debt and that the Agency is entitled under the Dissolution Act, the Redevelopment Law and the Redevelopment Plans to receive taxes under Section 33670 of the Redevelopment 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 1 or September 1) provided, however, nothing herein shall preclude the Agency from issuing and selling Parity Bonds which do not pay current interest.

THE INDENTURE

The following is a summary of certain provisions of the Indenture and does not purport to be complete. Reference is hereby made to the Indenture and to Appendix A for the definition of certain terms used herein. A copy of the Indenture is available from the Agency upon request. All capitalized terms used herein and not otherwise defined will have the same meaning as used in the Indenture.

Allocation of Tax Revenues

Under the Dissolution Act, the Agency has previously established a special trust fund called the Redevelopment Obligation Retirement Fund (the “Redevelopment Obligation Retirement Fund”), which is held by the Agency and into which the County Auditor-Controller distributes property tax revenues each January 2 and June 1 from the Redevelopment Property Tax Trust Fund for the payment by the Agency of enforceable obligations pursuant to the Recognized Obligation Payment Schedule. From the amounts deposited in the Redevelopment Obligation Retirement Fund, the Agency will first transfer to the Trustee accounts required to be depicted in the Special Fund established under the Indenture.

There is established by the Indenture a special trust fund known as the “Debt Service Fund,” and the accounts therein referred to below, which will be held by the Trustee. The Agency will deposit all of the Pledged Tax Revenues received in any Bond Year from the Redevelopment Property Tax Trust Fund in accordance with the Dissolution Act in the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Agency, and promptly thereafter shall deposit amounts received therein to the Debt Service Fund established and held under the Indenture until such time during such Bond Year as the amounts so transferred to the Debt Service Fund under the Indenture equal the aggregate amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account and the Reserve Account of the Debt Service Fund in such Bond Year pursuant to the Indenture.

Pledged Tax Revenues – Application

There are established under the Indenture accounts within the Debt Service Fund as set forth below, to be known respectively as the Interest Account, the Principal Account and the Reserve Account. Moneys in the Redevelopment Obligation Retirement Fund will be transferred by the Agency to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective accounts within the Debt Service Fund, which are continued with the Trustee, in the following order of priority:

(a) Interest Account. On or before the 5th Business Day preceding each Interest Payment Date, the Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the

Trustee for deposit in the Interest Account an amount which, when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date and the next following Interest Payment Date. No such transfer and deposit need to be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. Subject to the Indenture, all moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the 5th Business Day preceding September 1 in each year beginning September 1, 2014, the Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Principal Account an amount equal to the principal payments and sinking account payments becoming due and payable on the Outstanding Bonds on such September 1, 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 payments and sinking account payments to become due on such September 1 on all Outstanding Bonds. Subject to the Indenture, all moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal payments of the Bonds as it becomes due and payable.

(c) Reserve Account. In the event that the Agency fails to deposit with the Trustee no later than five (5) Business Days before any Interest Payment Date the full amount of the interest, principal payments required to be deposited pursuant to the Indenture, the Trustee will, five (5) Business Days before such Interest Payment Date, withdraw from the Reserve Account an amount equal to any such deficiency and will notify the Agency of any such withdrawal. Promptly upon receipt of any such notice, the Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Reserve Account that will be sufficient to maintain the Reserve Requirement on deposit in the 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 that will be sufficient to maintain the Reserve Requirement on deposit in the Reserve Account and the Reserve Account of any additional Parity Bonds, the Agency shall have an obligation to continue making transfers of Pledged Tax Revenues into the Redevelopment Obligation Retirement Fund, as such revenues become available, and thereafter, as moneys become available in the Redevelopment Obligation Retirement Fund, shall 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 Reserve Account and the Reserve Account for any additional Parity Bonds on a combined basis. No such transfer and deposit need be made to the 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 the Indenture, all money in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the 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 Agency is not in default, any amount in the Reserve Account in excess of the Reserve Requirement will be withdrawn from the Reserve Account semiannually on or before the 5th Business Day preceding March 1 and September 1 by the Trustee and deposited in the Interest Account. The prior written consent of the Insurer shall be condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Account. Notwithstanding anything to the contrary set forth in the Indenture, amounts on deposit in the Reserve Account shall be applied solely to the payment of debt service due on the Bonds.

Reserve Account Surety Bond. The Reserve Requirement will be initially maintained in the form of the issuance of the Reserve Account Surety Bond. Under the terms and conditions of the Reserve Account Surety Bond, the Trustee shall deliver to the Bond Insurer a demand for payment under the Reserve Account Surety Bond in the required form prior to the date on which funds are required for the purposes set forth above. The Trustee shall comply with all of the terms and provisions of the Reserve Account Surety Bond for the purpose of assuring that funds are available thereunder when required for the purposes of the Reserve Account, within the limits of the coverage amount provided by the Reserve Account Surety Bond. All amounts drawn by the Trustee under the Reserve Account Surety Bond will be deposited into the Reserve Account and applied for the purposes thereof.

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

Investment of Moneys in Funds and Accounts

Subject to the provisions of the Indenture, all moneys held by the Trustee in the Debt Service Fund, the Costs of Issuance Fund, the Reserve Account or the Rebate Fund will be invested at the written direction of the Agency only in Permitted Investments. If the Trustee receives no written directions from the Agency as to the investment of moneys held in any Fund or Account, the Trustee shall request such written direction from the Agency and, pending receipt of instructions, will invest such moneys only in Permitted Investments described in subsection (5) of the definition thereof.

(a) Moneys in the Redevelopment Obligation Retirement Fund will be invested by the Agency only in obligations permitted by the Redevelopment Law which will by their terms mature not later than the date the 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 and the Principal Account of the Debt Service Fund will 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 principal and interest payable on such payment date.

(c) Moneys in the Reserve Account will 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 or Reserve Account Surety Bond 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 will be invested in Defeasance Securities which mature on or before the date such amounts are required to be paid to the United States.

Except as otherwise provided in the Indenture, obligations purchased as an investment of moneys in any of the Funds or Accounts will 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 will be credited to such Fund or Account and any loss resulting from any authorized investment will be charged to such

Fund or Account without liability to the Trustee. The Agency or the Trustee, as the case may be, will sell or present for redemption any obligation purchased whenever it will be necessary to do so in order to provide moneys to meet any payment or transfer from such Fund or Account as required by the Indenture and will incur no liability for any loss realized upon such a sale. All interest earnings received on any moneys invested in the Interest Account, Principal Account or Reserve Account, to the extent they exceed the amount required to be in such Account, will be transferred on each Interest Payment Date to the Debt Service Fund. All interest earnings on moneys invested in the Rebate Fund will be retained in such Fund and applied as set forth in the Indenture.

Covenants of the Agency

As long as the Bonds are outstanding and unpaid, the Agency will (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture or in any Bond issued under the Indenture, 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 Agency to expend any funds other than the Pledged Tax Revenues.

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

Covenant 2. No Priority. The 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 the Indenture, 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 in the Indenture. Notwithstanding the foregoing, nothing in the Indenture shall prevent the 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 of the Outstanding Bonds, (ii) from issuing and selling obligations which 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 in the Indenture “obligations” includes, without limitation, bonds, notes, interim certificates, debentures or other obligations.

Covenant 3. Punctual Payment. The 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 the Indenture, including any amounts required under the Indenture to replenish the Reserve Account of the Debt Service Fund to the full amount of the Reserve Requirement.

Covenant 4. Payment of Taxes and Other Charges. The 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 Agency or any of the properties then owned by it in the Project Areas, 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 Agency to make any such payment so long as the Agency in good faith shall contest the validity of the payment.

Covenant 5. Books and Accounts; Financial Statements. The 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 Pledged Tax Revenues and other funds relating to the Agency. The Agency will prepare within one hundred eighty (180) days, after the close of each of its Fiscal Years a complete financial statement or statements for such year, in reasonable detail covering the Pledged Tax Revenues and other funds, accompanied by an opinion of an Independent Certified Public Accountant appointed by the Agency, and will furnish a copy of the statement or statements 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 the Agency's financial statements. The Agency's financial statements may be included as part of the City's Comprehensive Annual Financial Report.

Covenant 6. Eminent Domain Proceeds. The Agency covenants and agrees that if all or any part of the Redevelopment Project Areas 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 Areas.

Covenant 7. Disposition of Property. The Agency covenants and agrees that it will not dispose of more than ten percent (10%) of the land area in the Project Areas (except property shown in the Redevelopment Plans in effect on the date the Indenture is adopted as planned for public use, or property to be used for public streets, public off-street 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 the Indenture, based upon the certificate or opinion of an Independent Financial Consultant appointed by the Agency.

Covenant 8. Protection of Security and Rights of Bondowners. The 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 Agency that (i) the Redevelopment Law is unconstitutional or (ii) that the Pledged Tax Revenues pledged under the Indenture cannot be paid to the Agency for the debt service on the Bonds or (b) any other action affecting the validity of the Bonds or diluting the security therefor.

Covenant 9. Tax Covenants. The Agency covenants and agrees to contest by court action or otherwise any assertion by the United States of America or any department 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. In order to preserve the exclusion from gross income of interest on the Bonds, and for no other reason, the Agency covenants to comply with all applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), together with any amendments thereto or regulations promulgated thereunder necessary to preserve such tax exemption as more specifically provided in the Indenture.

Covenant 10. Compliance with Dissolution Act. The Agency shall comply with all of the requirements of the Dissolution Act. The Agency shall take all actions required under the Dissolution Act to prepare and file Recognized Obligation Payment Schedules so as to enable the Los Angeles Auditor

Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund all amounts as shall be required to enable the Agency to pay timely principal of, and interest on, the Bonds and all outstanding Bonds coming due in such Bond Year.

Without limiting the generality of the foregoing paragraph, the Agency will take all actions required under the Dissolution Act to include on the Recognized Obligation Payment Schedules for each semiannual period all payments to the Trustee to satisfy the requirements of the Indenture and the Subordinate Bonds Indentures, including any amounts required to replenish the respective reserve accounts established for the Bonds and the Subordinate Bonds. In addition, the Agency will take all actions required under the Dissolution Act to include scheduled debt service on the Bonds and the Subordinate Bonds, as well as any amount required to replenish the respective reserve accounts established for the Bonds and the Subordinate Bonds, in Recognized Obligation Payment Schedules for each semiannual period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Redevelopment Obligation Retirement Fund on each January 2 and June 1, the amounts required to pay principal of and interest on the Bonds and the Subordinate Bonds coming due in the respective semiannual period. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and the DOF, to the extent required, the amounts to be held by the Agency as a reserve until the next semiannual period that are required to provide for the payment of principal of and interest on the Bonds and the Subordinate Bonds. Further, to the extent that the Subordinated Pass-Through Amounts are necessary to pay debt service on the Bonds, the Agency covenants to comply with the requirements of Health & Safety Code Section 34183(b) to ensure that the Subordinated Pass-Through Amounts are paid to the Agency.

With regard to each semiannual period ending on June 30 of a calendar year, the Agency shall include in the Recognized Obligation Payment Schedule for such semiannual period an amount which is at least equal to the sum of (a) the full amount of principal and interest on the Subordinate Bonds coming due and payable on the succeeding March 1 and September 1, plus (b) the full amount of interest coming due and payable on the Bonds and any obligations issued on a parity with the Subordinate Bonds on the next succeeding March 1.

Covenant 11. Limitation on Indebtedness. The 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 Plans, when added to the total aggregate debt service on the Bonds and the Subordinate Bonds, will exceed the maximum amount of Pledged Tax Revenues to be divided and allocated to the Agency pursuant to the Redevelopment Plans. The Agency shall file annually with the Trustee on or prior to August 1 of each year a Written Certificate of the Agency certifying that Pledged Tax Revenues received by the Agency through the date of the certificate combined with the amount remaining to be paid on all outstanding obligations of the Agency will not exceed the Plan Limits. 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 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 the Indenture, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Indenture.

Covenant 13. Continuing Disclosure. The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement dated the Closing Date. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the

Continuing Disclosure Agreement shall not be considered an Event of Default; 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.

Events of Default and Remedies

The following events will constitute Events of Default under the Indenture:

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

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

(c) if the Agency commences 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 will by written notice to the 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 will 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 will give notice of such Event of Default to the Agency by telephone confirmed in writing. Such notice will also state whether the principal of the Bonds will 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 will, 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 Agency and the Owners in the manner provided for in the Indenture, which will include the statement that interest on the Bonds will cease to accrue from and after the date, if any, on which the Trustee has 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 has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Agency deposits 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) has been made good or cured to the satisfaction of the Trustee or provisions deemed by the Trustee to be adequate has 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 Agency and to the Trustee, may, on behalf of the Owners of all the Bonds, rescind and annul

such declaration and its consequences. However, no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

Upon the occurrence of an event of default, the Trustee may, with the consent of a majority of the Holders, by written notice to the Agency, declare the principal of the Bonds and Parity Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding. Notwithstanding the foregoing, the maturity of Bonds insured by the Insurer shall not be accelerated without the consent of the Insurer and in the event the maturity of the 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 Successor Agency) 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 Bonds shall be fully discharged.

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 upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee thereunder, will be applied by the Trustee in the order following, upon presentation of the 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 the Indenture, including reasonable compensation to its agents, attorneys and counsel; 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 has been collected), and in case such moneys will 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.

Amendments

Subject to the terms of the Indenture, the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which will become binding upon adoption, without consent of any Owners, to the extent permitted by law and any for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Agency in the Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any rights or powers therein reserved to or conferred upon the 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 the Indenture, or in any other respect whatsoever

as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments will not materially adversely affect the interests of the Owners; or

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

(d) to amend any provision thereof 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 Series A Bonds, in the opinion of a nationally recognized bond counsel.

Except as set forth in the preceding paragraph and subject to the terms of the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which will become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment will (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal or interest at the time and place and at the rate and in the currency provided therein or 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. Any amendment, supplement, modification to, or waiver of, the Indenture or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Bondowners or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

THE SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY

The Prior Agency was established on July 5, 1983 by the City Council of the City with the adoption of Ordinance No. 34, pursuant to the Redevelopment Law. On June 29, 2011, ABx1 26 was enacted as Chapter 5, Statutes of 2011, together with a companion bill, ABx1 27. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of ABx1 26 and ABx1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld ABx1 26, invalidated ABx1 27, and held that ABx1 26 may be severed from ABx1 27 and enforced independently. As a result of ABx1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior 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.

On January 3, 2012, pursuant to Resolution No. 2012-002 and Section 34173 of the Dissolution Act, the City Council of the City elected to serve as successor agency to the Prior Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City.

The Agency is governed by a five-member Board of Directors (the "Board") which consists of the members of the City Council of the City of La Quinta. The Mayor acts as the Chair of the Board, the

City Manager as its Executive Director, the City Clerk as its Secretary and the Finance Director of the City as the Treasurer of the Agency.

Members and Officers

The members and officers of the Agency and the expiration dates of their terms are as follows:

<i>Name and Office</i>	<i>Expiration of Term</i>
Don Adolph, <i>Chair</i>	2014
Lee M. Osborne, <i>Vice-Chair</i>	2016
Linda Evans, <i>Member</i>	2014
Kristy Franklin, <i>Member</i>	2016
Terry B. Henderson, <i>Member</i>	2014

Agency Powers

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

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

Section 34179.5 of the Dissolution Act established a due diligence review process for determining the unobligated balances that redevelopment agencies had available as of June 30, 2012 to remit to their respective county auditor-controllers for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process was required to be completed by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Within five business days of receiving notification from the State Department of Finance, the Successor Agency must remit to the county auditor-controller the amount of unobligated balances determined by the DOF, or it may request a meet and confer with the DOF to resolve any disputes. If there is a meet and confer process, the Successor Agency must remit the amount of unobligated balances within five working days of receiving a subsequent notification from the DOF of the amount of unobligated balances at the conclusion of that process.

If the Successor Agency fails to remit the amounts determined by the State Department of Finance by the respective deadlines, certain penalties and remedies apply under Section 34179.6 of the Dissolution Act. The Successor Agency has remitted to the County Auditor-Controller all of the unobligated balances as determined by the DOF. On November 6, 2013, the Successor Agency received its Finding of Completion from the DOF. Receipt of the Finding of Completion allows the Successor Agency to do several things, among them, developing a plan for the disposition of any properties held by the Successor Agency, reinstating loans previously made by the City to the Prior Agency and spending proceeds of bonds issued prior to December 31, 2010, all requiring approval of the Oversight Board.

RISK FACTORS

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

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

Reduction in Taxable Value

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

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

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

Risks to Real Estate Market

The Agency's ability to make payments on the Bonds will be dependent upon the economic strength of the Project Areas. The general economy of the Project Areas will be subject to all of the risks generally associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development within the Project Areas could be adversely affected by limitations of infrastructure or future

governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of the Project Areas, the owners of property within the Project Areas may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Pledged Tax Revenues by the Agency from the Project Areas.

Reduction in Inflationary Rate

As described in greater detail below, Article XIII A of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2 percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2 percent, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2 percent. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2 percent limitation several times but in Fiscal Year 2010-11 the inflationary value adjustment was negative for the first time at -0.237%. In Fiscal Year 2011-12, the inflationary value adjustment was 0.753%, which also is below the 2 percent limitation. For Fiscal Year 2012-13 and Fiscal Year 2013-14, the inflationary value adjustment was 2.00%, which is the maximum permissible increase under Article XIII A. On December 11, 2013, the State Board of Equalization announced that the inflationary value adjustment for 2014-15 will be 0.454%. The Agency is unable to predict if any adjustments to the full cash value of real property within the Project Areas, whether an increase or a reduction, will be realized in the future.

Development Risks

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

Levy and Collection of Taxes

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

Likewise, if the County no longer deposits funds to the Redevelopment Property Tax Trust Fund on first collection, delinquencies in the payment of property taxes by the owners of land in the Project Areas, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property

taxes, could have an adverse effect on the Agency's ability to make timely payments on the Bonds. Any reduction in Pledged Tax Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Agency's ability to pay the principal of and interest on the Bonds. The Agency is not on the County's "Teeter Plan"; however, as discussed below under the heading "PROJECT AREAS — Teeter Plan and Delinquency Rates" the deposits to the Redevelopment Property Tax Trust Fund are payable on first collection so delinquent taxes do not impact the Agency's tax revenue.

State Budget Issues

ABx1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively. The 2011-12 State budget included projected State savings estimated to aggregate \$1.7 billion in 2011-12 associated with ABx1 27, which would have allowed redevelopment agencies to continue in operation provided their establishing cities or counties agreed to make an aggregate \$1.7 billion in payments to K-12 schools. However, ABx1 27 was found in December 2011 by the California Supreme Court to violate the State Constitution, which altered this budgetary plan of the State. According to the State's Summary of the 2012-13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (projected savings of \$1.5 billion). The State's budget for fiscal year 2013-14 was enacted on June 22, 2013 and did not include any additional legislation dealing with dissolution of redevelopment agencies. There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or Pledged Tax Revenues. The full text of each State Assembly bill cited above may be obtained from the "Official California Legislative Information" website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://www.leginfo.ca.gov/bilinfo.html>.

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

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

Recognized Obligation Payment Schedule

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

THE BONDS — Recognized Obligation Payment Schedule” and “PROPERTY TAXATION IN CALIFORNIA — Property Tax Collection Procedures — Recognized Obligation Payment Schedule.” In the event the Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a six month period, the availability of Pledged Tax Revenues to the Agency could be adversely affected for such period.

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

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, the County Auditor-Controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act: (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (as described above under “SECURITY FOR THE BONDS — Tax Increment Financing”) and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including pursuant to the Pass-Through Agreements and Statutory Pass-Through Amounts; (ii) second, on each January 2 and June 1, to the Agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule; (iii) third, on each January 2 and June 1, to the Agency for the administrative cost allowance, as defined in the Dissolution Act; and (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity’s share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

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

projected to be insufficient to pay all obligations due under the provisions of the Bonds for the next payment due in the following six-month period (see “THE INDENTURE — Covenants of the Agency”).

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

The Agency has submitted the first six Recognized Obligation Payment Schedules, including the 2014-15A Recognized Obligation Payment Schedule for the period of July 1 to December 31, 2014 duly approved by the Oversight Board, in a timely manner.

Bankruptcy and Foreclosure

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

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

Estimated Revenues

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

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Areas. In general, the owners and operators of property may be required by

law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Areas be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

Natural Disasters

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

The City, like most communities in California, is an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes. Numerous active and inactive fault lines pass through or near the City. The occurrence of severe seismic activity in the City could result in substantial damage to property located in the Project Areas, and could lead to successful appeals for reduction in assessed values of such property. Such a reduction could result in a decrease in Pledged Tax Revenues.

Changes in the Law

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

Investment Risk

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

Further, the Agency cannot predict the effects on the receipt of Pledged Tax Revenues if the County were to suffer significant losses in its portfolio of investments or if the County or the City were to become insolvent or declare bankruptcy. See Appendix E — "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2013 (EXCLUDING SUPPLEMENTARY INFORMATION)" regarding the City's finances. See also "RISK FACTORS — Bankruptcy and Foreclosure."

Additional Obligations

The potential for the issuance of Parity Bonds could, in certain circumstances, increase the risks associated with the Agency's payment of debt service on the Bonds in the event of a decrease in the Agency's collection of Pledged Tax Revenues. However, Section 34177.5 of the Dissolution Act provides limited authority for successor agencies to issue bonds, and the Agency's ability to issue Parity Bonds is subject to the requirements of the Dissolution Act as in effect from time to time. For additional information, see described "SECURITY FOR THE BONDS — Parity Bonds."

Secondary Market

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

No Validation Proceeding Undertaken

California Code of Civil Procedure Section 860 authorizes public agencies to institute a process, otherwise known as a "validation proceeding," for purposes of determining the validity of a resolution or any action taken pursuant thereto. Section 860 authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. Relevant to the Bonds, California Government Code Section 53511 authorizes a local agency to "bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness." Pursuant to Code of Civil Procedure Section 870, a final favorable judgment issued in a validation proceeding shall, notwithstanding any other provision of law, be forever binding and conclusive, as to all matters herein adjudicated or which could have been adjudicated, against all persons: "The judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive."

The Agency has not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the Bonds. The Agency and Bond Counsel have relied on the provisions of AB 1484 authorizing the issuance of the Bonds and specifying the related deadline for any challenge to the Bonds to be brought. Specifically, Section 34177.5(e) of the Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.5, must be brought within thirty (30) days after the date on which the oversight board approves the resolution of the successor agency approving the such financing. Such challenge period expired with respect to the Bonds and the Oversight Board Resolution on _____, 2014.

It is possible a lawsuit challenging the Dissolution Act or specific provisions thereof could be successful and that the mechanisms currently provided for under the Dissolution Act to provide for distribution of Pledged Tax Revenues to the Agency for payment on the Bonds could be impeded and result in a delinquency or default in the timely payment of principal of, and interest on, the Bonds.

However, the Indenture additionally provides that if, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act (upon which the distribution of Pledged Tax Revenues to the Agency rely) 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. Additionally, any action by a court to invalidate provisions of the Dissolution Act required for the timely payment of principal of, and interest on, the Bonds could be subject to the same issues regarding unconstitutional impairment of contracts and unconstitutional taking without just compensation. The Agency believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Agency and the availability of Pledged Tax Revenues for the payment of debt service on the Bonds in the event of successful challenges to the Dissolution Act or portions thereof. However, the Agency does not guarantee that any lawsuit challenging the Dissolution Act or portions thereof will not result in an outcome that may have a detrimental effect on the Agency's ability to timely pay debt service on the Bonds.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

Insured Bonds

In the event that the Agency fails to provide funds to make payment of the principal of and interest with respect to the Bonds when the same shall become due, any owner of such Bonds shall have a claim on the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed under the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration. The Policy does not insure the payment of any redemption premium payable upon the optional redemption of the Bonds.

Purchasers of the Bonds should also note that, while the Policy will insure payment of the principal amount (but not any premium) paid to any owner of the Bonds in connection with the mandatory or optional prepayment of any Bond which is recovered from such owner as a voidable preference under applicable bankruptcy law, such amounts will be repaid by the Bond Insurer to the Owner only at the times and in the amounts as would have been due absent such prepayment unless the Bond Insurer chooses to pay such amount at an earlier date or dates.

Under no circumstances, including the situation in which the interest with respect to the Series A Bonds becomes subject to federal taxation for any reason, can the maturities of the Bonds be accelerated without the consent of the Bond Insurer, so long as the Bond Insurer performs its obligations under the Policy. Furthermore, so long as the Bond Insurer performs its obligations under the Policy, the Bond Insurer shall be deemed to be the sole holder of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent of direction or taking any other action that the Owners of such Bonds are entitled to take pursuant to the Indenture pertaining to defaults and remedies, and the duties and obligations of the Trustee.

In the event that the Bond Insurer is unable to make payments of principal of and interest on the Bonds as such payments become due, the Bonds are payable solely from moneys received by the Trustee pursuant to the Indenture.

In the event that the Bond Insurer is required to pay principal of or interest with respect to the Bonds, no representation or assurance is given or can be made that such event will not adversely affect the market price for or marketability of the Bonds.

The long-term rating on the Bonds is dependent, in part, on the claims paying ability or financial strength ratings, as applicable, of the Bond Insurer. The Bond Insurer's current claims paying ability or financial strength ratings are predicated upon a number of factors which could change over time and could result in downgrading of the ratings on the Bonds insured by the Bond Insurer. Such a downgrade could adversely affect the market price for, and marketability of, the Bonds. The Bond Insurer is not contractually bound to maintain its present claims paying ability or financial strength ratings in the future. See "CONCLUDING INFORMATION — Ratings" herein.

Creditworthiness of the Bond Insurer. The Bond Insurer's obligation under the Policy is a general obligation of the Bond Insurer. Default by the Bond Insurer may result in insufficient funds being available to pay the principal of and interest on the Insured Bonds. In such event, the remedies available to the applicable Trustee may be limited by, among other things, certain risks related to bankruptcy proceedings, and may also have been altered prior to a default by the Bond Insurer, which has the right, acting with the Trustee, without Owner consent, to amend the applicable provisions of the Indenture governing defaults and remedies and to direct the Trustee to direct remedies with respect to such Obligation. The Policy does not insure the payment of redemption premiums.

When making an investment decision on the Insured Bonds a prospective Owner should look to the ability of the Successor Agency to pay principal and interest on the Bonds and not solely to the Bond Insurer's ability to pay claims under the Policy. No review of the business or affairs of the Bond Insurer has been conducted by the Agency in connection with the offering of the Bonds. No assurance can be given by the Agency as to the Bond Insurer's ability to pay claims under the Policy. See "BOND INSURANCE" herein and Appendix H hereto for further information concerning the Bond Insurer and the Policy, including instructions for obtaining certain financial information concerning the Bond Insurer.

Secondary Market

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

PROPERTY TAXATION IN CALIFORNIA

Property Tax Collection Procedures

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

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

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

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

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

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

Property Tax Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Year 2013-14, the County’s administrative charge to the Agency was \$_____.

Negotiated Pass-Through Agreements. Prior to 1994, under the Redevelopment Law, a redevelopment agency could enter into an agreement to pay increment revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provide for payment or pass-through of tax increment revenue directed to the affected taxing agency, and, therefore, are commonly referred to as pass-through agreements or tax sharing agreements. The Agency agreements with affected taxing agencies are referred to herein as "Pass-Through Agreements." See "THE PROJECT AREAS — Pass Through Agreements and Obligations with Various Taxing Agencies." See also "SECURITY FOR THE BONDS — Tax Increment Financing" for additional discussion of the treatment of Pass-Through Agreements under the Dissolution Act.

Statutory Pass-Throughs. The payment of Statutory Pass-Through Amounts (defined in Appendix A) results from (i) plan amendments which add territory in existing project areas on or after January 1, 1994 and (ii) from plan amendments which eliminates one or more limitations within a redevelopment plan (such as the removal of the time limit on the establishment of loans, advances and indebtedness). The calculation of the amount due affected taxing entities is described in Sections 33607.5 and 33607.7 of the Redevelopment Law. See "THE PROJECT AREAS — Pass-Throughs Agreements and Obligations with Various Taxing Agencies" and "SECURITY FOR THE BONDS — Tax Increment Financing" for further information regarding the applicability of the statutory pass-through provisions of the Redevelopment Law and the Dissolution Act to the various sub-areas of the Project Areas.

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

Unitary Property

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

AB 454 (Statutes of 1987, Chapter 921) further modifies chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single

tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

Article XIII A of the State Constitution

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

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

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

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

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

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

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

Appropriations Limitation – Article XIII B

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

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

Articles XIII C and XIII D of the State Constitution

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

Proposition 87

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

Redevelopment Time Limits

In 1993, the State legislature passed AB 1290, which, among other things, required redevelopment agencies to adopt time limits in each redevelopment plan specifying: 1) the last date to incur debt for a redevelopment project; 2) the last date to undertake redevelopment activity within a project area; and 3) the last date to collect tax increment revenue from a project area to repay debt. Pursuant to AB 1290, which took effect January 1, 1994, the City Council adopted ordinances amending the Redevelopment Plans in the Project Areas to impose limits on plan activity in each area, as well as a date past which tax increment revenue could not be collected.

In 2001, the California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 (“SB 211”), which authorized, among other things, the deletion by ordinance of the legislative body of the AB 1290 limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994. However, such elimination triggers statutory tax sharing with those taxing entities that do not have Pass-Through Agreements. The City adopted an ordinance, pursuant to the authorization contained in SB 211, deleting the limit on the Agency’s authority to incur loans, advances and indebtedness with respect to the Project Areas.

SB 211 also prescribed additional requirements that a redevelopment agency would have to meet upon extending the time limit on the effectiveness of a redevelopment plan, including requiring an increased percentage of new and substantially rehabilitated dwelling units to be available at affordable housing cost to persons and families of low or moderate income prior to the termination of the effectiveness of the plan.

Legislation passed in 2003 (SB 1045) and 2004 (SB 1096) required redevelopment agencies to remit monies to the applicable county Educational Revenue Augmentation Fund (“ERAF”) and also permits redevelopment agencies to extend their ability to collect tax increment by one year for each payment required by such legislation to be made in 2003-04, 2004-05 and 2005-06. The extensions for 2004-05 and 2005-06 apply only to plans with existing limits on the effectiveness of the plan that are less than 20 years from the last day of the fiscal year in which the ERAF payment is made. The City adopted ordinances, pursuant to the authorization granted in SB 1045, SB 1096, extending the time limits on the effectiveness of the Redevelopment Plans and the receipt of the tax increment. See “THE PROJECT AREAS.”

Appeals of Assessed Values

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

In the County, a property owner desiring to reduce the assessed value of such owner’s property in any one year must submit an application to the County Assessment Appeals Board (the “Appeals Board”). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor’s Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal’s filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as “ongoing hardship”), the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. Appeals for reduction in the “base year” value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for “ongoing hardship” in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property tax revenues from which Pledged Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted. See “THE PROJECT AREAS — Largest Local Secured Taxpayers” for information regarding the assessed valuations of the top ten property owners within the Project Areas. (See “Appendix F — FINANCIAL ADVISOR’S REPORT” herein for a discussion of pending appeals.)

Proposition 8

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

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

Propositions 218 and 26

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

Future Initiatives

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

THE PROJECT AREAS

Project Area No. 1 – Background

On November 29, 1983, following requisite studies and hearing by the Planning Commission and the Agency, the City Council passed Ordinance No. 43 which approved and adopted the Redevelopment Plan for Project Area No. 1. The Ordinance became effective December 29, 1983. The Project Area No. 1 Redevelopment Plan provides for the elimination of blight and deterioration which were found to exist in Project Area No. 1. In December, 1994 and March, 1995, the Prior Agency amended the Project Area No. 1 Redevelopment Plan in order to better address infrastructure and economic development needs within Project Area No. 1. The Plan Amendment (a) increased the aggregate tax increment limit for the Project Area No. 1 to \$2 billion and the outstanding bonded indebtedness limit to \$200 million, (b) expanded the list of infrastructure and public facility projects the Agency may fund with tax increment

revenues and (c) established new time frames within which the Agency may incur indebtedness for Project Area No. 1, use eminent domain for property acquisition and undertake redevelopment projects, and receive tax increment revenue. For additional Project Area No. 1 information, see Appendix F — “FINANCIAL ADVISOR’S REPORT” herein.

Project Area No. 2 – Background

On May 16, 1989, following requisite studies and hearing by the Planning Commission and the Prior Agency, the City Council passed Ordinance No. 139 which approved and adopted the Redevelopment Plan for Project Area No. 2. The Ordinance became effective June 15, 1989. The Project Area No. 2 Redevelopment Plan was amended on March 16, 2004 to increase the tax increment limit from \$400,000,000 to \$1,500,000,000. The Project Area No. 2 Redevelopment Plan provides for the elimination of physical blight and economic obsolescence which was found to exist in Project Area No. 2. For additional Project Area No. 2 information, see Appendix F — “FINANCIAL ADVISOR’S REPORT” herein.

Redevelopment Plan Limitations

As amended, the Project Area No. 1 Redevelopment Plan terminates on November 29, 2024, with the Agency collecting tax increment revenues through November 29, 2034 in compliance with Section 33333.6 of the Redevelopment Law.

	<i>Project Area No. 1 Redevelopment Plan Limit</i>
Bonded Indebtedness	
Cumulative Amount (principal)	\$ 200,000,000
Tax Increment	
Cumulative Limit ⁽¹⁾	\$ 2,000,000,000
Final Date to Collect Tax Increment	November 29, 2034

(1) \$ _____ received as of January 31, 2014.

As amended, the Project Area No. 2 Redevelopment Plan terminates on May 16, 2030, with the Agency collecting tax increment revenues through May 16, 2040 in compliance with Section 33333.6 of the Redevelopment Law.

	<i>Project Area No. 2 Redevelopment Plan Limit</i>
Bonded Indebtedness	
Cumulative Amount (principal)	\$ 187,860,000 ⁽²⁾
Tax Increment	
Cumulative Limit ⁽³⁾	\$ 1,500,000,000
Final Date to Collect Tax Increment	May 16, 2040

⁽²⁾ As of May 2013. The limit was established at \$100,000,000 and is adjusted annually for CPI to a maximum of \$200,000,000.

⁽³⁾ Received \$ _____ as of January 31, 2014.

Location and Surrounding Area

Project Area No. 1 encompasses approximately 17.9 square miles (11,475 acres) accounting for approximately fifty percent (50%) of the total current corporate area of the City.

Project Area No. 2 encompasses approximately 4.9 square miles (3,130 acres) accounting for approximately fourteen percent (14%) of the total current corporate area of the City.

Pass-Through Agreements and Obligations with Various Taxing Agencies

Project Area No. 1. Pursuant to the Redevelopment Law, the Prior Agency entered into tax sharing agreements or is required to make statutory pass-through payments with affected taxing agencies in Project Area No. 1. Although some of these pass-through agreements are expressly subordinated to the pledge of Pledged Tax Revenues to the payment of the Bonds, the Agency may receive such amounts only upon satisfaction of conditions set forth in the Dissolution Act as described under the heading “SECURITY FOR THE BONDS — Tax Increment Financing” and such payments are excluded from the calculation of Pledged Tax Revenues shown in the table “SUCCESSOR AGENCY PROJECTED PLEDGED TAX REVENUES” and under shown under the heading “Debt Service Coverage” below.

- (1) Coachella Valley Unified School District***;
- (2) Coachella Valley Mosquito and Vector Control District**;
- (3) Coachella Valley Water District**;
- (4) County of Riverside;
- (5) Desert Sands Unified School District;
- (6) Desert Community College District;
- (7) County Superintendent of Schools/Office of Education*;
- (8) Coachella Valley Public Cemetery District*;
- (9) Desert Recreation District*;
- (10) Coachella Valley Resource Conservation District*; and
- (11) City of La Quinta*.

* Statutory, See Appendix F for anticipated start dates.

** Not subordinate.

*** Obligation paid in full.

Project Area No. 2. Pursuant to the Redevelopment Law, the Prior Agency entered into tax sharing agreements or is required to make statutory pass-through payments with affected taxing agencies in Project Area No. 2. These pass-through agreements are not subordinated to the pledge of Pledged Tax Revenues to the payment of the Bonds.

- (1) County of Riverside;
- (2) Desert Community College District;
- (3) Riverside County Superintendent of Schools/Office of Education;
- (4) Coachella Valley Water District;
- (5) Desert Recreation District;
- (6) Desert Sands Unified School District;
- (7) Coachella Valley Mosquito and Vector Control District;
- (8) Coachella Valley Resource Conservation District*;
- (9) Coachella Valley Public Cemetery District*; and
- (10) City of La Quinta*.

* Statutory, See Appendix F for anticipated start dates.

Largest Local Secured Taxpayers

Set forth below are the ten largest secured property taxpayers in Project Area No. 1 based on the 2013-14 secured assessed value. These taxpayers represent approximately 9.0% of the 2013-14 secured assessed value in Project Area No. 1.

<i>Property Owner</i>	<i>Land Use</i>	<i>Secured Value</i>	<i>% of Total</i>
KSL Desert Resort, et al.	Hotel/Golf Course	\$ 159,224,853	3.6%
Sunrise Desert Partners	Residential Properties	71,899,965	1.7
MSR Resort Golf Course	Golf Course/Country Club	49,129,697	1.1
Lands LP	Apartments	20,964,681	0.5
Village Resort	Hotel	19,992,398	0.5
Nadador LLC	Timeshare Property	18,884,751	0.4
Quarry at La Quinta, et al.	Hotel	14,451,672	0.3
LQ Investment	Commercial	14,052,135	0.3
Tradition Golf Course	Country Club	13,592,542	0.3
Old Town La Quinta LLC	Commercial	<u>12,617,755</u>	<u>0.3</u>
Total		\$ 394,810,449	9.0%

Source: California Municipal Statistics Inc.

The following provides a description of the five largest taxpayers in Project Area No. 1.

KSL Desert Resort, et.al, owner. This property is known as the La Quinta Resort & Club, a Waldorf Astoria resort. The resort includes 796 guest rooms situated in Spanish-style casitas, suites and villas, nine golf courses and five clubhouses.

Sunrise Desert Partners, owner. The properties owned by this owner consist of residential acreage in the PGA West, a 2,000 acre golf and lifestyle community.

MSR Resort Golf Course, owner. This property is comprised of the three PGA West clubhouses and 109 holes of championship golf designed by Arnold Palmer, Tom Weiskopf, Pete Dye, Greg Norman, and Jack Nicklaus.

Lands LP, owner. This 10-acre property is developed with the Silverhawk apartments.

Village Resort, owner. This property is 6.8 acres, developed with an Embassy Suites hotel offering 146 guest rooms.

Set forth below are the ten largest secured property taxpayers in Project Area No. 2 based on the 2013-14 secured assessed value. These taxpayers represent approximately 9.4% of the 2013 14 secured assessed value in Project Area No. 2.

<i>Property Owner</i>	<i>Land Use</i>	<i>Secured Value</i>	<i>% of Total</i>
Inland America La Quinta Pavillion	Commercial	\$ 44,267,502	1.8%
Wal Mart Real Estate Business Trust	Commercial	25,534,310	1.1
Aventine Development	Apartments	24,316,859	1.0
One Eleven La Quinta	Commercial	21,406,937	0.9
P6K Portfolio KDP	Commercial	21,152,103	0.9
TD Desert Dev LP	Country Club	19,912,427	0.8
Washington 111 Ltd	Apartments	19,744,118	0.8
Costco Wholesale Corp.	Commercial	19,655,952	0.8
Target Corp.	Commercial	19,694,993	0.7
Eagle Hardware & Garden Inc.	Commercial	<u>15,695,267</u>	<u>0.6</u>
Total		\$ 231,380,468	9.4%

Source: California Municipal Statistics Inc.

The following provides a description of the five largest taxpayers in Project Area No. 2.

Inland American La Quinta Pavilion, owner. This 18-acre property is developed with a commercial center, with Best Buy, DSW and Sprouts as anchor tenants.

Wal Mart Real Estate Business Trust, owner. This Wal Mart center is 830,000 square feet and located on 19 acres.

Aventine Development, owner. This property is developed with 200 low-rise apartments on a 14 acre site.

One Eleven La Quinta, owner. This commercial center includes Ross Dress for Less, Big 5 Sporting Goods and Stater Brothers as anchor tenants.

P6K Portfolio KDP, owner. This commercial center, known as the Komar Desert Center, was developed in 2008. The center contains a Costco (separately owned) and surrounding food and smaller retail uses, including BevMo!

Teeter Plan and Delinquency Rates

The Riverside County property tax delinquency rate has ranged from approximately 8 percent in 2009-10 decreasing to 7.5% in 2011-12. According to the County Auditor-Controller, the delinquency rate Countywide in Fiscal Year 2012-13 was 5.8 percent.

The County participates in the “Teeter Plan,” which stabilizes property tax payments at 100 percent of anticipated receipts although deposits to the RPTTF are not part of the Teeter Plan. These deposits are payable based on first collection so consequently, delinquent property taxes do not impact the Agency’s tax increment revenues.

PLEGGED TAX REVENUES

Pledged Tax Revenues (as described in the section “SECURITY FOR THE BONDS” herein) are to be deposited in the Redevelopment Obligation Retirement Fund, and after transfers have been made by the Agency to the Debt Service Fund, administered by the Trustee and applied to the payment of the principal of and interest on the Bonds.

Schedule of Historical Pledged Tax Revenues

The following tables are a schedule of the taxable valuations for Fiscal Years 2009-10 through 2013-14 and Pledged Tax Revenues in the Project Areas for the Fiscal Years 2008-09 through 2012-13.

PROJECT AREA NO. 1 HISTORICAL ASSESSED VALUATIONS AND GROSS TAX INCREMENT REVENUES

	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>
Secured Assessed Value	\$ 4,913,325,225	\$ 4,517,918,665	\$ 4,248,567,040	\$ 4,220,927,365	\$ 4,376,573,490
Unsecured Assessed Value	<u>36,007,022</u>	<u>35,791,524</u>	<u>31,665,376</u>	<u>33,872,601</u>	<u>29,894,413</u>
Total Assessed Valuation ⁽¹⁾	4,949,332,247	4,553,710,189	4,280,232,416	4,254,799,966	4,406,467,903
Base Year Valuation	<u>(199,398,233)</u>	<u>(199,398,233)</u>	<u>(199,398,233)</u>	<u>(199,398,233)</u>	<u>(199,398,233)</u>
Incremental Valuation	\$ 4,749,934,014	\$ 4,354,311,956	\$ 4,080,834,183	\$ 4,055,401,733	\$ 4,207,069,670
1% Tax Rate	<u>1.000%</u>	<u>1.000%</u>	<u>1.000%</u>	<u>1.000%</u>	<u>1.000%</u>
Tax Increment Revenues	47,499,340	43,543,120	40,808,342	40,554,017	42,070,697
Unitary Revenue	<u>344,906</u>	<u>64,775</u>	<u>496,731</u>	<u>468,931</u>	<u>470,000</u>
Gross Tax Revenues	\$ 47,844,246	\$ 43,907,895	\$ 41,305,073	\$ 41,022,948	\$ 42,540,697
Actual Tax Revenues	\$ 48,147,236	\$ 43,990,589	\$ 41,157,343	\$ 41,220,251	

⁽¹⁾ Taxable Valuation as of August 20 equalized roll.
Source: Harrell & Company Advisors LLC.

Actual Tax Increment Collections and deductions from Tax Increment Revenues for Project Area No. 1 are shown below:

PROJECT AREA NO. 1 HISTORICAL TAX REVENUES

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Actual Tax Revenues	\$ 50,649,225	\$ 48,147,236	\$ 43,990,589	\$ 41,157,343	\$ 41,220,251
Housing Set-Aside	(10,129,845)	(9,629,447)	(8,798,118)	-	-
Housing Obligations ⁽¹⁾	-	-	-	(5,480,234)	(5,555,434)
Senior Tax Sharing	<u>(1,956,022)</u>	<u>(1,913,631)</u>	<u>(1,833,512)</u>	<u>(1,661,527)</u>	<u>(1,382,643)</u>
Available for Debt Service	\$ 38,563,368	\$ 36,604,158	\$ 33,358,959	\$ 34,015,582	\$ 34,282,174
Subordinate Tax Sharing	<u>(20,592,697)</u>	<u>(19,699,214)</u>	<u>(17,915,090)</u>	<u>(16,702,023)</u>	<u>(16,671,443)</u>
Net Available	\$ 17,965,671	\$ 16,904,944	\$ 15,443,869	\$ 17,313,559	\$ 17,610,731

⁽¹⁾ Prorata share of the 2004 Loan and the 2011 Loan based on amounts from each Project Area that would have been required to be set aside for Low and Moderate Income Housing.

PROJECT AREA NO. 2
HISTORICAL ASSESSED VALUATIONS AND GROSS TAX INCREMENT REVENUES

	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>
Secured Assessed Value	\$ 2,599,130,531	\$ 2,424,915,500	\$ 2,360,463,457	\$ 2,318,312,944	\$ 2,426,052,754
Unsecured Assessed Value	<u>65,575,780</u>	<u>60,334,289</u>	<u>57,899,939</u>	<u>62,055,089</u>	<u>67,195,981</u>
Total Assessed Valuation ⁽¹⁾	2,664,706,311	2,485,249,789	2,418,363,396	2,380,368,033	2,493,248,735
Base Year Valuation	<u>(95,182,755)</u>	<u>(95,182,755)</u>	<u>(95,182,755)</u>	<u>(95,182,755)</u>	<u>(95,182,755)</u>
Incremental Valuation	\$ 2,569,523,556	\$ 2,390,067,034	\$ 2,323,180,641	\$ 2,285,185,278	\$ 2,398,065,980
Basic Tax Rate/\$100	<u>1.000%</u>	<u>1.000%</u>	<u>1.000%</u>	<u>1.000%</u>	<u>1.000%</u>
Tax Increment Revenues	25,695,236	23,900,670	23,231,806	22,851,853	23,980,660
Unitary Revenue	<u>106,080</u>	<u>115,199</u>	<u>181,183</u>	<u>174,162</u>	<u>175,000</u>
Gross Tax Revenues	\$ 25,801,316	\$ 24,015,869	\$ 23,412,989	\$ 23,026,015	\$ 24,155,660
Actual Tax Revenues	\$ 25,953,975	\$ 24,186,295	\$ 23,513,859	\$ 22,893,004	

⁽¹⁾ Taxable Valuation as of August 20 equalized roll.
Source: Harrell & Company Advisors LLC.

Actual Tax Increment collections and deductions from Tax Increment Revenues for Project Area No. 2 are shown below:

PROJECT AREA NO. 2
HISTORICAL TAX REVENUES

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Actual Tax Revenues	\$ 28,479,642	\$ 25,953,975	\$ 24,186,295	\$ 23,513,859	\$ 22,893,004
Housing Set-Aside	(5,695,928)	(5,190,795)	(4,837,259)	-	-
Housing Obligations ⁽¹⁾	-	-	-	(3,130,947)	(3,055,747)
Senior Tax Sharing	<u>(17,934,244)</u>	<u>(16,376,233)</u>	<u>(16,297,224)</u>	<u>(15,854,843)</u>	<u>(15,684,399)</u>
Available for Debt Service	\$ 4,849,470	\$ 4,386,947	\$ 3,051,812	\$ 4,528,069	\$ 4,152,858

⁽¹⁾ Prorata share of the 2004 Loan and the 2011 Loan based on amounts from each Project Area that would have been required to be set aside for Low and Moderate Income Housing.
Source: Prior Agency audited financial statements and Riverside County Auditor-Controller.

Annual Debt Service

Set forth below is the annualized debt service for the term of the Bonds.

<i>Maturity Date September 1 of</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
2014	\$ 2,930,000.00	\$ 694,180.00	\$ 3,624,180.00
2015	2,175,000.00	3,383,000.00	5,558,000.00
2016	2,245,000.00	3,317,750.00	5,562,750.00
2017	2,330,000.00	3,227,950.00	5,557,950.00
2018	2,425,000.00	3,134,750.00	5,559,750.00
2019	2,545,000.00	3,013,500.00	5,558,500.00
2020	2,675,000.00	2,886,250.00	5,561,250.00
2021	2,810,000.00	2,752,500.00	5,562,500.00
2022	2,950,000.00	2,612,000.00	5,562,000.00
2023	3,095,000.00	2,464,500.00	5,559,500.00
2024	3,255,000.00	2,309,750.00	5,564,750.00
2025	3,415,000.00	2,147,000.00	5,562,000.00
2026	3,585,000.00	1,976,250.00	5,561,250.00
2027	3,760,000.00	1,797,000.00	5,557,000.00
2028	3,950,000.00	1,609,000.00	5,559,000.00
2029	4,150,000.00	1,411,500.00	5,561,500.00
2030	4,360,000.00	1,204,000.00	5,564,000.00
2031	4,575,000.00	986,000.00	5,561,000.00
2032	4,805,000.00	757,250.00	5,562,250.00
2033	5,040,000.00	517,000.00	5,557,000.00
2034	<u>5,300,000.00</u>	<u>265,000.00</u>	<u>5,565,000.00</u>
Total	<u>\$ 72,375,000.00</u>	<u>\$ 42,466,130.00</u>	\$ 114,841,130.00

Combined Annual Debt Service

Set forth below is the combined annualized debt service for the term of the Bonds and the Subordinate Bonds.

<i>Maturity Date</i> <i>September 1</i>	<i>2011 Bonds</i>	<i>2011 Loan Obligation</i>	<i>2013 Series A Bonds</i>	<i>2013 Series B Bonds</i>	<i>2014 Series A Bonds</i>	<i>Combined Debt Service</i>
2014	\$ 277,502.50	\$ 1,616,133.63	\$ 7,843,259.73	\$ 1,901,617.66	\$ 3,624,180.00	\$ 15,262,693.52
2015	512,855.00	2,692,967.26	7,841,612.50	1,903,541.50	5,558,000.00	18,508,976.26
2016	510,705.00	2,689,717.26	7,839,462.50	1,905,480.00	5,562,750.00	18,508,114.76
2017	518,555.00	2,691,677.26	7,839,262.50	1,907,528.00	5,557,950.00	18,514,972.76
2018	514,992.50	2,693,396.00	7,838,462.50	1,904,578.00	5,559,750.00	18,511,179.00
2019	516,430.00	2,690,171.00	7,843,962.50	1,906,058.00	5,558,500.00	18,515,121.50
2020	517,511.26	2,692,231.00	7,839,712.50	1,908,188.00	5,561,250.00	18,518,892.76
2021	518,236.26	2,694,381.00	7,840,712.50	1,908,788.00	5,562,500.00	18,524,617.76
2022	513,605.00	2,691,061.00	7,841,212.50	1,908,175.50	5,562,000.00	18,516,054.00
2023	513,665.00	2,690,321.00	7,840,712.50	1,907,457.50	5,559,500.00	18,511,656.00
2024	513,345.00	2,689,641.00	7,838,712.50	1,907,689.50	5,564,750.00	18,514,138.00
2025	512,645.00	2,693,641.00	7,839,712.50	1,906,119.50	5,562,000.00	18,514,118.00
2026	516,565.00	2,691,561.00	7,842,962.50	1,906,405.50	5,561,250.00	18,518,744.00
2027	514,725.00	2,693,401.00	7,842,712.50	1,908,285.50	5,557,000.00	18,516,124.00
2028	511,982.50	2,689,651.00	7,841,312.50	1,907,250.50	5,559,000.00	18,509,196.50
2029	513,832.50	2,693,396.00	7,839,812.50	1,902,053.00	5,561,500.00	18,510,594.00
2030	514,867.50	2,693,451.00	7,843,062.50	1,902,693.00	5,564,000.00	18,518,074.00
2031	515,087.50	2,689,421.00	7,840,062.50	1,909,282.00	5,561,000.00	18,514,853.00
2032	514,492.50	2,690,911.00	7,840,312.50	1,910,051.00	5,562,250.00	18,518,017.00
2033	513,082.50	2,693,633.50	392,812.50		5,557,000.00	9,156,528.50
2034	935,857.50	2,694,251.00			5,565,000.00	9,195,108.50
2035	933,180.00	2,691,956.50				3,625,136.50
2036	936,835.00	2,690,943.00				3,627,778.00
2037	936,007.50					936,007.50
2038	935,697.50					935,697.50
2039	935,497.50					935,497.50
Total	\$ 15,667,757.52	\$60,837,914.41	\$ 149,369,847.23	\$ 36,221,241.66	\$ 114,841,130.00	\$ 376,937,890.82

Projected Taxable Valuation and Pledged Tax Revenues

The Agency has retained Harrell & Company Advisors LLC of Orange, California to provide projections of taxable valuation and Pledged Tax Revenues from developments in the Project Areas. The Agency believes the assumptions (set forth in the footnotes below and Appendix F — “FINANCIAL ADVISOR’S REPORT”) upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur (see “RISK FACTORS”). Therefore, the actual Pledged Tax Revenues received during the forecast period may vary from the projections and the variations may be material. The projected Pledged Tax Revenues are as follows:

SUCCESSOR AGENCY PROJECTED PLEDGED TAX REVENUES

<i>Fiscal Year</i>	<i>Project No. 1 Tax Revenues⁽¹⁾</i>	<i>Project No. 2 Tax Revenues</i>	<i>Tax Revenues</i>
2014	\$23,485,000	\$7,552,000	\$31,037,000
2015	23,587,000	7,589,000	31,176,000
2016	23,265,000	7,738,000	31,003,000
2017	23,714,000	7,895,000	31,609,000
2018	24,166,000	8,053,000	32,219,000
2019	24,630,000	8,215,000	32,845,000
2020	25,105,000	8,374,000	33,479,000
2021	25,588,000	8,536,000	34,124,000
2022	26,081,000	8,701,000	34,782,000
2023	26,583,000	8,872,000	35,455,000
2024	27,095,000	9,028,000	36,123,000
2025	27,618,000	9,196,000	36,814,000
2026	28,151,000	9,368,000	37,519,000
2027	28,695,000	9,545,000	38,240,000
2028	29,250,000	9,723,000	38,973,000
2029	29,817,000	9,905,000	39,722,000
2030	30,393,000	10,089,000	40,482,000
2031	30,980,000	10,279,000	41,259,000
2032	31,581,000	10,474,000	42,055,000
2033	32,194,000	10,668,000	42,862,000
2034	32,817,000	10,873,000	43,690,000
2035	-	11,078,000	11,078,000
2036	-	11,286,000	11,286,000
2037	-	11,498,000	11,498,000
2038	-	11,716,000	11,716,000
2039	-	11,937,000	11,937,000
2040	-	12,160,000	12,160,000

⁽¹⁾ All Subordinated Pass-Through Amounts have been deducted.
Source: Harrell & Company Advisors LLC.

Debt Service Coverage

Set forth below is the estimated debt service coverage of the Bonds and the Subordinate Bonds using Pledged Tax Revenues based on Fiscal Year 2013-14 assessed value without additional inflationary growth or new construction.

<i>Bond Year Ending September 1</i>	<i>No Growth Tax Revenues ⁽¹⁾</i>	<i>Bonds Debt Service</i>	<i>Bonds Coverage</i>	<i>Combined Annual Debt Service⁽³⁾</i>	<i>Combined Debt Service Coverage</i>
2014	\$27,785,711 ⁽²⁾	\$3,624,180	7.67x	\$15,262,694	1.82x
2015	31,037,000	5,558,000	5.58x	18,508,976	1.68x
2016	30,282,000	5,562,750	5.44x	18,508,115	1.64x
2017	30,282,000	5,557,950	5.45x	18,514,973	1.64x
2018	30,282,000	5,559,750	5.45x	18,511,179	1.64x
2019	30,282,000	5,558,500	5.45x	18,515,122	1.64x
2020	30,282,000	5,561,250	5.45x	18,518,893	1.64x
2021	30,282,000	5,562,500	5.44x	18,524,618	1.63x
2022	30,282,000	5,562,000	5.44x	18,516,054	1.64x
2023	30,282,000	5,559,500	5.45x	18,511,656	1.64x
2024	30,282,000	5,564,750	5.44x	18,514,138	1.64x
2025	30,282,000	5,562,000	5.44x	18,514,118	1.64x
2026	30,282,000	5,561,250	5.45x	18,518,744	1.64x
2027	30,282,000	5,557,000	5.45x	18,516,124	1.64x
2028	30,282,000	5,559,000	5.45x	18,509,197	1.64x
2029	30,282,000	5,561,500	5.44x	18,510,594	1.64x
2030	30,282,000	5,564,000	5.44x	18,518,074	1.64x
2031	30,282,000	5,561,000	5.45x	18,514,853	1.64x
2032	30,282,000	5,562,250	5.44x	18,518,017	1.64x
2033	30,282,000	5,557,000	5.45x	9,156,529	3.31x
2034 ⁽⁴⁾	30,282,000	5,565,000	5.44x	9,195,109	3.29x
2035	7,552,000			3,625,137	2.08x
2036	7,552,000			3,627,778	2.08x
2037	7,552,000			936,008	8.07x
2038	7,552,000			935,698	8.07x
2039	7,552,000			935,498	8.07x

⁽¹⁾ All Subordinated Pass-Through Amounts have been deducted.

⁽²⁾ Pledged Tax Revenues less March 1, 2013 Interest Payments on the 2004 Loan Obligation, the 2011 Loan Obligation, 2013 Series Bonds and 2013 Series B Bonds. The Bonds Debt Service and the Combined Annual Debt Service amount for the corresponding Bond Year does not include the March 1, 2013 Interest Payment on the Bonds and the Subordinate Bonds.

⁽³⁾ Includes the Bonds, 2011 Loan Obligation, 2011 Bonds, 2013 Series A Bonds and 2013 Series B Bonds.

⁽⁴⁾ Final maturity of the Bonds.

Source: The Financial Advisor and the Underwriter.

Set forth below is the estimated debt service coverage of the Bonds and the Subordinate Bonds using Pledged Tax Revenues projections based on the assumptions discussed in the Financial Advisor's Report. See Appendix F — "FINANCIAL ADVISOR'S REPORT."

<i>Bond Year Ending September 1</i>	<i>Tax Revenues ⁽¹⁾</i>	<i>Bonds Debt Service</i>	<i>Bonds Coverage</i>	<i>Combined Annual Debt Service⁽³⁾</i>	<i>Combined Debt Service Coverage</i>
2014	\$27,785,711 ⁽²⁾	\$3,624,180	7.67x	\$15,262,694	1.82x
2015	31,176,000	5,558,000	5.61x	18,508,976	1.68x
2016	31,003,000	5,562,750	5.57x	18,508,115	1.68x
2017	31,609,000	5,557,950	5.69x	18,514,973	1.71x
2018	32,219,000	5,559,750	5.80x	18,511,179	1.74x
2019	32,845,000	5,558,500	5.91x	18,515,122	1.77x
2020	33,479,000	5,561,250	6.02x	18,518,893	1.81x
2021	34,124,000	5,562,500	6.13x	18,524,618	1.84x
2022	34,782,000	5,562,000	6.25x	18,516,054	1.88x
2023	35,455,000	5,559,500	6.38x	18,511,656	1.92x
2024	36,123,000	5,564,750	6.49x	18,514,138	1.95x
2025	36,814,000	5,562,000	6.62x	18,514,118	1.99x
2026	37,519,000	5,561,250	6.75x	18,518,744	2.03x
2027	38,240,000	5,557,000	6.88x	18,516,124	2.07x
2028	38,973,000	5,559,000	7.01x	18,509,197	2.11x
2029	39,722,000	5,561,500	7.14x	18,510,594	2.15x
2030	40,482,000	5,564,000	7.28x	18,518,074	2.19x
2031	41,259,000	5,561,000	7.42x	18,514,853	2.23x
2032	42,055,000	5,562,250	7.56x	18,518,017	2.27x
2033	42,862,000	5,557,000	7.71x	9,156,529	4.68x
2034 ⁽⁴⁾	43,690,000	5,565,000	7.85x	9,195,109	4.75x
2035	11,078,000			3,625,137	3.06x
2036	11,286,000			3,627,778	3.11x
2037	11,498,000			936,008	12.28x
2038	11,716,000			935,698	12.52x
2039	11,937,000			935,498	12.76x

(1) All Subordinated Pass-Through Amounts have been deducted.

(2) Pledged Tax Revenues less March 1, 2013 Interest Payments on the 2004 Loan Obligation, the 2011 Loan Obligation, 2013 Series A Bonds and 2013 Series B Bonds. The Bonds Debt Service and the Combined Annual Debt Service amount for the corresponding Bond Year does not include the March 1, 2013 Interest Payment on the Bonds and the Subordinate Bonds.

(3) Includes the Bonds, 2011 Loan Obligation, 2011 Bonds, 2013 Series A Bonds and 2013 Series B Bonds.

(4) Final maturity of the Bonds.

Source: The Financial Advisor and the Underwriter.

CONCLUDING INFORMATION

Underwriting

The Bonds have been sold at a net interest cost of _____% for the Series A Bonds. The original purchase price (including the reoffering premium) to be paid for the Bonds is \$_____ for the Series A Bonds. The Underwriter intends to offer the Bonds to the public initially at the yield set forth on the inside cover page of this Official Statement, which yield may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

Verification of Mathematical Accuracy

Grant Thornton, LLP, Minneapolis, Minnesota, an independent accountant, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them that were prepared by the Underwriter, relating to the sufficiency of moneys deposited into the respective Escrow Funds created under the Escrow Agreement, to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium requirements with respect to the Refunded Bonds.

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

Legal Opinion

The opinion of Rutan & Tucker LLP, Costa Mesa, California, Bond Counsel, approving the validity of the Bonds and stating that interest on the Bonds is excluded from gross income for federal income tax purposes and interest on the Bonds is exempt from personal income taxes of the State of California under present State income tax laws, will be furnished to the purchaser at the time of delivery of the Bonds at the expense of the Agency. Compensation for Bond Counsel's services is entirely contingent upon the sale and delivery of the Bonds.

A copy of the proposed forms of Bond Counsel's final approving opinions with respect to the Bonds is attached hereto as Appendix B.

The legal opinion is only as to legality and is not intended to be nor is it to be interpreted or relied upon as a disclosure document or an express or implied recommendation as to the investment quality of the Bonds.

In addition, certain legal matters will be passed on by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel.

Tax Exemption

In the opinion of Rutan & Tucker LLP, Costa Mesa, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

In addition, the amount by which a Bondholder's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity

(or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bondholder's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondholder realizing a taxable gain when a Bond is sold by the holder for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the holder.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Bonds is based upon certain representations of fact and certifications made by the City, the Agency and others and is subject to the condition that the City and the Agency comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the delivery of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of delivery of the Bonds. The Agency has covenanted to comply with all such requirements. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring after the date of delivery of the Bonds may affect the tax status of the interest on the Bonds.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions taken or events are taken or do occur. Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the ownership of and the accrual or receipt of interest with respect to the Bonds may otherwise affect the tax liability of the recipient. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

Litigation

There is no action, suit or proceeding known to the Agency to be pending and notice of which has been served upon and received by the Agency, or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Agency taken with respect to any of the foregoing.

Legality for Investment in California

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

The Superintendent of Banks of the State of California has previously ruled that obligations of a redevelopment agency are eligible for savings bank investment in California.

Ratings

Standard & Poor's Ratings Group is expected to assign a rating of "___" (stable outlook) to the Insured Bonds with the understanding that upon delivery of the Insured Bonds, a municipal bond insurance policy insuring the payment of principal of and interest on the Insured Bonds when due will be issued by Insurer. See "BOND INSURANCE." In addition, Standard & Poor's has assigned its

underlying municipal bond rating of “__” on the Bonds without giving effect to the above-described municipal bond insurance policy.

These ratings reflect the view of Standard & Poor’s as to the credit quality of the Bonds. The ratings reflect only the view of Standard & Poor’s, and explanation of the significance of the ratings may be obtained from Standard & Poor’s Ratings Group, 55 Water Street, New York, New York 10041 (212) 438-2124. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Standard & Poor’s, if in the judgment of Standard & Poor’s, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to withdrawal or revision at any time.

Continuing Disclosure

Pursuant to a Continuing Disclosure Agreement with Willdan Financial Services, as Dissemination Agent (the “Disclosure Agreement”), the Agency has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (“MSRB”) certain annual financial information and operating data, including its postaudit of the financial transactions and records of the Successor Agency for the applicable fiscal year pursuant to Section 34177(n) of the Dissolution Act and information of the type set forth in this Official Statement under the heading “PLEDGED TAX REVENUES — Schedule of Historical Pledged Tax Revenues.” In addition, the Agency has agreed to provide, or cause to be provided, to the MSRB in a timely manner, not in excess of ten business days after the occurrence of any such event, notice of the following “Listed Events”: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security; (7) modifications to rights of security holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Obligated Person (as defined in Appendix D — “FORM OF CONTINUING DISCLOSURE AGREEMENT”); (13) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission.

As previously described herein, the Prior Agency was statutorily dissolved on February 1, 2012, and the Agency commenced operations as of the same date. Therefore, the Prior Agency operated for only seven months in fiscal year ended June 30, 2012, and the Agency operated for the last five months of fiscal year ended June 30, 2012. Commencing with the Comprehensive Annual Financial Report (i.e., audited financial statements) of the City for the fiscal year ended June 30, 2012, the activities of the Agency will be reported as a fiduciary trust fund as part of the City’s Comprehensive Annual Financial Report, which is in accordance with guidance issued by the DOF and available on its website as of

February 4, 2013, interpreting Section 34177(n) of the California Health and Safety Code concerning certain successor agency postaudit obligations.

The final seven months of activity of the Prior Agency prior to its February 1, 2012 dissolution was reported in the governmental funds of the City in the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

Pursuant to the Dissolution Act, the housing assets, housing obligations, and housing activities of the Prior Agency have been transferred to the La Quinta Housing Authority after the dissolution date and have been reported in a special fund in the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013.

See Appendix E — “COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2013 (EXCLUDING SUPPLEMENTARY INFORMATION),” and in particular Note 23 therein regarding “Successor Agency Trust for Assets of Former Redevelopment Agency.” A complete copy of the City’s Comprehensive Annual Financial Report for fiscal year ended June 30, 2013 can be obtained from the City’s Finance Department.

In accordance with accounting principles generally accepted in the United States of America which provide guidance for determining which governmental activities, organizations and functions should be included in the reporting entity, the Comprehensive Annual Financial Report presents information on the activities of the reporting entity, which includes the City (the primary government) and related but separate legal entities such as the La Quinta Financing Authority, the Prior Agency, the Agency, and the La Quinta Financing Authority. Such accounting presentation, however, does not change the separate legal status of the entities. With regard to the Agency in particular, as set forth in Section 34173(g) of the Dissolution Act, “A successor agency is a separate public entity from the public agency that provides for its governance and the two entities shall not merge.”

A failure by the Agency to comply with the provisions of the Disclosure Agreement is not an event of default under the Indenture (although the holders and beneficial owners of the Bonds do have remedies at law and in equity). However, a failure to comply with the provisions of the Disclosure Agreement must be reported in accordance with the SEC Rule 15c2-12(b)(5) and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds. Therefore, a failure by the Agency to comply with the provisions of the Disclosure Agreement may adversely affect the marketability of the Bonds on the secondary market. In its capacity as Dissemination Agent, Willdan Financial Services (“Willdan”) has reviewed the Undertakings, and all event filings (if any) made pursuant thereto, and concludes that in the previous five years, to the knowledge of Willdan after reasonable inquiry, except as noted below, all event filings required to be made pursuant to the Rule have also been made in a timely manner pursuant to the Rule. On occasion the Issuer has failed to timely file notice of rating changes with respect to the Prior Agency’s outstanding Bonds which occurred on April 13, 2009, March 25, 2010, November 30, 2010 and April 7, 2011. The Issuer filed all required notices on December 17, 2013 and has established procedures that it believes will be sufficient to ensure timely future compliance with its continuing disclosure undertakings.

The Agency may amend the Disclosure Agreement, and waive any provision thereof, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Agency or the type of business conducted thereby; (2) the Disclosure Agreement as so amended would have complied with the requirements of Rule 15c2-12 as of the date of the Disclosure Agreement, after taking into account any

amendments or interpretations of the Rule, as well as any change in circumstances; (3) the Agency shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Agency and the Dissemination Agent, to the same effect as set forth in clause (2) above; (4) the Agency shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Agency, to the effect that the amendment does not materially impair the interests of the Owners; and (5) the Agency shall have delivered copies of such opinion and amendment to the MSRB.

In addition, the Agency's obligations under the Disclosure Agreement shall terminate upon the defeasance or payment in full of all of the Bonds. The provisions of the Disclosure Agreement are intended to be for the benefit of the Owners and shall be enforceable by the Trustee on behalf of such Owners, provided that any enforcement action by any such person shall be limited to a right to obtain specific enforcement of the Agency's obligations under the Disclosure Agreement and any failure by the Agency to comply with the provisions thereof shall not be an event of default under the Indenture. See Appendix D — "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Miscellaneous

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

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

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

SUCCESSOR AGENCY TO THE LA QUINTA
REDEVELOPMENT AGENCY

By: _____
Executive Director

APPENDIX A

DEFINITIONS

The following are definitions of certain terms contained in the Indenture and used in this Official Statement.

“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.

“_____” or “Insurer” means [Insurer], a New York stock insurance company, or any successor thereto or assignee thereof.

“Alternative Reserve Account Security” means an irrevocable standby or direct pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met at the time the Successor Agency determines delivery thereof to the Trustee: (a) the long-term credit rating of such bank or the claims paying rating of such insurance company is, at the time of commencement, A+ or better from S and P; (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account and the Principal Account or the purpose of making payments required pursuant to the Indenture.

“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”, “Bonds” or “2014 Bonds” means the Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds, 2014 Series A and any refunding bonds or obligations issued therefor.

“Bond Counsel” means Rutan & Tucker, LLP, 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.

“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.

“Bond Year” means the twelve (12) month period commencing on September 2 of each year, provided that the first Bond Year shall extend from the Delivery Date to September 1, 2014.

“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.

“Chair” means the chair 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 chair in the event of the chair’s absence or disqualification.

“City” means the City of La Quinta, 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 Series A Bonds, the period beginning on the Delivery Date and ending on September 1, 2014, and each 12-month period ending on September 1 thereafter until there are no longer any Bonds Outstanding.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement among the Successor Agency and Willdan Financial Services 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 U.S. Bank National Association, except for exchange, surrender and payment of the Bonds, in which case “Trust Office” shall refer to the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota, 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, staff time and costs, fees of financial consultants, escrow fees and costs, bond insurance premiums, and other fees and expenses set forth in a Written Certificate of the Successor Agency.

“County” means the County of Riverside, California.

“Defeasance Securities” means (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (5) subject to the prior written consent of the Insurer, securities eligible for “AAA” defeasance under then existing criteria of S & P or any combination, unless the Insurer otherwise approves.

“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.

“Escrow Agreement” means the escrow agreement for the Refunded Bonds.

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

“Indenture” means that certain Indenture of Trust dated as of June 1, 2014, between the Successor Agency and U.S. Bank National Association, approved by Resolution No. _____, adopted by the Successor Agency on March __, 2014, and Resolution No. _____, adopted by the Oversight Board on March __, 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” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Insured Bonds when due.

“Insured Bonds” means the Bonds maturing on September 1, 20__ and September 1, 20__.

“Interest Payment Date” means March 1 and September 1, commencing September 1, 2014 so long as any of the Bonds remain Outstanding hereunder.

“La Quinta Redevelopment Agency” or “La Quinta Agency” means the La Quinta Redevelopment Agency.

“Law” means the Community Redevelopment Law of the State of California as more particularly defined under term “Prior Law”.

“Loan Agreement” means that Loan Agreement by and between the La Quinta Redevelopment Agency and La Quinta Financing Authority, dated as of February 3, 2004, as amended and modified pursuant to the First Supplemental Loan Agreement, by and among the La Quinta Redevelopment Agency, the La Quinta Financing Authority, and U.S. Bank National Association, as Fiscal Agent, dated as of June 1, 2004 relating to \$90,000,000 Project Areas No. 1 and 2 Housing Loan; and the Second Supplemental Loan Agreement, by and among the La Quinta Redevelopment Agency, the La Quinta Financing Authority, and U.S. Bank National Association, as Fiscal Agent, dated as of March 1, 2011, relating to \$28,850,000 2011 Project Areas No. 1 and 2 Subordinate Housing Loan.

“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 the Indenture, all Bonds theretofore issued and authenticated under the Indenture except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and authenticated pursuant to the Indenture.

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

“Parity Bonds” means, with respect to the Series A Bonds and any additional tax allocation bonds (including, without limitation, bonds, notes, loans, interim certificates, debentures or other obligations) issued by the Successor Agency as permitted by the Indenture.

“Pass-Through Agreements” means the agreements entered into on or prior to the date hereof pursuant to Section 33401 of the Health and Safety Code with (i) the County of Riverside; (ii) Desert Sands Unified School District; (iii) Coachella Valley Water District; (iv) Desert Community College District; (v) County of Riverside Superintendent of Schools; (vi) Coachella Valley Mosquito and Vector Control District; and (vii) Desert Recreation District.

“Paying Agent” means any paying agent appointed by the Successor Agency pursuant to the Indenture.

“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 portion of the monies deposited from time to time in the Redevelopment Property Tax Trust Fund 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.

“Prior Law” or “Redevelopment Law” or “Law” means the Community Redevelopment Law of the State of California (commencing with Health and Safety Code Section 33000) as it existed on or before June 29, 2011.

“Real Property Tax Trust Fund” or “RPTTF” means the fund by that name established pursuant to Health & Safety Code Section 34170.5 (b) and administered by the County auditor-controller.

“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 (l) of Section 34177 of the Dissolution Act.

“Redevelopment Obligation Retirement Fund” means the fund by that name established pursuant to Health & Safety Code Section 34170.5 (b) and administered by the Successor Agency.

“Redevelopment Project Area No. 1 Plan” means the La Quinta Redevelopment Plan for the project designated as the “La Quinta Redevelopment Project Area No. 1,” adopted and approved by Ordinance No. 43, which became effective on December 29, 1983, together with any amendments thereof heretofore or hereafter duly enacted pursuant to the law.

“Redevelopment Project Area No. 2 Plan” means the La Quinta Redevelopment Plan for the project designated as the “La Quinta Redevelopment Project Area No. 2,” approved and adopted by the City Council of the City by Ordinance No. 139, on May 16, 1989, and includes any amendments thereof heretofore or hereafter made pursuant to the law.

“Redevelopment Project Area No. 1,” means the project area formed by the Redevelopment Project Area No. 1 Plan.

“Redevelopment Project Area No. 2,” means the project area formed pursuant to the Redevelopment Project Area No. 2 Plan.

“Redevelopment Project Areas” or “Redevelopment Projects” or “Project Areas” means the Project Areas defined and described in the Redevelopment Plan for Redevelopment Project Area No. 1 and Redevelopment Project Area No. 2.

“Refunded Bonds” means the 2004 Housing 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 Surety Bond” means the Reserve Account Municipal Bond Insurance Policy issued by the Bond Insurer for the credit of the Reserve Account.

“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.

“S&P” or “Standard and Poor’s” means Standard & Poor’s Ratings Group, New York, New York, and its successors and assigns.

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

“Statutory Pass-Through Amounts” means amounts payable to the respective taxing entity pursuant to the Pass-Through Agreements for Redevelopment Project Area No. 1 with (1) County of Riverside; (2) Desert Sands Unified School District; and (3) Desert Community College District.

“Statutory Tax Sharing Amounts” means amounts determined pursuant to Sections 33607.5 and/or 33607.7 of the Redevelopment Law.

“Subordinate Bonds” means the 2011 Project Area No. 2 Bonds, the 2011 Loan Obligation, the 2013 Bonds and any refunding bonds or obligations issued therefor.

“Subordinate Bond Indentures” means the 2011 Project Area No. 2 Taxable Bonds Indenture, the 2011 Loan Agreement and the 2013 Series A and 2013 Series B Indenture.

“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 the 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.

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

“Trustee” means U.S. Bank National Association, a national banking association, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Indenture.

“2004 Housing Bonds” means the \$90,000,000 La Quinta Financing Authority, Local Agency Revenue Bonds, 2004 Series A.

“2004 Loan Obligation” means the Prior Agency’s loan obligation under the Loan Agreement, dated as of February 3, 2004 as supplemented by the First Supplemental Loan Agreement, dated as of June 1, 2004.

“2011 Loan Obligation” means the Prior Agency’s loan obligation under the Loan Agreement, dated February 3, 2004 as supplemented by the Second Supplemental Loan Agreement, dated as of March 1, 2011.

“2011 Project Area No. 2 Taxable Bonds” means the \$6,000,000 La Quinta Redevelopment Agency, La Quinta Redevelopment Project Area No. 2 Subordinate Taxable Tax Allocation Bonds, Series 2011.

“2011 Taxable Housing Bonds” means the \$28,850,000 La Quinta Financing Authority, Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A.

“2013 Bonds” means, collectively, the Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Series A and 2013 Taxable Series B.

“2013 Series A Bonds” means the Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Series A.

“2013 Series B Bonds” means the Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Taxable Series B.

“2004 Housing Bonds Indenture” means that Indenture of Trust, dated as of June 1, 2004, by and between the La Quinta Financing Authority and U.S. Bank National Association, as Trustee, relating to \$90,000,000 La Quinta Financing Authority, Local Agency Revenue Bonds, 2004 Series A.

“2011 Project Area No. 2 Taxable Bonds Indenture” means that Indenture of Trust dated as of March 1, 2011, by and between the La Quinta Redevelopment Agency and U.S. Bank National Association, as Trustee, relating to \$6,000,000 La Quinta Redevelopment Agency, La Quinta Redevelopment Project Area No. 2 Subordinate Taxable Tax Allocation Bonds, Series 2011.

“2011 Taxable Housing Bonds Indenture” means that Indenture of Trust, dated as of March 1, 2011, by and between the La Quinta Financing Authority and U.S. Bank National Association, as Trustee, relating to \$28,850,000 La Quinta Financing Authority Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A.

“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.

APPENDIX B

FORM OF BOND COUNSEL OPINIONS

Upon issuance of the Bonds, Rutan & Tucker LLP, Bond Counsel, proposes to render its final approving opinions in substantially the following form:

FORM OF SERIES A BONDS OPINION

_____, 2014

Successor Agency to the La Quinta Redevelopment Agency
La Quinta, California

Re: \$_____ SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT
AGENCY, La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation
Refunding Bonds (Senior Housing Lien), 2014 Series A

Honorable Members of the Agency:

We have examined certified copies of proceedings of the Successor Agency to the La Quinta Redevelopment Agency (the "Successor Agency"), the Oversight Board to the Successor Agency (the "Oversight Board"), the Department of Finance of the State of California ("DOF") and other information and documents submitted to us relative to the issuance and sale by the Successor Agency of its Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Area Nos. 1 and 2, Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A in the aggregate principal amount of \$_____ (the "Bonds") and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Successor Agency, the Trustee, the Underwriter of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Constitution and laws of the State of California (the "State"), including Article 11 of Chapter 3 (commencing with Section 53580) of Part 1 of Division 2 of Title 5 of the California Government Code (the "Bond Law"), the provisions of Health & Safety Code Section 34177.5, a resolution of the Successor Agency adopted on October 1, 2013 (the "Successor Agency Resolution") and a resolution of the Oversight Board adopted on October 2, 2013 (the "Oversight Board Resolution"), which action was approved by the DOF on December 3, 2013, and in accordance with the terms and conditions of an Indenture of Trust, dated as of June 1, 2014 (the "Indenture"), by and between the Successor Agency and U.S. Bank National Association (the "Trustee"). All terms not defined herein have the meanings ascribed to those terms in the Indenture.

The Bonds are dated the date of delivery, and mature on the dates and bear interest at the rates per annum set forth in the Indenture. The Bonds are registered Bonds in the form set forth in the Indenture, redeemable in the amounts, at the times and in the manner provided for in the Indenture.

Based upon our examination of all of the foregoing, and in reliance thereon, and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

The Bonds have been duly and validly authorized by the Successor Agency, constitute valid and binding special obligations of the Successor Agency, and are being issued by the Successor Agency to the La Quinta Redevelopment Agency on a parity basis with the Successor Agency's La Quinta Redevelopment Project Areas No. 1 and 2 Subordinate Tax Allocation Refunding Bonds, 2013 Taxable Series B and on a subordinate basis to the La Quinta Redevelopment Agency's (the "Prior Agency") loan obligation under the Loan Agreement, dated as of February 3, 2004 as supplemented by the First Supplemental Loan Agreement, dated as of June 1, 2004 (the "2004 Loan Obligation") in connection with the La Quinta Financing Authority's (the "Authority") previously issued \$90,000,000 Local Agency Revenue Bonds, 2004 Series A (the "2004 Housing Bonds") of which \$75,480,000 are currently outstanding, the previously issued \$6,000,000 La Quinta Redevelopment Project Area No. 2, Subordinate Taxable Tax Allocation Bonds, Series 2011 (the "2011 Bonds") of which \$5,930,000 are currently outstanding and the Prior Agency's loan obligation under the Loan Agreement, dated February 3, 2004 as supplemented by the Second Supplemental Loan Agreement, dated as of March 1, 2011 (the "2011 Loan Obligation") in connection with the Authority's previously issued \$28,850,000 Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A (the "2011 Series A Bonds") of which \$28,330,000 are currently outstanding. The 2011 Bonds, the 2011 Loan Obligation, the 2013 Series A and 2013 Series B Bonds are sometimes referred to herein as the "Subordinate Bonds." The Bonds are enforceable in accordance with their terms and the terms of the Indenture, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other similar laws affecting creditors' rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California. The Bonds are special obligations of the Successor Agency but are not a debt of the City of La Quinta, the State of California or any other political subdivisions thereof within the meaning of any constitutional or statutory limitation, and neither the City of La Quinta, the State of California, nor any other of its political subdivisions, except the Successor Agency, is liable for the payment thereof.

The Indenture has been duly authorized by the Successor Agency, is valid and binding upon the Successor Agency and is enforceable in accordance with its terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other similar laws affecting creditors' rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

The Indenture creates a valid pledge of that which the Indenture purports to pledge, including, without limitation, the Pledged Tax Revenues and subject to the provisions of the Indenture, except to the extent that such pledge may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other similar laws affecting creditors' rights to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, we note that, with respect to corporations, such interest on the Bonds will be included as an adjustment in the calculation of alternative minimum taxable income which may affect such corporation's alternative minimum tax liability.

Interest on the Bonds is exempt from State of California personal income tax.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner's realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions set forth in paragraphs 4 and 6 above are subject to the condition that the Successor Agency comply with certain covenants and the applicable requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will remain excludable from gross income for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Successor Agency has covenanted to comply with all such requirements. We express no opinion regarding other tax consequences with respect to the Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Bond Purchase Contract dated as of December 17, 2013, between the Successor Agency and Southwest Securities, Inc., and the Tax Certificate may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion of interest on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Rutan & Tucker, LLP.

The opinions expressed herein are based on an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Such actions or events may adversely affect the value or tax treatment of the Bonds and we express no opinion with respect thereto.

We call attention to the fact that the rights and obligations under the Indenture and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and purchasers of the Bonds should not assume that we have reviewed the Official Statement on their behalf.

The ownership and disposal of the Bond and the accrual or receipt of interest with respect to the Bond may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion

regarding any such tax consequences. ANY FEDERAL TAX ADVICE CONTAINED HEREIN WITH RESPECT TO THE BONDS IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE CODE. THE FEDERAL TAX ADVICE CONTAINED HEREIN WITH RESPECT TO BONDS WAS WRITTEN TO SUPPORT THE PROMOTING AND MARKETING OF THE BONDS. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE BONDS AND THE TAXPAYER'S PARTICULAR CIRCUMSTANCES.

Respectfully submitted,

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Principal, premium (if any), and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a

successor depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of June __, 2014, is executed and delivered by the Successor Agency to the La Quinta Redevelopment Agency (the “Successor Agency”) and Willdan Financial Services as dissemination agent (the “Dissemination Agent”), in connection with the issuance of the Successor Agency to the La Quinta Redevelopment Agency, \$_____ La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A (the “Bonds”). The Bonds are being issued pursuant to provisions of an Indenture of Trust, dated as of June 1, 2014 (the “Indenture”) by and between the Successor Agency and U.S. Bank National Association, as trustee (the “Trustee”). The Successor Agency and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Successor Agency and the Dissemination Agent for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report or any addendum thereto provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the City Manager of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Trustee and Dissemination Agent from time to time.

“Dissemination Agent” shall mean Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than March 31 of each year, commencing March 31, 2015, provide to the MSRB and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement.

(b) Not later than fifteen days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Successor Agency shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Successor Agency of such failure to receive the Annual Report. The Successor Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Successor Agency and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall, to the extent information is known to it, file a report with the Successor Agency and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The Successor Agency’s Annual Report shall contain or include by reference the following (unless otherwise stated, such information shall be as of the end of the most recent Fiscal Year and shall be with respect to the Successor Agency):

(i) An audit 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 prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Successor Agency’s audit is not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain an unaudited statement of financial transactions and records of the Successor Agency in a format required by Section 34177(n) of the Dissolution Act, and the audit shall be filed in the same manner as the Annual Report when they become available.

(ii) Financial information and operating data relating to the Project Areas contained in the Official Statement for the Bonds under the headings “THE PROJECT AREAS – Largest Local Secured Taxpayers,” and “PLEDGED TAX REVENUES – Schedule of Historical Pledged Tax Revenues.”

(iii) An update of the debt service coverage table shown in the Official Statement using the most recent Fiscal Year Pledged Tax Revenues.

(iv) A listing of the amount of each distribution from the Riverside County Auditor-Controller of property tax revenues from the Redevelopment Property Tax Trust Fund received by the Successor Agency for its enforceable obligations for the most recent Fiscal Year, as reasonably available 15 days prior to the due date of each Annual Report.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Successor Agency or related public entities, which are available to the public on the MSRB's EMMA Website or filed with the SEC.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this section, upon the occurrence of any of the following events (in each case to the extent applicable) with respect to the Bonds, the Successor Agency shall give, or cause to be given by so notifying the Dissemination Agent in writing and instructing the Dissemination Agent to give, notice of the occurrence of such event, in each case, pursuant to Section 5(c) hereof:

1. principal or interest payment delinquencies;
2. non-payment related defaults, if material;
3. modifications to the rights of the Bondholders, if material;
4. optional, contingent or unscheduled calls, if material, and tender offers;
5. defeasances;
6. rating changes;
7. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on the credit enhancements reflecting financial difficulties;
10. substitution of the credit or liquidity providers or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds, if material;
12. bankruptcy, insolvency, receivership or similar proceedings of the Successor Agency, which shall occur as described below;
13. appointment of a successor or additional trustee or the change of name of a trustee, if material, or;

14. the consummation of a merger, consolidation, or acquisition involving the Successor Agency or the sale of all or substantially all of the assets of the Successor Agency other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

For these purposes, any event described in item 12 of this Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Successor Agency in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Successor Agency.

(b) Upon receipt of notice from the Successor Agency and instruction by the Successor Agency to report the occurrence of any Listed Event, the Dissemination Agent shall provide notice thereof to the MSRB in accordance with Section 5(c) hereof. In the event the Dissemination Agent shall obtain actual knowledge of the occurrence of any of the Listed Events, the Dissemination Agent shall, immediately after obtaining such knowledge, contact the Disclosure Representative, inform such person of the event, and request that the Successor Agency promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section 5(c). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Event shall mean actual knowledge by the Dissemination Agent, if other than the Trustee, and if the Dissemination Agent is the Trustee, then by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Dissemination Agent shall have no responsibility to determine the materiality, if applicable, of any of the Listed Events.

(c) The Successor Agency, or the Dissemination Agent, if the Dissemination Agent has been instructed by the Successor Agency to report the occurrence of a Listed Event, shall file a notice of such occurrence with the MSRB in a timely manner not more than ten business days after the occurrence of the event.

SECTION 6. Termination of Reporting Obligation. The Successor Agency’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Successor Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Successor Agency pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be Willdan Financial Services. The Dissemination Agent may resign by providing thirty days’ written notice to the Successor Agency and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Successor Agency. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Successor Agency in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Successor Agency and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Successor Agency) provided, the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder, and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Successor Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Successor Agency.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Successor Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Successor Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Successor Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 11. Default. In the event of a failure of the Successor Agency to comply with any provision of this Disclosure Agreement, the Trustee (at the written request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), or any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Successor Agency or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture pertaining to the Trustee is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Successor Agency agrees to indemnify and save the Dissemination Agent and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's

or Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the Successor Agency, the Bondholders, or any other party. Neither the Trustee nor the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Successor Agency: Successor Agency to the La Quinta
Redevelopment Agency
78-495 Calle Tampico
La Quinta, CA 92253
Attn: Executive Director
Phone: (760) 777-7030

To the Dissemination Agent: Willdan Financial Services
27368 Via Industria, Suite 110
Temecula, California 92590
Attn: Disclosure Group
Phone: (951) 587-3500

To the Trustee: U.S. Bank, National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services
Phone: (213) 615-6047

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Successor Agency, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SUCCESSOR AGENCY TO THE LA QUINTA
REDEVELOPMENT AGENCY

By _____
Executive Director

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By _____
Authorized Representative
Authorized Representative

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Successor Agency to La Quinta Redevelopment Agency

Name of Bond Issue: Successor Agency to La Quinta Redevelopment Agency, Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A

Date of Issuance: June __, 2014

NOTICE IS HEREBY GIVEN that the Successor Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of [Closing Date], 2014, with respect to the Bonds. [The Successor Agency anticipates that the Annual Report will be filed by _____.]

Dated:

WILLDAN FINANCIAL SERVICES., on behalf of the
Successor Agency

cc: Successor Agency

APPENDIX E

**COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR
FISCAL YEAR ENDED JUNE 30, 2013 (EXCLUDING SUPPLEMENTARY INFORMATION)**

APPENDIX F
FINANCIAL ADVISOR'S REPORT

APPENDIX G

SUPPLEMENTAL INFORMATION — THE CITY OF LA QUINTA

The following information concerning the City of La Quinta (the “City”) and surrounding areas is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of the City, the State or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions is liable therefor.

General Background

For centuries before Columbus discovered America, the area which is now La Quinta was the winter home of the Cahuilla Indians. The history of modern La Quinta began with the construction of the La Quinta Hotel in 1926, and La Quinta became a retreat for discriminating seclusion-seekers from Hollywood and around the world. It was incorporated as a City in 1982 encompassing an area of 18.36 square miles and a population of approximately 4,500, and today encompasses an area of approximately 35.31 square miles, with a population of approximately 38,401. Surrounded by the Santa Rosa Mountains, La Quinta is home to the PGA West Golf Resort. The Coachella Valley attracts a high-end market of over 2 million tourists each year. As a year-round multi-recreational resort community, it attracts golf and tennis enthusiasts from all over the world.

Population

The following table sets forth population estimates for the City of La Quinta, the County of Riverside and the State of California for the past ten years:

CITY OF LA QUINTA ESTIMATED POPULATION

<i>Year (January 1)</i>	<i>City of La Quinta</i>	<i>Riverside County</i>	<i>State of California</i>
2004	30,110	1,814,485	35,570,847
2005	32,558	1,895,695	35,869,173
2006	33,987	1,975,913	36,116,202
2007	35,792	2,049,902	36,399,676
2008	36,744	2,102,741	36,704,375
2009	37,116	2,140,626	36,966,713
2010	37,044	2,179,692	37,223,900
2011	37,688	2,205,731	37,427,946
2012	38,190	2,234,193	37,668,804
2013	38,401	2,255,059	37,966,471
2014			

Source: State of California Department of Finance, January 1 estimates.

Location

Located in the eastern portion of the County known as the Coachella Valley, La Quinta is 20 miles from Palm Springs and 127 miles from Los Angeles. The City motto is “The Gem of the Desert.”

Climate

CITY OF LA QUINTA Climate

<i>Period</i>	<i>Average Temperature</i>			<i>Rain Inches</i>	<i>Humidity Daily Average</i>
	<i>Min.</i>	<i>Mean</i>	<i>Max.</i>		
January	37.8	54.1	70.4	0.50	38
April	57.0	72.3	87.5	0.10	32
July	76.9	92.1	107.2	0.12	37
October	58.7	75.5	92.2	0.23	37
Annual	57.2	73.1	89.0	3.38	36

Prevailing winds: Northwest 7 mph.

Source: National Weather Service.

City Government and Administration

The City of La Quinta was originally incorporated on May 1, 1982 and became a charter city in November, 1996 with a Council/Manager form of government. The City Council is comprised of a Mayor and four Council Members. The Mayor is elected for a two-year term and the Council Members are elected for four-year terms.

Budgetary Policies

The City Manager submits a preliminary budget to the City Council before each fiscal year. A public meeting is then held prior to July 1 to receive public comment. A budget is required to be adopted before the beginning of the fiscal year. Amendments to the budget or budget transfers between funds require Council approval. Budget transfers within funds require City Manager approval. The City also maintains an encumbrance system as one budget technique. All fiscal year end appropriations and encumbrances lapse at year end unless specifically approved by the Council for inclusion in the following year's appropriations.

Each Department receives a monthly budget-to-actual expenditure report. In addition, each department can access on-line budgetary data from the financial information system available throughout the City-wide computer network.

The City Council is also given an Executive level Summary of Revenues and Expenditures on a monthly basis.

Economic Growth and Trends

La Quinta includes the La Quinta Resort, several world class golf resorts, quality neighborhoods of single family and multi-dwelling homes and light commercial industries. Outdoor recreation activities such as hiking and camping are also enjoyed in the area. Community and neighborhood parks offer swimming, picnicking, sports fields, tot lots, recreation programs, and community events. There are several hiking trails leading into the majestic Santa Rosa Mountains. La Quinta's active arts community plays host to the renowned annual La Quinta Arts Festival.

Major retail developments continue to diversify and enhance La Quinta's economic base. The Centre at La Quinta is a retail facility hosting the Walmart Super Center, Marshalls, PetSmart along with numerous other shops and restaurants. Washington Park, located along the Washington Street corridor is home to Target, Lowe's, Cost Plus World Market, Trader Joe's, Bouchee Fine Foods – who serve as the shopping center's larger tenants, along with Chase Bank and Steinmart. The Pavillion at La Quinta is a retail outlet for Bed Bath & Beyond, Henry's Market, Best Buy, Office Max and DSW Shoe Warehouse along with restaurants which include Coffee Bean & Tea Leaf, Panera Bread, and Chipotle. La Quinta Court is a spot for specialty shopping with fine restaurants and a gourmet food market. The La Quinta Professional Plaza, is home to Bank of Southern California as well as medical and professional offices. Jefferson Plaza is anchored by Home Depot, Smart & Final, I-Hop, Jack in the Box and the 99¢ Stores. One-Eleven Center is home to Stater Brothers, AAA, Kohl's, Petco, Ross, and Staples. In addition to its retail outlets, the One-Eleven Center maintains restaurants and an Am/Pm service station. Point Happy Shopping Center is home to Bank of America, Fans Plus Blinds and various restaurants. Old Town La Quinta, a 140,000 square foot commercial/retail center in the Village area is anchored by the Hog's Breath Inn, and several locally owned dining establishments.

Centre Point, which expanded the economic diversity of the City, is a mixed-use complex, with a Homewood Suites and Applebee's Restaurant, the Eisenhower Argyros Medical Center and a neighborhood dog park (Pioneer Park).

Tourism

La Quinta is well known for its many championship golf courses. The City is home to 21 championship courses, and more are in the planning or development stages. In addition to quantity, La Quinta has some of the highest rated courses in the world of golf. Various golf tournaments, including the prestigious Humana Challenge in Partnership with the Clinton Foundation show La Quinta internationally as a quality destination and golf resort area.

The City acquired 525 acres of previously undeveloped property adjacent to Jefferson Street and Avenue 52. SilverRock Resort is a 525-acre parcel of land situated at the base of the majestic Santa Rosa Mountains. Often referred to as "the last great piece of land in the Coachella Valley," SilverRock Resort was a former working cattle ranch and vacation retreat of Home Savings and Loan founder, Howard Ahmanson. In 2002, the Prior Agency purchased the land to create a tournament golf course, which is open to the public, and a luxury resort/retail venue that would generate long-term, recurring revenue for the City. Two years of intense master planning, design, and construction resulted in the Arnold Palmer designed "Arnold Palmer Classic Course at SilverRock Resort." The course was voted among the "The Top Ten New Golf Courses That You Can Play" by Golf Magazine, and has been a home course of the Bob Hope Classic since 2008.

The nationally recognized La Quinta Arts Festival attracts many visitors from around the country each year to the City of La Quinta and the Coachella Valley.

Hotel room sales in La Quinta enjoyed continued success with revenues estimated at \$31.09 million in 2011. The La Quinta Resort and Spa, the largest destination resort in the Coachella Valley, was the largest contributor to this increase.

Capital Improvements

The City spent \$13.1 million in capital improvements during fiscal year 2011-12. During the fiscal year, the three most active projects were the Adams Street Bridge Improvements project, A Street Extension and the Coral Mountain Apartments project. Other major projects budgeted in the future

include the Pavement Management and Slurry Seal Program, the Sports Complex Lighting Rehabilitation and Expansion project, and the Americans with Disabilities Act (ADA) Improvements for City owned properties.

The City's Capital Improvement Program (CIP) continues to increase to meet the demands of growth. This major commitment in infrastructure will continue to provide for both the current and future growth that the City has experienced.

Commercial Activity

The following table demonstrates the growth in the number of business permits and taxable transactions in the City of La Quinta:

**CITY OF LA QUINTA
TAXABLE TRANSACTIONS
(in thousands)**

<i>Year</i>	<i>Retail Stores</i>		<i>Total Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2002	246	309,182	531	372,039
2003	277	376,866	580	447,877
2004	336	510,913	670	584,039
2005	403	603,110	755	683,476
2006	448	667,010	862	754,063
2007	507	735,647	1,070	826,488
2008	561	644,113	1,151	731,831
2009	789	552,468	1,106	623,012
2010	831	563,456	1,161	633,545
2011	891	609,077	1,228	680,382
2012 ⁽¹⁾	902	638,037	1,246	706,227

⁽¹⁾ Through fourth quarter of 2012.
Source: State Board of Equalization.

Building Activity

The following presents the residential building permit valuations for the City of La Quinta for the calendar years 2009 through 2013:

RESIDENTIAL BUILDING PERMIT VALUATIONS CITY OF LA QUINTA (Valuation in 000)

	2009	2010	2011	2012	2013 ⁽¹⁾
Residential					
Single Unit	\$ 24,300,022	\$ 20,792,686	\$ 15,480,731	\$ 20,686,325	\$ 19,656,837
Multiple Units	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,948,060</u>	<u>1,026,716</u>
Total Residential	\$ 24,300,022	\$ 20,792,686	\$ 15,480,731	\$ 32,634,385	\$ 20,683,553
No. of New Dwelling Units					
Single Unit	109	79	41	55	86
Multiple Units	<u>0</u>	<u>0</u>	<u>0</u>	<u>176</u>	<u>2</u>
Total Units	109	79	41	231	88

⁽¹⁾ Through August 2013.
Source: U.S. Census Bureau.

City's Taxable Valuation

Taxable valuation within the City is established by the Riverside County Assessor, except for utility and other unitary property, which is assessed by the State Board of Equalization. Article XIII A of the State Constitution provides that, beginning with the 1978-79 fiscal year, property taxes in California are limited to one percent of full cash value, except for taxes to pay debt service on indebtedness approved by the voters prior to July 1, 1978. Article XIII A defines full cash value as the County Assessor's valuation of real property as shown on the 1975-76 tax bill ("base year"), except in the case of newly-constructed property or property which undergoes a change in ownership. Yearly taxable value increases following the base year are limited to the growth in the consumer price index, but may not exceed two percent annually.

For assessment and collection purposes, property is classified either as "secured" or "unsecured", and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll".

The assessed valuation of property within the City since fiscal year 2003-04 is summarized below.

**CITY OF LA QUINTA
ASSESSED VALUATIONS**

<i>Fiscal Year</i>	<i>Secured</i>	<i>Unsecured</i>	<i>Less: Exemptions</i>	<i>Taxable Assessed Value</i>
2003-04	\$3,789,678,041	\$32,607,713	\$ (54,726,303)	\$3,767,559,451
2004-05	5,412,382,710	40,940,877	(95,420,075)	5,357,903,512
2005-06	6,289,493,552	44,014,548	(113,037,003)	6,220,471,097
2006-07	7,856,383,375	72,554,357	(115,071,146)	7,813,866,586
2007-08	9,986,151,525	88,740,840	(99,245,721)	9,975,646,644
2008-09	11,854,669,637	101,433,002	(89,688,505)	11,866,414,134
2009-10	12,410,626,893	113,185,065	(107,777,195)	12,416,034,763
2010-11	11,742,665,902	121,272,880	(110,752,890)	11,753,185,892
2011-12	10,913,083,169	118,972,704	(161,265,140)	10,870,790,733
2012-13	10,400,897,792	107,421,771	(176,887,605)	10,331,431,958
2013-14	10,796,905,077	113,582,189	(177,656,876)	10,732,830,390

Source: City of La Quinta Comprehensive Annual Financial Report for Year Ended June 30, 2012.

General Plan/Zoning

The land within the City of La Quinta is approximately zoned as follows:

Industrial:	0 acres
Institutional:	120 acres
Commercial:	1,240 acres
Residential:	12,320 acres

Industry

La Quinta contains two major commercial areas. It is currently creating master development plans for the first, a 100-acre downtown area. Approximately 50% of this area has yet to undergo actual development. Additionally there remains approximately 680 undeveloped acres of commercial property on Highway 111 between Palm Springs and Indio.

Labor Force

The following listing sets forth the top employers in the City as of June 30, 2013:

CITY OF LA QUINTA Major Employers and Number of Employees

<i>Employer</i>	<i>Approximate No. of Employees</i>	<i>Type of Business</i>
La Quinta Resort and Club	1,246	Hotel & Golf Resort
Desert Sands Unified	1,176	Government
Wal-Mart Super Center	340	Retailer
Costco	244	Retailer
Rancho La Quinta	209	Golf Resort
The Home Depot	160	Retailer
Lowes Home Improvement	148	Retailer
Imperial Irrigation District	140	Utility Company
Stater Brothers	119	Grocery Store
Vons	98	Grocery Store

Source: City of La Quinta.

Employment and Industry

Employment data is not separately reported on an annual basis for the City but is compiled for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area, which includes Riverside and San Bernardino Counties. Set forth in the table below is the employment data for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area for 2010 to 2013.

	<i>Riverside-San Bernardino-Ontario Metropolitan Statistical Area (Riverside and San Bernardino Counties)</i>			
	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Agriculture	15,000	14,800	15,100	
Mining and Logging	1,000	1,100	1,200	
Construction	59,700	59,100	61,200	
Manufacturing	85,100	85,500	86,500	
Trade, Transportation and Utilities	270,800	281,000	283,800	
Information	14,000	11,700	11,600	
Financial Activities	41,000	40,400	40,800	
Professional and Business Services	123,400	126,600	126,800	
Educational and Health Services	133,800	143,100	145,500	
Leisure and Hospitality	122,800	128,200	129,500	
Other Services	38,200	40,100	40,400	
Government	234,300	225,200	224,500	
Total, All Industries ⁽¹⁾	1,139,000	1,156,900	1,166,700	
Total Civilian Labor Force ⁽²⁾	1,799,900	1,795,000	1,805,400	
Total Unemployment	258,200	243,500	218,600	
Unemployment Rate	14.3%	13.6%	12.1%	

⁽¹⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers and workers on strike.

⁽²⁾ Civilian labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers and workers on strike.

Source: State Employment Development Department, Labor Market Information Division.

Direct and Overlapping Debt

A statement of the City's direct and overlapping debt is as follows:

2012-13 Assessed Valuation: \$10,329,195,534

	Total Debt 6/30/13	% Applicable ⁽¹⁾	City's Share of Debt 6/30/13
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Desert Community College District	\$318,557,917	16.779%	\$ 53,450,833
Coachella Valley Unified School District	183,662,102	52.969	97,283,979
Desert Sands Unified School District	299,439,842	20.018	59,941,868
Desert Sands Unified School District Community Facilities District No. 1	1,455,000	88.912	1,293,670
City of La Quinta 1915 Act Bonds	565,000	100.	565,000
Coachella Valley Water District Assessment Districts	2,260,000	86.247-100.	<u>2,011,071</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 214,546,421
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	\$640,243,149	5.122%	\$ 32,793,254
Riverside County Pension Obligations	346,790,000	5.122	17,762,584
Riverside County Board of Education Certificates of Participation	3,900,000	5.122	199,758
Coachella Valley Unified School District Certificates of Participation	46,205,000	52.969	24,474,326
Desert Sands Unified School District Certificates of Participation	51,790,000	20.018	10,367,322
Coachella Valley Recreation and Park District Certificates of Participation	2,215,000	26.240	581,216
City of La Quinta General Fund Obligations	3,425,000	100.	<u>3,425,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 89,603,460
Less: Riverside County supported obligations			<u>558,029</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 89,045,431
OVERLAPPING TAX INCREMENT DEBT:	\$555,621,138	13.392-100.%	\$ 349,917,046
TOTAL DIRECT DEBT			\$ 3,425,000
TOTAL GROSS OVERLAPPING DEBT			\$ 649,706,262
TOTAL NET OVERLAPPING DEBT			\$ 649,148,233
GROSS COMBINED TOTAL DEBT			\$ 654,066,927⁽²⁾
NET COMBINED TOTAL DEBT			\$ 653,508,898

Ratios to 2012-13 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.08%
Total Direct Debt (\$3,425,000)	0.03%
Gross Combined Total Debt.....	6.33%
Net Combined Total Debt	6.33%

Ratios to Redevelopment Incremental Valuation (\$7,794,264,675):

Total Overlapping Tax Increment Debt	4.49%
--	-------

⁽¹⁾ The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Utilities

The main utility providers in the City are as follows:

Electricity:	Imperial Irrigation District
Gas:	Sempra Energy
Telephone:	Verizon
Water:	Coachella Valley Water District
Sewer Service:	Coachella Valley Water District

Transportation

Access to job opportunities in Riverside County, San Bernardino County, Orange County and Los Angeles County has been one of the major factors in Riverside County's employment and population growth. Several major freeways and highways provide access between Riverside County and all parts of Southern California. U.S. Highways 10 and 60 extend in an east-west direction through the northern portion of the County, Intrastate Highway 91 extends in an east-west direction through the central portion of the county until connecting with U.S. Highway 15, and U.S. Highways 15 and 215 extend in a north-south direction through the central portion of the County, each linking the major cities in the County to other parts of the County and to the Los Angeles, San Bernardino and Orange metropolitan areas and to San Diego County.

Local bus service is provided by Sunline Transit and by Greyhound Bus Lines. Passenger service is also provided by AMTRAK, which makes train trips daily each way through the County. Southern Pacific Railroad and Santa Fe Railway handle most of the freight movement in the County.

The County seat in the City of Riverside is within a 1-hour drive of La Quinta. It is a 1-1/2 hour drive to the Ontario Airport and a 3 hour drive to LAX and Orange County.

Numerous major truck lines serve the City of La Quinta, making available overnight delivery service to major California cities.

Education

The educational needs of La Quinta are met by three public elementary schools, two junior high schools and one high school, all a part of the Desert Sands Unified School District and the Coachella Valley Unified School District. Post-secondary education is served by College of the Desert, Chapman University, California State University, San Bernardino Extension, Ambition Computer Technology, Propper College and Professional Career College.

Community Services

La Quinta has two Immediate Care facilities, including the Eisenhower George and Julia Argyros Health Center and a senior citizens' center within the City limits, with approved plans for expanding medical services to the City. Other nearby hospitals are located in Rancho Mirage, Indio and Palm Springs.

The City is served by four churches, numerous radio stations, three local TV channels, one TV cable system, one savings and loan bank and six full-service banks. Recreational facilities include major resort hotels, several country clubs, several golf courses and Lake Cahuilla Regional Park. The La Quinta Arts Festival is held annually in March. The Bob Hope Classic is a nationally acclaimed golfing event which is held yearly in the City.

APPENDIX H
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

§ _____
**SUCCESSOR AGENCY TO THE
LA QUINTA REDEVELOPMENT AGENCY
La Quinta Redevelopment Project Areas No. 1 and 2
Tax Allocation Refunding Bonds (Senior Housing Lien)
2014 Series A**

BOND PURCHASE CONTRACT

June __, 2014

Successor Agency to the La Quinta Redevelopment Agency
78-495 Calle Tampico
La Quinta, California 92253

Ladies and Gentlemen:

Southwest Securities, Inc. (the “Underwriter”), acting not as fiduciary or agent for you, but on behalf of itself, hereby offers to enter into this Bond Purchase Contract (the “Purchase Contract”) with the Successor Agency to the La Quinta Redevelopment Agency (the “Issuer”) for the purchase from the Issuer, of the Issuer’s La Quinta Redevelopment Project Areas No. 1 and 2 Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A (the “Bonds”). This offer is made subject to acceptance thereof by the Issuer prior to 6:00 p.m., California time, on June __, 2014, and upon such acceptance, as evidenced by the signature of the Executive Director of the Issuer in the space provided herein. This Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the Issuer and the Underwriter.

The Issuer acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction between the Issuer and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Issuer; (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the Issuer with respect to: (x) the offering of the Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Issuer or affiliates of the Issuer on other matters); or (y) any other obligation to the Issuer except the obligations expressly set forth in this Purchase Contract; and (iv) the Issuer has consulted with its own legal and financial advisor to the extent they deemed appropriate in connection with the offering of the Bonds.

1. Purchase and Sale of the Bonds. Upon the terms and conditions and upon the basis of the representations and agreements herein set forth, the Issuer hereby agrees to sell and the Underwriter hereby agrees to purchase from the Issuer for offering to the public all (but not less than all) of the \$_____ aggregate principal amount of the Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A, at a purchase price equal to \$_____

(representing an aggregate principal amount of \$_____, plus original issue premium of \$_____, and less an underwriter's discount of \$_____).

2. The Bonds will mature and bear interest at the interest rates as shown in Appendix A hereto and will be subject to redemption according to the terms set forth in the Indenture of Trust, dated as of June 1, 2014 (the "Indenture"), by and between the Issuer and U.S. Bank National Association (the "Trustee"). The Bonds will be authorized and issued pursuant to the Indenture approved by Resolution No. SA-2014-__ adopted by the Issuer on March 18, 2014 (the "Resolution"), and by Resolution No. OB-2014-__ adopted by the Oversight Board for the Issuer on March 19, 2014 (the "Oversight Board Resolution"), and in accordance with Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Bond Law"), 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 (the "Dissolution Act"), and the Constitution and other applicable laws of the State of California (the "State").

The Underwriter agrees to make a bona fide public offering of the Bonds at the initial offering yields set forth in the Official Statement; however, the Underwriter reserves the right to make concessions to dealers and to change such initial offering yields as the Underwriter shall deem necessary in connection with the marketing of the Bonds. The Underwriter agrees that, in connection with the public offering and initial delivery of the Bonds to the purchasers thereof from the Underwriter, the Underwriter will deliver or cause to be delivered to each purchaser a copy of the final Official Statement prepared in connection with the Bonds (the "Official Statement"), for the time period required under Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"). Terms defined in the Official Statement are used herein as so defined.

The Bonds are being issued by the Issuer to refinance the La Quinta Redevelopment Agency's (the "Prior Agency") loan obligation under the Loan Agreement, dated as of February 3, 2004 as supplemented by the First Supplemental Loan Agreement, dated as of June 1, 2004 (the "2004 Loan Obligation") in connection with the La Quinta Financing Authority's (the "Authority") previously issued \$90,000,000 Local Agency Revenue Bonds, 2004 Series A (the "2004 Housing Bonds") of which \$75,480,000 are currently outstanding.

3. Official Statement. The Issuer shall deliver, or cause to be delivered, to the Underwriter two (2) executed copies of the Official Statement prepared in connection with the Bonds, in such form as shall be approved by the Issuer and the Underwriter and such additional conformed copies thereof as the Underwriter may reasonably request. The Issuer deems the Preliminary Official Statement, dated June __, 2014 (the "Preliminary Official Statement") to be "final" as of its date for purposes of Rule 15c2-12. By acceptance of this Purchase Contract, the Issuer hereby authorizes the use of copies of the Official Statement in connection with the public offering and sale of the Bonds, and ratifies and approves the distribution by the Underwriter of the Preliminary Official Statement.

4. Delivery of the Bonds. At approximately 9:00 a.m., California time, on June __, 2014, or at such earlier or later time or date, as shall be agreed upon by the Issuer, and the Underwriter (such time and date herein referred to as the "Closing Date"), the Issuer shall deliver to the Underwriter, acting on its own behalf at a location to be designated by the Underwriter, in Costa Mesa, California, or such other place as designated by the Underwriter, the Bonds in definitive form

and authenticated by the Trustee. The Underwriter, acting on its own behalf, shall accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by same day funds (such delivery and payment being herein referred to as the “Closing”). The form of the Bonds shall be made available to the Underwriter not later than one business day before the Closing Date for purposes of review and approval. The Bonds shall be delivered as registered bonds in the name of Cede & Co., Inc.

5. Representations and Agreements of the Issuer. The Issuer represents and agrees that:

(a) The Issuer is a public entity, duly organized and existing, and authorized to transact business and exercise powers, under and pursuant to the Constitution and laws of the State, including the Dissolution Act, and has, and at the date of the Closing will have, full legal right, power and authority (i) to enter into this Purchase Contract, (ii) to issue, sell and deliver the Bonds to the Underwriter, acting on its own behalf, as provided herein, (iii) to adopt the Resolution approving the Indenture, and (iv) to carry out and to consummate the transactions contemplated by this Purchase Contract, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement, dated as of June __, 2014 (the “Disclosure Agreement”), between the Issuer and Willdan Financial Services., as Dissemination Agent (the “Dissemination Agent”) with respect to the Bonds, and the Official Statement;

(b) The Preliminary Official Statement, as of its date, was true, correct and complete in all material respects and did not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading;

(c) The Official Statement is, and will be, as of the Closing Date, true, correct and complete in all material respects and does not, and will not, as of the Closing Date, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading;

(d) The Issuer to the best of its knowledge has complied, and will at the Closing Date be in compliance, in all respects with the Bond Law, the Dissolution Act, and any other applicable laws of the State;

(e) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized and approved the Preliminary Official Statement and the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Issuer of the obligations on its part contained in, the Indenture, the Escrow Agreement, the Bonds, the Disclosure Agreement and this Purchase Contract, and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded;

(f) As of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, the Issuer to the best of its knowledge is not and will not be in any material respect in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State, of the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, indenture, resolution, ordinance, agreement or other instrument to which the Issuer is a

party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption of the Resolution and the execution and delivery of the Bonds, the Indenture, the Escrow Agreement, the Disclosure Agreement and this Purchase Contract, and compliance with the provisions of each thereof, will not conflict in any material way with or constitute a material breach of or material default under any law, administrative regulation, judgment, decree, loan agreement, note, indenture, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject; and, except as described in the Official Statement, the Issuer has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on the revenues and amounts pledged pursuant to, or subject to the lien of, the Indenture;

(g) To the best of its knowledge all approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to adoption of the Resolution approving the Indenture, execution and delivery by the Issuer of the Indenture, the Escrow Agreement, the Disclosure Agreement, and this Purchase Contract, and the issuance, sale and delivery of the Bonds have been obtained or will be obtained prior to the Closing;

(h) The Bonds when issued, authenticated and delivered in accordance with the Indenture will be validly issued, and will be valid and binding, obligations of the Issuer;

(i) To the best of its knowledge the terms and provisions of the Indenture comply in all respects with the requirements of the Bond Law, the Dissolution Act, and the Indenture, the Escrow Agreement, the Disclosure Agreement and this Purchase Contract, when properly executed and delivered by the respective parties thereto and hereto, will constitute the valid, legal and binding obligations of the Issuer enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and general rules of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity);

(j) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending against the Issuer and notice of which has been served upon the Issuer, or to the best knowledge of the officer of the Issuer executing this Purchase Contract threatened against the Issuer, affecting the existence of the Issuer or the titles of its members or officers, or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the payment or collection of any amounts pledged or to be pledged to pay the principal of, redemption premium, if any, and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Escrow Agreement, the Disclosure Agreement or this Purchase Contract or the consummation of the transactions contemplated thereby and hereby, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the power or authority of the Issuer to issue the Bonds, to adopt the Resolution approving the Indenture or to execute and deliver the Indenture, the Escrow Agreement, the Disclosure Agreement, or this Purchase Contract, nor is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the Issuer's performance under the Bonds, the Indenture, the Escrow Agreement, the Disclosure

Agreement, or this Purchase Contract, or the validity or enforceability of the Bonds, the Indenture, the Escrow Agreement, the Disclosure Agreement, or this Purchase Contract;

(k) Any certificate signed by an authorized officer or official of the Issuer and delivered to the Underwriter shall be deemed a representation of the Issuer to the Underwriter as to the statements made therein;

(l) Each of the Bonds shall be secured in the manner and to the extent set forth in the Indenture under which each such Bond is to be issued;

(m) The Issuer will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the “blue sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, that the Issuer shall not be required to consent to service of process outside of California;

(n) The Issuer will apply the proceeds of the Bonds in accordance with the Indenture and all other applicable documents and as described in the Official Statement;

(o) The Issuer has paid to the County Auditor-Controller the amount of “surplus” demanded, if any, by the County Auditor-Controller pursuant to Health and Safety Code Section 34183.5;

(p) The Issuer shall provide to the Underwriter, not later than seven (7) business days after the date of this Purchase Contract, but in any event in sufficient time to accompany any confirmation sent by the Underwriter to a purchaser of the Bonds, not more than 200 copies of the Official Statement to satisfy the Underwriter’s obligation under Rule 15c2-12 with respect to the distribution of the Official Statement;

(q) The Oversight Board has duly adopted the Oversight Board Resolution approving the issuance of the Bonds and no further Oversight Board approval or consent is required for the issuing of the Bonds or the consummation of the transactions described in the Preliminary Official Statement;

(r) The Department of Finance of the State (the “Department of Finance”) has issued a letter, dated May __, 2014, approving the issuance of the Bonds. The Issuer knows of no further Department of Finance approval or consent that is required for the issuance of the Bonds or the consummation of the transactions describe in the Preliminary Official Statement. The Issuer has received it Finding of Completion from the Department of Finance;

(s) In the past five years, the City, the Prior Agency and the Issuer did not fail to comply in any material respect with its obligation to file annual reports, but did fail on occasion to timely file notices of rating changes and certain other matters. The City or the Issuer filed all required notices by December 17, 2013 and has established procedures that they believe will be sufficient to ensure timely future compliance with its continuing disclosure undertakings; and

(t) Neither the Prior Agency nor the Issuer has been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

6. Representations of the Underwriter. The Underwriter represents that it has full right, power, and authority to enter into this Purchase Contract.

7. Covenants re Official Statement. The Issuer covenants with the Underwriter that so long as the Underwriter, or dealers, if any, are participating in the distribution of the Bonds which constitute the whole or a part of their unsold participations, if an event known to the Issuer occurs affecting the Issuer, or the transactions contemplated by the Indenture and the issuance of the Bonds, which could cause the Official Statement to contain an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, the Issuer shall notify the Underwriter and if in the opinion of the Issuer, the Underwriter or Bond Counsel, such event requires an amendment or supplement to the Official Statement, the Issuer will amend or supplement the Official Statement in a form and in a manner jointly approved by the Issuer and the Underwriter, and the Issuer will bear the cost of making and printing such amendment or supplement to the Official Statement and distributing such amendment or supplement to Owners of the Bonds. The obligations of the Issuer under this Section 6 shall terminate on the earlier of (a) ninety (90) days from the “end of the underwriting period,” as defined in Rule 15c2-12, or (b) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than twenty-five (25) days following the end of the underwriting period. Unless otherwise notified by the Underwriter in writing not later than thirty (30) days after the Closing Date, the Issuer may assume that the end of the underwriting period is the Closing Date.

8. Conditions to Obligations of Underwriter. The Underwriter has entered into this Purchase Contract in reliance upon the representations and agreements of the Issuer contained herein and upon the accuracy of the statements to be contained in the documents, opinions, and instruments to be delivered at the Closing. Accordingly, the Underwriter’s obligation under this Purchase Contract to purchase, accept delivery of, and pay for the Bonds on the Closing Date is subject to the performance by the Issuer of its obligations hereunder at or prior to the Closing. The following additional conditions precedent relate to the Closing, in connection with the Underwriter’s obligation to purchase the Bonds:

(a) At the time of the Closing, (i) the representations of the Issuer contained herein to the best of its knowledge shall be true, complete and correct in all material respects; and (ii) the Indenture shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter;

(b) The Underwriter shall have the right to cancel its obligation to purchase the Bonds if between the date hereof and the Closing, (i) legislation shall have been enacted (or indenture or resolution passed) by or introduced or pending legislation amended in the Congress of the United States or the State or shall have been reported out of committee or be pending in committee, or a decision shall have been rendered by a court of the United States or the State or the Tax Court of the United States, or a ruling shall have been made or indenture shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or State authority, with respect to Federal or State taxation upon interest on

obligations of the general character of the Bonds or with respect to the security pledged to pay debt service on the Bonds, that, in the Underwriter's reasonable judgment, materially adversely affects the market for the Bonds, or the market price generally of obligations of the general character of the Bonds or (ii) there shall exist any event that, in the Underwriter's reasonable judgment, either (A) makes untrue or incorrect in any material respect any statement or information in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect, or (iii) there shall have occurred any outbreak of hostilities or other local, national or international calamity or crisis, or a default with respect to the debt obligations of, or the institution of proceedings under the federal bankruptcy laws, the effect of which on the financial markets of the United States will be such as in the Underwriter's reasonable judgment, makes it impracticable for the Underwriter to market the Bonds or enforce contracts for the sale of the Bonds, or (iv) there shall be in force a general suspension of trading on the New York Stock Exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices of securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of determination by that Exchange or by order of the Securities and Exchange Commission of the United States or any other governmental authority having jurisdiction that, in the Underwriter's reasonable judgment, makes it impracticable for the Underwriter to market the Bonds or enforce contracts for the sale of the Bonds, or (v) a general banking moratorium shall have been declared by federal, New York or State authorities having jurisdiction and be in force that, in the Underwriter's reasonable judgment, makes it impracticable for the Underwriter to market the Bonds or enforce contracts for the sale of the Bonds, or (vi) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission of the United States or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that the Bonds or any obligations of the general character of the Bonds are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, or of the Trust Indenture Act of 1939, as amended and as then in effect, or otherwise are or would be in violation of any provision of the federal securities laws, or (vii) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or materially increase any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, underwriters, or (viii) there shall have been any materially adverse change in the affairs of the Issuer which in the Underwriter's reasonable judgment materially adversely affects the market for the Bonds, or (ix) general political, economic or market conditions which, in the reasonable judgment of the Underwriter, shall make it impracticable for the Underwriter to market the Bonds or enforce contracts for the sale of the Bonds; and

(c) At or prior to the Closing, the Underwriter and the Issuer shall receive the following:

(1) The unqualified approving opinion of Rutan & Tucker, LLP, Costa Mesa, California, bond counsel (the "Bond Counsel"), in form and substance acceptable to the Underwriter, addressed to the Issuer, dated the date of the Closing,

together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that the foregoing opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it;

(2) A supplemental opinion of Bond Counsel, addressed to the Underwriter, the Issuer and Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, disclosure counsel (“Disclosure Counsel”), in form and substance acceptable to each of them, dated the date of Closing, to the following effect:

(i) The Issuer has duly authorized, executed and delivered the Indenture, the Escrow Agreement, the Disclosure Agreement and the Purchase Contract. The Indenture, the Escrow Agreement, the Disclosure Agreement and the Purchase Contract constitute the legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights, to the application of equitable principles when equitable remedies are sought and to the exercise of judicial discretion in appropriate cases;

(ii) The Official Statement has been duly authorized, executed and delivered by the Issuer;

(iii) The statements and information contained or summarized in the Preliminary Official Statement and Official Statement on the cover page and under the headings “INTRODUCTORY STATEMENT,” “THE BONDS,” “SECURITY FOR THE BONDS,” “THE INDENTURE,” “CONCLUDING INFORMATION – Legal Opinion,” “CONCLUDING INFORMATION – Tax Exemption,” “APPENDIX A – Definitions” and “APPENDIX B – Form of Bond Counsel Opinion” (but not including any statistical or financial information set forth under such headings, as to which no opinion need be expressed) insofar as such statements purport to summarize certain provisions of the Bond Law, the Dissolution Act, the Redevelopment Law, the Bonds, the Indenture and the Escrow Agreement, and the opinion of such Bond Counsel concerning certain federal and state tax matters relating to the Bonds, are accurate in all material respects;

(iv) The Bonds are exempt from registration under the Securities Act of 1933, as amended;

(v) The Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended; and

(vi) The Issuer has obtained all authorizations, approvals, consents or other orders of the State or any other governmental authority or agency within the State having jurisdiction over the Issuer for the valid authorization, issuance and delivery by the Issuer of the Bonds.

(3) The opinion of counsel to the Issuer, addressed to the Underwriter and the Issuer, in form and substance acceptable to each of them, dated the date of the Closing, to the following effect:

(i) The Issuer is a public entity, duly organized and validly existing under and by virtue of the Constitution and the laws of the State;

(ii) The Indenture, the Disclosure Agreement, the Escrow Agreement, and the Purchase Contract have been duly approved by the Resolution of the Issuer adopted at a regular meeting duly called and held in accordance pursuant to law and with all public notice required by law and at which a quorum of the members of the Issuer was continuously present, and the Resolution is in full force and effect and has not been modified, amended or rescinded;

(iii) The Indenture, the Disclosure Agreement, the Escrow Agreement, and this Purchase Contract have been duly approved by the Oversight Board Resolution adopted at a special meeting duly called and held in accordance pursuant to law and with all public notice required by law and at which a quorum of the members of the Oversight Board was continuously present, and the Oversight Board Resolution is in full force and effect and has not been modified, amended or rescinded;

(iv) The information in the Official Statement under the captions “SUCCESSOR AGENCY TO THE LA QUINTA REDEVELOPMENT AGENCY” and “THE PROJECT AREAS,” insofar as such statements purport to summarize information with respect to the Issuer and its Pass-Through obligations, fairly and accurately summarizes the information presented therein;

(v) Except as described in the Official Statement, there is no litigation pending against the Issuer and notice of which has been served on the Issuer, or to the best of such counsel’s knowledge after due inquiry, threatened against the Issuer, which: (a) challenges the right or title of any member or officer of the Issuer to hold his or her respective office or exercise or perform the powers and duties pertaining thereto; (b) challenges the validity or enforceability of the Bonds, the Indenture, the Escrow Agreement, the Disclosure Agreement, or the Purchase Contract; (c) seeks to restrain or enjoin the issuance and sale of the Bonds, the adoption or effectiveness of the Resolution and Indenture, or the execution and delivery by the Issuer of, or the performance by the Issuer of its obligations under the Bonds, the Indenture, the Escrow Agreement, the Disclosure Agreement, or the Purchase Contract; or (d) if determined adversely to the Issuer or its interests, would have a material and adverse affect upon the financial condition, assets, properties or operations of the Issuer; and

(vi) The execution and delivery by the Issuer of, and the performance by the Issuer of its obligations under, the Bonds, the Indenture, the Escrow Agreement, the Disclosure Agreement, and the Purchase

Contract, do not in any material respect conflict with, violate or constitute a default under any provision of any law, court order or decree or any contract, instrument or agreement to which the Issuer is a party or by which it is bound.

(4) A certificate dated the date of the Closing, signed by the Executive Director or appropriate officer of the Issuer, to the effect that to the best of such officer's knowledge: (i) the representations and covenants of the Issuer contained herein are true and correct in all material respects on and as of the date of the Closing with the same effect as if made on the Closing Date; (ii) the Issuer has complied with all the agreements and satisfied all of the conditions on its part to be performed or satisfied at or prior to the Closing; (iii) no event affecting the Issuer has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; and (iv) the Indenture remains in full force and effect and has not been amended in any respect, except as approved in writing by the Underwriter, since the date of the Indenture;

(5) A certificate of the Trustee dated the date of the Closing, to the effect that: (i) the Trustee is organized and existing as a national banking association under and by virtue of the laws of the United States of America, having full power and being qualified and duly authorized to perform the duties and obligations of the Trustee and Escrow Bank under and pursuant to the Indenture and the Escrow Agreement (together, the "Trustee Documents"); (ii) the Trustee has agreed to perform the duties and obligations of the Trustee as set forth in the Indenture; (iii) to the best of its knowledge, compliance with the provisions on the Trustee's part contained in the Trustee Documents will not conflict with or constitute a breach of or default under the Articles of Incorporation or Bylaws of the Trustee or any material law, administrative regulation, judgment, decree, loan agreement, indenture, resolution, bond, note, agreement or other instrument to which the Trustee is a party or is otherwise subject, as a result of which the Trustee's ability to perform its obligations under the Trustee Documents would be impaired, nor will any such compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, agreement or other instrument, except as provided by the Trustee Documents; and (iv) to the best of the knowledge of the Trustee, the Trustee has not been served in any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending nor is any such action, suit, proceeding, inquiry or investigation threatened against the Trustee, affecting the existence of the Trustee, or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the delivery of the Bonds issued under the Indenture or the collection of revenues pledged or to be pledged to pay the principal of, premium, if any, and interest on the Bonds issued under the Indenture, or the pledge thereof, or in any way contesting the powers of the Trustee or its authority to enter into or perform its obligations under the Trustee Documents, wherein an

unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Indenture or the Disclosure Agreement;

(6) An opinion of counsel to the Trustee dated the Closing Date and addressed to the Issuer and the Underwriter, in form and substance satisfactory to the Underwriter, to the effect that: (i) the Trustee has been duly organized and is validly existing and in good standing as a national banking association under the laws of the United States of America with full corporate power to undertake the trust of the Indenture; (ii) the Trustee has duly authorized, executed and delivered the Trustee Documents, and by all proper corporate action has authorized the acceptance of the duties and obligations of the Trustee under the Trustee Documents and to authorize in its capacity as trustee thereunder the authentication and delivery of the Bonds; (iii) assuming due authorization, execution and delivery by the City, the Trustee Documents are valid, legal and binding agreements of the Trustee, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law); (iv) exclusive of federal or state securities laws and regulations, to the best of such counsel's knowledge after reasonable inquiry and investigation, other than routine filings required to be made with governmental agencies in order to preserve the Trustee's authority to perform a trust business (all of which routine filings such counsel believes, after reasonable inquiry and investigation, to have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of the Trustee Documents or the authentication and delivery of the Bonds; (v) to the best of such counsel's knowledge, the execution and delivery by the Trustee of the Trustee Documents and the Bonds, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, or (except with respect to the lien of the Indenture) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee; and (vi) to the best of such counsel's knowledge, there is no litigation pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee's participation in, or in any way contesting the powers of the Trustee with respect to the transactions contemplated by the Bonds and the Trustee Documents;

(7) Two (2) copies of this Purchase Contract duly executed and delivered by the parties thereto;

(8) Two (2) copies of the Official Statement, executed on behalf of the Issuer by the Executive Director of the Issuer;

(9) One (1) certified copy of the Indenture, the Escrow Agreement, the Disclosure Agreement, and all resolutions of the Issuer and the Oversight Board

relating to the issuance of the Bonds (including without limitation the Resolution and the Oversight Board Resolution);

(10) An opinion, dated the date of the Closing and addressed to the Underwriter and the Issuer, of Disclosure Counsel, to the effect that based upon its participation in the preparation of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the statements in the Official Statement such Counsel has no reason to believe that, as of the date of Closing, the Official Statement (except for Appendices A, B, C, E, F, G and H to the Official Statement, any information about the book-entry system or DTC, the bond insurance policy and the bond insurer, statements relating to the treatment of the Bonds or the interest or discount related thereto for tax purposes under the law of any jurisdiction, or financial, statistical and numerical data included in the Official Statement, as to which no view need be expressed) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(11) A defeasance opinion of Bond Counsel, dated the Closing Date, to the effect that the lien of the 2004 Housing Bonds with respect to the Pledged Tax Revenues has been discharged;

(12) A Certificate of Willdan Financial Services (“Willdan”), to the following effect:

(i) Willdan is duly authorized to execute and deliver the Continuing Disclosure Agreement and to perform as Dissemination Agent thereunder, and Willdan had duly executed and delivered the Disclosure Agreement;

(ii) Willdan’ execution and delivery of the Disclosure Agreement and performance as Dissemination Agent thereunder do not and will not conflict in any way with any law, judgment, agreement or other instrument to which Willdan is a party or is subject; and

(iii) In the past five years, the City, the Prior Agency and the Issuer did not fail to comply in any material respect with its obligation to file annual reports, but did fail on occasion to timely file notices of rating changes and certain other matters. The City or the Issuer filed all required notices by December 17, 2013 and has established procedures that they believe will be sufficient to ensure timely future compliance with its continuing disclosure undertakings pursuant to Rule 15c2-12.

(13) A Certificate of Harrell & Company Advisors (“Financial Advisor”) to the following effect:

(i) in connection with the issuance of the Bonds, Financial Advisor has provided the Issuer certain projections and estimates (the “Projections”) and a fiscal consultant report (the “Financial Advisor’s

Report”) with respect to the taxable valuation and Pledged Tax Revenues with respect to the Project Area. The Financial Advisor has obtained such information from the County of Riverside and other sources as the Financial Advisor deemed necessary and relevant to generate the Financial Advisor’s Report and to express an informed opinion with respect to the matters discussed in such Financial Advisor’s Report;

(ii) the Financial Advisor has reviewed the Official Statement and, in particular, information presented in the tables set forth in the Official Statement under the captions “THE PROJECT AREAS” and “PLEDGED TAX REVENUES,” and as of the date of the Official Statement and as of the Closing Date, such information and the Financial Advisor’s Report fairly and accurately reflect the Projections and, to the best knowledge of the Financial Advisor, do not contain any untrue or misleading statement of a material fact and do not fail to state a material fact necessary in order to make the information contained therein, not misleading;

(iii) Nothing has come to the attention of the Financial Advisor which would cause the Financial Advisor to believe that the statements and information contained in the Official Statement that are attributable to the Financial Advisor, including but not limited information under the captions “THE PROJECT AREAS,” “PLEDGED TAX REVENUES” and “APPENDIX F – Financial Advisor’s Report” as of the date of the Official Statement, are inaccurate in any material respect; and no event or act known to the Financial Advisor has occurred since the date of the Official Statement which would make such statements and information inaccurate or misleading;

(iv) the Financial Advisor affirms its consent to the inclusion of such Projections in the Official Statement and the reproduction of the Financial Advisor’s Report in the appendices of the Official Statement;

(14) A municipal bond insurance policy insuring the payment of principal and interest on the ___ and ___ maturities on the Bonds (the “Bond Insurance Policy”), issued by Assured Guaranty Municipal Corp. (the “Bond Insurer”);

(15) A certificate of the Bond Insurer of an opinion of counsel to the Bond Insurer, dated the date of Closing, regarding the accuracy of the information in the Official Statement describing the Bond Insurer and the Bond Insurance Policy;

(16) An opinion (or opinions) of counsel to the Bond Insurer, dated the date of Closing, addressed to the Issuer, the Trustee and the Underwriter, regarding the Bond Insurer’s valid existence, power and authority, the Bond Insurer’s due authorization and issuance of the Bond Insurance Policy and, the Bond Insurance Policy’s enforceability against the Bond Insurer;

(17) A rating letter from Standard & Poor’s Ratings Group confirming the rating on the Bonds;

(18) A verification Report prepared by Grant Thornton, Minneapolis, Minnesota in form satisfactory to Bond Counsel; and

(19) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter, Bond Counsel or Disclosure Counsel may reasonably request to evidence compliance by the Issuer with this Purchase Contract, legal requirements, and the performance or satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Issuer.

The Issuer will furnish the Underwriter with such conformed copies of such opinions, certificates, letters and documents as the Underwriter may reasonably request. If the Issuer is unable to satisfy the conditions to the obligations of the Underwriter contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and none of the Underwriter, the Issuer shall have any further obligations hereunder. However, the Underwriter may in its discretion waive one or more of the conditions imposed by this Purchase Contract for the protection of the Underwriter and proceed with the related Closing.

If this Purchase Agreement shall be terminated pursuant to this Section, including but not limited to paragraphs (b) and (c), or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligation hereunder is not satisfied or because of any refusal, inability or failure on the part of the Issuer to comply with any of the terms or to fulfill any of the conditions of this Purchase Agreement, or if for any reason the Issuer shall be unable to perform all of their respective obligations under this Purchase Agreement, the Issuer shall not be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Purchase Agreement.

9. Expenses.

The Underwriter shall be under no obligation to pay, and the Issuer shall pay from its available funds or from the proceeds of the Bonds, certain expenses set forth in this Section, including but not limited to: (i) all expenses in connection with the preparation, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto, (ii) all expenses in connection with the printing, issuance and delivery of the Bonds, (iii) the fees and disbursements of Bond Counsel and Disclosure Counsel in connection with the Bonds, (iv) the fees and disbursements of counsel to the Issuer in connection with the Bonds, (v) the disbursements of the Issuer in connection with the issuance of the Bonds, (vi) the fees and disbursements of the Trustee, (vii) rating agency fees, (viii) fees of the Financial Advisor, and (ix) bond insurance and Debt Service Reserve Surety premium.

The Underwriter shall pay (i) fees, if any, payable to the California Debt and Investment Advisory Commission in connection with the issuance of the Bonds; (ii) the cost of preparation of the Blue Sky and Legal Investment Memoranda and all Blue Sky filing fees in connection with the public offering of the Bonds; (iii) all advertising expenses in connection with the public offering of the Bonds; and (iv) all other expenses incurred by it in connection with its public offering and distribution of the Bonds.

10. Notice. Any notice or other communication to be given to the Issuer under this Purchase Contract may be given by delivering the same in writing at the address set forth above. Any such notice or communication to be given to the Underwriter may be given by delivering the same in writing to:

Southwest Securities, Inc.
2533 S. Coast Hwy. 101, Suite 250
Cardiff by the Sea, California 92007
Attention: Ms. Robin M. Thomas

11. Governing Law. This Purchase Contract shall be governed by the laws of the State of California. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

12. Parties in Interest. This Purchase Contract is made solely for the benefit of the signatories hereto (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof except as provided in Section 11 hereof. All representations in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) delivery of and payment for any of the Bonds and (b) any termination of this Purchase Contract.

Respectfully submitted,

SOUTHWEST SECURITIES, INC.

By: _____
Its: Senior Vice President

Accepted as of the date first stated above:

SUCCESSOR AGENCY TO THE
LA QUINTA REDEVELOPMENT AGENCY

By _____
Its: Executive Director

APPENDIX A

\$ _____
SUCCESSOR AGENCY TO THE
LA QUINTA REDEVELOPMENT AGENCY
La Quinta Redevelopment Project Areas No. 1 and 2
Tax Allocation Refunding Bonds (Senior Housing Lien)
2014 Series A

<i>Maturity Date</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				

^c *Priced to call.*

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of March 1, 2014 (this “Agreement”), is by and among the Successor Agency to the La Quinta Redevelopment Agency (the “Successor Agency”), the La Quinta Financing Authority (the “Authority”) and U.S. Bank National Association, acting in its capacity as escrow bank (the “Escrow Bank”) pursuant to this Agreement;

WITNESSETH:

WHEREAS, the La Quinta Redevelopment Agency (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, a Redevelopment Plan for a redevelopment project known and designated as the “La Quinta Redevelopment Project Area No. 1” has been adopted and approved by Ordinance No. 43 of the City of La Quinta on November 29, 1983, and all requirements of the Law for and precedent to the adoption and approval of the Project Area No. 1 Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, a Redevelopment Plan for a redevelopment project known and designated as the “La Quinta Redevelopment Project Area No. 2” has been adopted and approved by Ordinance No. 139 of the City of La Quinta on May 16, 1989, and all requirements of the Law for and precedent to the adoption and approval of the Project No. 2 Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the La Quinta Financing Authority (the “Authority”) on behalf of the Prior Agency has previously issued \$90,000,000 La Quinta Financing Authority, Local Agency Revenue Bonds, 2004 Series A (the “2004 Housing Bonds”) and loaned the proceeds to the Prior Agency pursuant to the terms of a Loan Agreement dated February 3, 2004, as supplemented by a First Supplemental Loan Agreement, dated as of June 1, 2004 (the “Loan Obligation”); and

WHEREAS, the Prior Agency has previously issued \$6,000,000 La Quinta Redevelopment Agency, La Quinta Redevelopment Project Area No. 2 Subordinate Taxable Tax Allocation Bonds, Series 2011 (the “2011 Project Area No. 2 Taxable Bonds”); and

WHEREAS, the Authority on behalf of the Prior Agency has previously issued \$28,850,000 La Quinta Financing Authority, Local Agency Subordinate Taxable Revenue Bonds, 2011 Series A (the “2011 Taxable Housing Bonds”) and loaned the proceeds to the Prior Agency pursuant to the terms of a loan agreement dated February 3, 2004 and a Second Supplemental Loan Agreement, dated as of March 1, 2011 (the “2011 Loan Obligation”); and

WHEREAS, the Successor Agency has previously issued \$97,190,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2,

Subordinate Tax Allocation Refunding Bonds, 2013 Series A (the “2013 Series A Bonds”) and \$23,055,000 Successor Agency to the La Quinta Redevelopment Agency, La Quinta Redevelopment Project Areas No. 1 and 2, Subordinate Tax Allocation Refunding Bonds, 2013 Taxable Series B (the “2013 Taxable Series B” and collectively, the “2013 Bonds”); and

WHEREAS, the Successor Agency has determined that it is cost effective and efficient to refund and defease the Loan Obligation in connection with the 2004 Housing Bonds (the “Refunded Bonds”) on a senior basis to the 2011 Project Area No. 2 Taxable Bonds, the 2011 Loan Obligation and the 2013 Bonds (collectively, the 2011 Project Area No. 2 Taxable Bonds, the 2011 Loan Obligation and the 2013 Bonds the “Subordinate Bonds”); and

WHEREAS, the Successor Agency deems it necessary and proper to issue tax-exempt tax allocation refunding bonds for the purpose of refunding and defeasing the 2004 Housing Bonds (the “Refunded Bonds”); and

WHEREAS, for the corporate purposes of the Successor Agency, the Successor Agency deems it necessary to issue at this time tax allocation refunding bonds in a total principal amount of approximately _____ thousand dollars (\$_____), 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 Refunded Bonds of the Prior Agency, to pay costs in connection with the issuance of the Bonds, and to make certain other deposits as required by the Indenture (defined herein); and

WHEREAS, Assembly Bill AB X1 26, effective June 29, 2011, together with Assembly Bill 1484 (“AB 1484”) (collectively, the “Dissolution Act”) resulted in the La Quinta Redevelopment Agency being dissolved as of February 1, 2012; and

WHEREAS, the authority, rights, powers, assets, duties and obligations of the Prior Agency were transferred on February 1, 2012 to the Successor Agency; 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, the Successor Agency desires to issue its La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds, (“Senior Housing Lien”), 2014 Series A (the “Bonds”) pursuant to the Indenture of Trust, by and between the Successor Agency and U.S. Bank National Association, dated as of March 1, 2014 (the “Indenture”) for the purpose of refunding the Refunded Bonds, to fund a debt service reserve account and pay 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 will have duly authorized the execution and delivery of the Indenture; and

WHEREAS, the Successor Agency 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 the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Successor Agency, the Authority and the Escrow Bank agree as follows:

SECTION 1. Deposit of Moneys.

(a) The Successor Agency hereby deposits with the Escrow Bank \$_____ which represents \$_____ of net proceeds of the Bonds to be held in irrevocable escrow by the Escrow Bank separate and apart from other funds of the Successor Agency and the Escrow Bank in a fund hereby created and established and to be known as the "Escrow Fund", and to be applied solely as provided in this Agreement. Such moneys shall be held in cash uninvested.

(b) The Escrow Bank hereby acknowledges receipt of the written opinion of Grant Thornton, LLP, a firm of independent public accountants, dated _____, 2014, relating to the sufficiency of the cash deposited pursuant hereto to defease the Refunded Bonds (the "Verification Report"), and the opinion of Rutan & Tucker, LLP, dated _____, 2014, relating to this Agreement.

SECTION 2. Use and Investment of Moneys. The Escrow Bank acknowledges receipt of the moneys described in Section 1 and agrees:

(a) such moneys in an amount equal to \$_____ shall be held in cash uninvested, for the purpose of defeasing the Refunded Bonds; and

(b) to make the payments required under Section 3(a) hereof at the times set forth in Section 3(a) hereof.

SECTION 3. Payment of Refunded Bonds.

(a) Payment. The Escrow Bank shall transfer from the Bonds Escrow Fund to the paying agent for the Refunded Bonds (the "Paying Agent") amounts sufficient to pay the interest on the Refunded Bonds due on _____, 2014 and the redemption of the Refunded Bonds on _____, 2014 as shown on Schedule A. Such transfers shall constitute the respective payments of the principal of and interest on the Refunded Bonds and redemption price due from the Successor Agency.

(b) Unclaimed Moneys. Any moneys which remain unclaimed for two years after the date such moneys have become due and payable hereunder shall be repaid by the

Escrow Bank to the Successor Agency and deposited by the Successor Agency in the Debt Service Fund relating to the Refunded Bonds. Any moneys remaining in the Escrow Fund established hereunder after _____, 2014 (aside from unclaimed monies) of the Refunded Bonds which are in excess of the amount needed to pay owners of the Refunded Bonds payments of principal and interest and redemption premium, if any, with respect to the Refunded Bonds or to pay any amounts owed to the Escrow Bank shall be immediately transferred by the Escrow Bank to the Successor Agency and deposited by the Successor Agency in the Debt Service Fund relating to the Bonds.

(c) Priority of Payments. The holders of the Refunded Bonds shall have a first lien on the moneys in the Escrow Fund which are allowable and sufficient to pay the Refunded Bonds until such moneys are used and applied as provided in this Agreement, as verified by the Verification Report. Any cash or securities held in the Escrow Fund are irrevocably pledged only to the holders of the Refunded Bonds.

(d) Termination of Obligation. Upon deposit of the moneys set forth in Section 1 hereof with the Escrow Bank pursuant to the provisions of Section 1 hereof, all obligations of the Successor Agency with respect to the Refunded Bonds shall cease and terminate, except only the obligation to make payments therefor from the moneys provided for hereunder, and the owners of the Refunded Bonds shall cease to be entitled to the lien, benefit or security under the Indenture of Trust relating to the Refunded Bonds.

SECTION 4. Performance of Duties. The Escrow Bank agrees to perform the duties set forth herein.

SECTION 5. Reinvestment. Upon written direction of the Successor Agency, the Escrow Bank may reinvest any uninvested amounts held as cash under this Agreement in noncallable nonprepayable obligations which are direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America provided (i) the amounts of and dates on which the anticipated transfers from the Escrow Fund to the Paying Agent for the payment of the principal of, redemption price of, and interest on the Refunded Bonds will not be diminished or postponed thereby, (ii) the Escrow Bank shall receive the unqualified opinion of nationally recognized municipal bond counsel to the effect that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the Refunded Bonds, (iii) the Escrow Bank shall receive from a firm of independent certified public accountants a certification that, immediately after such reinvestment, the principal of and interest on obligations in the Escrow Fund will, together with other cash on deposit in the Escrow Fund available for such purposes, be sufficient without reinvestment to pay, when due, the principal or redemption price of and interest on the Refunded Bonds; and (iv) the Escrow Bank shall receive an opinion of nationally recognized bond counsel that such reinvestment is permissible under this Agreement.

SECTION 6. Indemnity. The Successor Agency hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Bank and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations,

losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Bank at any time (whether or not also indemnified against the same by the Successor Agency or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of its Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, and any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Agreement; provided, however, that the Successor Agency shall not be required to indemnify the Escrow Bank against the Escrow Bank's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Bank's respective successors, assigns, agents and employees or the breach by the Escrow Bank of the terms of this Agreement. In no event shall the Successor Agency or the Escrow Bank be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Agreement.

SECTION 7. Responsibilities of the Escrow Bank. The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, to accomplish the refunding and defeasance of the Refunded Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Bank in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the "whereas" clauses herein shall be taken as the statements of the Successor Agency and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representation as to the sufficiency of the monies deposited to accomplish the refunding and defeasance of the Refunded Bonds or to the validity of this Agreement as to the Successor Agency and, except as otherwise provided herein, the Escrow Bank shall incur no liability with respect thereto. The Escrow Bank shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Agreement. The Escrow Bank may consult with counsel, who may or may not be counsel to the Successor Agency, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Successor Agency. 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 Escrow Bank will furnish the Successor Agency periodic cash transaction statements which include detail for all investment transactions made by the Escrow Bank hereunder.

SECTION 8. [Reserved].

SECTION 9. Irrevocable Instructions as to Notice. The Escrow Bank hereby acknowledges that upon the funding of the Escrow Fund as provided in this Agreement, the receipt of the opinions described in Section 1(b) of this Agreement and the giving of irrevocable instructions to provide notice as provided in the Irrevocable Instructions and Request to Escrow Bank attached hereto as Schedule B (constituting all of the conditions precedent to the defeasance of the Refunded Bonds), the Refunded Bonds shall be paid in accordance with the terms of the Indenture and all obligations of the Successor Agency with respect to the Refunded Bonds shall cease and terminate.

SECTION 10. Amendments. This Agreement is made for the benefit of the Successor Agency and the holders from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Bank and the Successor Agency; provided, however, but only after the receipt by the Escrow Bank of an opinion of nationally recognized bond counsel that the exclusion from gross income of interest on the Bonds and the Refunded Bonds will not be adversely affected for federal income tax purposes, that the Successor Agency and the Escrow Bank may, without the consent of, or notice to, such holders, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Bank for the benefit of the holders of the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Bank; and (iii) to include under this Agreement additional funds, securities or properties. The Escrow Bank shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 10, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 10. In the event of any conflict with respect to the provisions of this Agreement, this Agreement shall prevail and be binding.

SECTION 11. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either (i) the date upon which the Refunded Bonds have been paid in accordance with this Agreement or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Bank pursuant to Section 3(b) of this Agreement.

SECTION 12. Compensation. The Escrow Bank shall receive its reasonable fees and expenses as previously agreed to; provided, however, that under no circumstances shall the Escrow Bank be entitled to any lien nor will it assert a lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Bank under this Agreement.

SECTION 13. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the Successor Agency or the Escrow Bank to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining

covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 14. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 15. Governing Law. This Agreement shall be construed under the internal laws of the State of California.

SECTION 16. Holidays. 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 Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Escrow Bank are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Agreement, and no interest shall accrue for the period from and after such nominal date.

SECTION 17. Assignment. This Agreement shall not be assigned by the Escrow Bank or any successor thereto without the prior written consent of the Successor Agency.

SECTION 18. Standard & Poor's. The Successor Agency agrees to provide Standard & Poor's, a Division of the McGraw-Hill Companies, 55 Water Street, 45th Floor, New York, New York 10041, prior notice of each amendment entered into pursuant to Section 10 hereof and a copy of such proposed amendment, and to forward a copy (as soon as possible) of (i) each amendment hereto entered into pursuant to Section 10 hereof, and (ii) any action relating to severability or contemplated by Section 13 hereof.

SECTION 19. Reorganization of Escrow Bank. Notwithstanding anything to the contrary contained in this Agreement, any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Bank is a party, or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Bank without execution or filing of any paper or any paper or further act, if such company is eligible to serve as Escrow Bank.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers this ____ day of _____, 2014.

SUCCESSOR AGENCY TO THE LA
QUINTA REDEVELOPMENT AGENCY

By: _____
Executive Director

ATTEST:

Secretary

U.S. BANK NATIONAL ASSOCIATION, as
Escrow Bank

By: _____
Authorized Officer

LA QUINTA FINANCING AUTHORITY

By: _____
Executive Director

SCHEDULE A

Redemption of Refunded Bonds

<u>Redemption Date</u>	<u>Principal Redeemed</u>	<u>Interest</u>	<u>Total</u>
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SCHEDULE B

IRREVOCABLE INSTRUCTIONS AND REQUEST TO REFUNDED BONDS TRUSTEE AND ESCROW BANK

WRITTEN REQUEST OF THE LA QUINTA FINANCING AUTHORITY TO U.S. BANK NATIONAL ASSOCIATION, REGARDING REDEMPTION NOTICE

1. Successor Agency Certifications

In connection with the submission of this written request to U.S. Bank National Association (the "Trustee"), pursuant to the Indenture of Trust dated as of June 1, 2004 (the "Refunded Bonds Indenture"), by and between the La Quinta Financing Authority (the "Authority") and U.S. Bank National Association, the undersigned, a duly appointed officer of the Authority, hereby certifies that I have reviewed the Refunded Bonds Indenture and the sections thereof relating to the refunding and redemption of the Refunded Bonds and I have made an examination of the provisions of the Refunded Bonds Indenture and of related facts as is necessary in my opinion in connection with the submission of this written request.

2. Written Request

On behalf of the Authority, I hereby inform you that the Authority has irrevocably elected and directed the Refunded Bonds Trustee to redeem on _____, 2014 the Refunded Bonds, under the terms and conditions set forth in the Refunded Bonds Indenture, and that, upon deposit of the obligations and moneys required to be deposited by the Authority with U.S. Bank National Association (the "Escrow Bank") pursuant to that certain Escrow Agreement dated as of March 1, 2014, among the Successor Agency to the La Quinta Redevelopment Agency (the "Successor Agency"), the Authority and the Escrow Bank and satisfaction of the requirements of the Refunded Bonds Indenture which is occurring on the date hereof, the pledge of the Pledged Tax Revenues and all other obligations of the Authority to the owners of the Refunded Bonds shall cease and terminate as provided in the Refunded Bonds Indenture. I further irrevocably instruct the Refunded Bonds Trustee, to do as follows with respect to the Refunded Bonds:

(a) To send, postage prepaid, via first class United States mail, not less than 30 nor more than 45 days prior to _____ 1, 2014, with respect to the Refunded Bonds, a notice of redemption to the owners of the Refunded Bonds.

(b) To send, via registered or certified mail or overnight delivery service, not less than 30 nor more than 45 days prior to _____ 1, 2014, with respect to the Refunded Bonds, a notice of redemption of the applicable issue of Refunded Bonds, to The Depository Trust Company, 55 Water Street, New York, New York 10041, in the form and as required by the Refunded Bonds Indenture.

LA QUINTA FINANCING AUTHORITY

By: _____
Executive Director

Receipt acknowledged and consented to:

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of June __, 2014, is executed and delivered by the Successor Agency to the La Quinta Redevelopment Agency (the “Successor Agency”) and Willdan Financial Services as dissemination agent (the “Dissemination Agent”), in connection with the issuance of the Successor Agency to the La Quinta Redevelopment Agency, \$_____ La Quinta Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A (the “Bonds”). The Bonds are being issued pursuant to provisions of an Indenture of Trust, dated as of June 1, 2014 (the “Indenture”) by and between the Successor Agency and U.S. Bank National Association, as trustee (the “Trustee”). The Successor Agency and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Successor Agency and the Dissemination Agent for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report or any addendum thereto provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the City Manager of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Trustee and Dissemination Agent from time to time.

“Dissemination Agent” shall mean Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than March 31 of each year, commencing March 31, 2015, provide to the MSRB and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement.

(b) Not later than fifteen days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Successor Agency shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Successor Agency of such failure to receive the Annual Report. The Successor Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Successor Agency and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall, to the extent information is known to it, file a report with the Successor Agency and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The Successor Agency’s Annual Report shall contain or include by reference the following (unless otherwise stated, such information shall be as of the end of the most recent Fiscal Year and shall be with respect to the Successor Agency):

(i) An audit 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 prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Successor Agency’s audit is not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain an unaudited statement of financial transactions and records of the Successor Agency in a format required by Section 34177(n) of the Dissolution Act, and the audit shall be filed in the same manner as the Annual Report when they become available.

(ii) Financial information and operating data relating to the Project Areas contained in the Official Statement for the Bonds under the headings “THE PROJECT AREAS – Largest Local Secured Taxpayers,” and “PLEDGED TAX REVENUES – Schedule of Historical Pledged Tax Revenues.”

(iii) An update of the debt service coverage table shown in the Official Statement using the most recent Fiscal Year Pledged Tax Revenues.

(iv) A listing of the amount of each distribution from the Riverside County Auditor-Controller of property tax revenues from the Redevelopment Property Tax Trust Fund received by the Successor Agency for its enforceable obligations for the most recent Fiscal Year, as reasonably available 15 days prior to the due date of each Annual Report.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Successor Agency or related public entities, which are available to the public on the MSRB's EMMA Website or filed with the SEC.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this section, upon the occurrence of any of the following events (in each case to the extent applicable) with respect to the Bonds, the Successor Agency shall give, or cause to be given by so notifying the Dissemination Agent in writing and instructing the Dissemination Agent to give, notice of the occurrence of such event, in each case, pursuant to Section 5(c) hereof:

1. principal or interest payment delinquencies;
2. non-payment related defaults, if material;
3. modifications to the rights of the Bondholders, if material;
4. optional, contingent or unscheduled calls, if material, and tender offers;
5. defeasances;
6. rating changes;
7. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on the credit enhancements reflecting financial difficulties;
10. substitution of the credit or liquidity providers or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds, if material;
12. bankruptcy, insolvency, receivership or similar proceedings of the Successor Agency, which shall occur as described below;
13. appointment of a successor or additional trustee or the change of name of a trustee, if material, or;

14. the consummation of a merger, consolidation, or acquisition involving the Successor Agency or the sale of all or substantially all of the assets of the Successor Agency other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

For these purposes, any event described in item 12 of this Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Successor Agency in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Successor Agency.

(b) Upon receipt of notice from the Successor Agency and instruction by the Successor Agency to report the occurrence of any Listed Event, the Dissemination Agent shall provide notice thereof to the MSRB in accordance with Section 5(c) hereof. In the event the Dissemination Agent shall obtain actual knowledge of the occurrence of any of the Listed Events, the Dissemination Agent shall, immediately after obtaining such knowledge, contact the Disclosure Representative, inform such person of the event, and request that the Successor Agency promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section 5(c). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Event shall mean actual knowledge by the Dissemination Agent, if other than the Trustee, and if the Dissemination Agent is the Trustee, then by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Dissemination Agent shall have no responsibility to determine the materiality, if applicable, of any of the Listed Events.

(c) The Successor Agency, or the Dissemination Agent, if the Dissemination Agent has been instructed by the Successor Agency to report the occurrence of a Listed Event, shall file a notice of such occurrence with the MSRB in a timely manner not more than ten business days after the occurrence of the event.

SECTION 6. Termination of Reporting Obligation. The Successor Agency’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Successor Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Successor Agency pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be Willdan Financial Services. The Dissemination Agent may resign by providing thirty days’ written notice to the Successor Agency and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Successor Agency. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Successor Agency in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Successor Agency and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Successor Agency) provided, the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder, and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Successor Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Successor Agency.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Successor Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Successor Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Successor Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 11. Default. In the event of a failure of the Successor Agency to comply with any provision of this Disclosure Agreement, the Trustee (at the written request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), or any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Successor Agency or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture pertaining to the Trustee is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Successor Agency agrees to indemnify and save the Dissemination Agent and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's

or Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the Successor Agency, the Bondholders, or any other party. Neither the Trustee nor the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Successor Agency: Successor Agency to the La Quinta
Redevelopment Agency
78-495 Calle Tampico
La Quinta, CA 92253
Attn: Executive Director
Phone: (760) 777-7030

To the Dissemination Agent: Willdan Financial Services
27368 Via Industria, Suite 110
Temecula, California 92590
Attn: Disclosure Group
Phone: (951) 587-3500

To the Trustee: U.S. Bank, National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services
Phone: (213) 615-6047

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Successor Agency, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SUCCESSOR AGENCY TO THE LA QUINTA
REDEVELOPMENT AGENCY

By _____
Executive Director

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By _____
Authorized Representative

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Successor Agency to La Quinta Redevelopment Agency

Name of Bond Issue: Successor Agency to La Quinta Redevelopment Agency, Redevelopment Project Areas No. 1 and 2, Tax Allocation Refunding Bonds (Senior Housing Lien), 2014 Series A

Date of Issuance: June __, 2014

NOTICE IS HEREBY GIVEN that the Successor Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of [Closing Date], 2014, with respect to the Bonds. [The Successor Agency anticipates that the Annual Report will be filed by _____.]

Dated:

WILLDAN FINANCIAL SERVICES., on behalf of the
Successor Agency

cc: Successor Agency

