

# SAN MATEO COUNTY COUNTYWIDE OVERSIGHT BOARD MEETING

## AGENDA

Monday, August 12, 2019 at 9:00 a.m.

400 County Center, 1<sup>st</sup> Floor

Board of Supervisors' Chambers

Redwood City, California 94063

1. Call to Order
2. Roll Call
3. Oral Communications and Public Comment  
*This is an opportunity for members of the public to address the Oversight Board on any Oversight Board-related topics that are not on the agenda. If your subject is not on the agenda, the individual chairing the meeting will recognize you at this time. Speakers are customarily limited to two minutes.*
4. Action to Set the Agenda
5. Approval of the April 15, 2019 Countywide Oversight Board Meeting Minutes
6. Election of Board Chairperson and Vice-Chairperson for 2019-20
7. Approval of the 2019-20 Oversight Board Meeting Schedule
8. Approval of the Amendment to Article III Section 1 of the Oversight Board Bylaws
9. Approval of the Last and Final Recognized Obligations Payment Schedule (ROPS) and Administrative Costs Budget for the Period July 2020 to June 2035 of the San Carlos Successor Agency
10. Adjournment

*A copy of the Countywide Oversight Board agenda packet is available for review from the Clerk of the Board of Supervisors, 400 County Center, 1st Floor, Monday through Thursday 7:30 a.m.-5:30 p.m. and Friday 8 a.m.-5 p.m.*

*Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation (including auxiliary aids or services) to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting, should contact Sukhmani Purewal, Assistant Clerk of the Board of Supervisors, at least two working days before the meeting at (650) 363-1802 and/or [spurewal@smcgov.org](mailto:spurewal@smcgov.org). Notification in advance of the meeting will enable the County to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it. Attendees to this meeting are reminded that other attendees may be sensitive to various chemical based products.*

**San Mateo County Countywide Oversight Board Meeting  
Monday, April 15, 2019, 9:00 a.m.**

400 County Center, 1<sup>st</sup> Floor, County of Board of Supervisors' Chambers, Redwood City, CA 94063

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**DRAFT MINUTES**

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1. Call to Order

The meeting was called to order by Chair Tom Casey at 9:01 a.m.

2. Roll Call

**Present:**

Board Members: Chuck Bernstein; Mark Leach; Denise Porterfield; Jim Saco; and Chair Tom Casey.

Staff: Shirley Tourel, Assistant Controller; Matthew Slaughter, Controller Division Manager; Brian Wong, Deputy County Counsel; and Sukhmani Purewal, Assistant Clerk of the Board.

**Absent:**

Board Members: Mark Addiego and Barbara Christensen

3. Oral Communications and Public Comment

*This is an opportunity for members of the public to address the Oversight Board on any Oversight Board-related topics that are not on the agenda. If your subject is not on the agenda, the individual chairing the meeting will recognize you at this time. Speakers are customarily limited to two minutes.*

None

4. Action to Set the Agenda

**RESULT:** **Approved**

**MOTION:** Denise Porterfield

**SECOND:** Jim Saco

**AYES [5]:** Chuck Bernstein, Tom Casey, Mark Leach, Denise Porterfield, and Jim Saco.

**NOES:** None

**ABSENT [2]:** Mark Addiego and Barbara Christensen

**ABSTENTIONS:** None

5. Approval of the January 28, 2019 Countywide Oversight Board Meeting Minutes

**RESULT:** **Approved**

**MOTION:** Mark Leach

**SECOND:** Jim Saco  
**AYES [4]:** Chuck Bernstein, Tom Casey, Mark Leach, and Jim Saco.  
**NOES:** None  
**ABSENT [2]:** Mark Addiego and Barbara Christensen  
**ABSTENTIONS [1]:** Denise Porterfield

6. Redevelopment Agency Dissolution Status Update – Brisbane

**Speakers:**

Stuart Schillinger, Administrative Services Director/Deputy City Manager, City of Brisbane

8. Approval of Final Sale Price for 938 Linden Avenue Property

**Speakers:**

Alex Greenwood, Director of Economic & Community Development, City of South San Francisco

**RESULT:** **Approved (Resolution No. 2019-08)**  
**MOTION:** Denise Porterfield  
**SECOND:** Jim Saco  
**AYES [5]:** Chuck Bernstein, Tom Casey, Mark Leach, Denise Porterfield, and Jim Saco.  
**NOES:** None  
**ABSENT [2]:** Mark Addiego and Barbara Christensen  
**ABSTENTIONS:** None

7. Redevelopment Agency Dissolution Status Update – Millbrae

**Speakers:**

DeAnna Hilbrants, Deputy City Manager, City of Millbrae

9. FY 2019-20 Oversight Board Meeting Calendar (Discussion Only)

**Speakers:**

Ms. Shirley Tourel, Assistant Controller  
Ms. Mercedes Yapching, Senior Accountant

On the proposed meeting calendar, Chair Tom Casey asked that staff remove July 8<sup>th</sup>, 2019 and December 16<sup>th</sup>, 2019 from the list before it comes back to the Board for approval.

10. Election of Chair and Vice-Chair for FY 2019-20 (Discussion Only)

Member Jim Saco mentioned that he would like to be considered for Chair if there are no other candidates when this comes back as an action item on a future agenda.

11. Adjournment

**RESULT:** **Approved**  
**MOTION:** Jim Saco  
**SECOND:** Chuck Bernstein  
**AYES [5]:** Chuck Bernstein, Tom Casey, Mark Leach, Denise Porterfield, and Jim Saco.  
**NOES:** None  
**ABSENT [2]:** Mark Addiego and Barbara Christensen  
**ABSTENTIONS:** None

The meeting was adjourned at 9:34 a.m.

**San Mateo County  
Countywide Oversight Board**

Date: August 5, 2019 **Agenda Item No. 6**

To: San Mateo County Countywide Oversight Board

From: Shirley Tourel, Assistant Controller

Subject: Election of Board Chairperson and Vice Chairperson for 2019-20

**Recommendation**

Adopt a resolution approving the election of a Chairperson and a Vice Chairperson for 2019-20.

**Background and Discussion**

Article II Section 1 of the San Mateo County Countywide Oversight Board bylaws states the members of the Board shall elect one member to serve as the Chairperson and may elect one member to serve as the Vice Chairperson. The bylaws provide a one year term.

The terms for the current Chairperson and Vice Chairperson expired in June 30, 2019 and pursuant to the Board bylaws, the prior incumbents continue to serve in such capacities until replacements have been elected. In accordance with the Board bylaws, their terms must be renewed or new individuals must be elected.

This item was presented for discussion at the Board's April 15, 2019 meeting, during which Board Member Jim Saco stated he would like to be considered for Chairperson.

**Fiscal Impact**

None

**Attachment:**

- 1- Draft Board Resolution Approving the Election of Chairperson and Vice-Chairperson

**Attachment 1**

**RESOLUTION NO. 2019-\_\_\_\_\_**

**RESOLUTION OF THE SAN MATEO COUNTY COUNTYWIDE OVERSIGHT BOARD  
APPROVING THE ELECTION OF A CHAIRPERSON AND A VICE CHAIRPERSON  
FOR 2019-20**

**WHEREAS**, pursuant to California Health and Safety Code (HSC) Section 34179(j) the San Mateo County Countywide Oversight Board was created to oversee the Successor Agencies tasked with winding down the affairs of the former redevelopment agencies; and

**WHEREAS**, HSC Section 34179(a) requires the election of a member to serve as Chairperson of the oversight board and while there is no requirement to elect a Vice Chairperson, the oversight board is not precluded from doing so; and

**WHEREAS**, Article II Section 1 of the San Mateo County Countywide Oversight Board Bylaws requires the election of a Chairperson and allows for the election of a Vice Chairperson both of whom shall serve for one year effective July 1; and

**WHEREAS**, the election of Chairperson and Vice Chairperson will further the Oversight Board's ability to perform its fiduciary duty to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other related revenues;

**NOW, THEREFORE, BE IT RESOLVED**, the San Mateo County Countywide Oversight Board hereby determines as follows:

1. Oversight Board member \_\_\_\_\_ is hereby elected as Chairperson of the San Mateo County Countywide Oversight Board; and
2. Oversight Board member \_\_\_\_\_ is hereby elected as Vice Chairperson of the San Mateo County Countywide Oversight Board.

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**San Mateo County  
Countywide Oversight Board**

Date: August 5, 2019 **Agenda Item No. 7**

To: San Mateo County Countywide Oversight Board

From: Shirley Tourel, Assistant Controller

Subject: 2019-20 Board Meeting Schedule

**Recommendation**

Adopt a Resolution Approving the 2019-20 San Mateo County Countywide Oversight Board Meeting Schedule

**Background and Discussion**

Setting a meeting schedule on an annual basis increases members' ability to attend and allows Successor Agencies (SAs) to plan for the items they will take to the Board.

Staff proposed a regular meeting calendar and presented it to the Board for discussion at its April 15, 2019 meeting. The attached meeting schedule has been revised to incorporate the subsequent feedback provided by the SAs.

The following are the 2019-20 regular action items the staff have been informed of:

**1. Approval of Annual Recognized Obligations Payment Schedules ("ROPS")**

Annual ROPS are due by February 1<sup>st</sup> each year to the California Department of Finance. There are currently seven (7) SAs that are on Annual ROPS schedules. The number of SAs on Annual ROPS may potentially be reduced to six (6) if the San Carlos SA's Last and Final ROPS is approved by the Board and the DOF.

Last year, two meetings were required for Annual ROPS approval. Staff recommends the same number of meetings to be scheduled for January 2020.

**2. Approval of the San Bruno SA's Last and Final ROPS**

The San Bruno SA is planning on submitting their Last and Final ROPS for Board approval in December.

The exact timing for the following action items are currently unknown, but may potentially be brought before the Board during 2019-20:

**1. Approval of the East Palo Alto SA's Last and Final ROPS**

The East Palo Alto SA has indicated that they will likely file a Last and Final ROPS during fiscal year 2019-20.

**2. Approval of the Redwood City SA's Pass-Through Payment Plan With San Mateo Community College District**

The Redwood City SA intends to bring this item before the Board in the near future.

**3. Approval of Amendment to the Millbrae SA's Long Range Property Management Plan (LRPMP)**

The Millbrae SA has indicated that they will need to amend their LRPMP but has not yet provided a timeline.

**4. Approval of the Former South San Francisco Redevelopment Agency's Properties Disposition**

The South San Francisco SA has properties for disposal, but has no mandatory or determined timeline.

**5. Approval of the Disposition of Properties of the Former Redwood City Redevelopment Agency**

The Redwood City SA wants to transfer properties of the former redevelopment agency to the City of Redwood City as soon as possible.

Staff recommends the Board schedules regular meetings throughout the year to accommodate the above items as they arise.

In addition, to the extent that urgent matters may arise which require the immediate attention of the Board, special meetings may be scheduled as necessary.

**Fiscal Impact**

None

**Attachment:**

A – Resolution of the Oversight Board Adopting the 2019-20 Meeting Schedule

RESOLUTION NO. 2019-\_\_\_\_\_

**RESOLUTION OF THE SAN MATEO COUNTY COUNTYWIDE  
OVERSIGHT BOARD ADOPTING THE 2019-20 MEETING SCHEDULE**

**WHEREAS**, California Health and Safety Code Section (HSC) 34179(e) requires all action items of Countywide Oversight Boards, including the San Mateo County Countywide Oversight Board (the “Board”), be accomplished by resolution; and

**WHEREAS**, establishing a regular meeting schedule will further the ability of the Board, the Successor Agencies, and the public to address matters concerning the winding down of the former redevelopment agencies within the county and will enable the Board to better perform its fiduciary duties pursuant to HSC 34179(i); and

**WHEREAS**, the Board has been presented a proposed 2019-20 meeting schedule accompanying this Resolution and desires to approve the same; and

**NOW, THEREFORE, BE IT RESOLVED**, the San Mateo County Countywide Oversight Board hereby adopts said meeting schedule for 2019-20.

\* \* \*

**San Mateo County  
Countywide Oversight Board**

**2019-20 Meeting Schedule**

All meetings to be held at:  
Board of Supervisors' Chambers  
Hall of Justice - 400 County Center, 1<sup>st</sup> Floor  
Redwood City, California 94063

<b>2019</b>		
<b>Day</b>	<b>Date</b>	<b>Starting Time</b>
Monday	August 12	9.00 a.m.
Monday	September 16	9:00 a.m.
Monday	October 7	9:00 a.m.
Monday	November 4	9:00 a.m.
Monday	December 9	9.00 a.m.
<b>2020</b>		
<b>Day</b>	<b>Date</b>	<b>Starting Time</b>
Monday	January 13 *	9:00 a.m.
Monday	January 27 *	9:00 a.m.
Monday	February 10	9:00 a.m.
Monday	March 9	9:00 a.m.
Monday	April 13	9:00 a.m.
Monday	May 11	9:00 a.m.
Monday	June 8	9:00 a.m.

\*These meetings are necessary to meet the DOF's February 1<sup>st</sup> deadline for Annual ROPS.

**San Mateo County  
Countywide Oversight Board**

Date: August 5, 2019

**Agenda Item No. 8**

To: San Mateo County Countywide Oversight Board

From: Shirley Tourel, Assistant Controller

Subject: Amendment to Oversight Board ByLaws

**Recommendation**

Consider adopting a resolution amending the Board’s bylaws related to the Board’s regular meeting schedule.

**Background and Discussion**

Section 1 of Article III of the Board bylaws provides that “prior to the end of each fiscal year, the Board shall adopt its regular meeting schedule for the upcoming fiscal year, including any alternate meeting dates schedule due to holidays.” As the Successor Agencies transition to Last and Final ROPS and their obligations become fully paid and properties disposed of, the Board may no longer have a need for regular meetings and will meet only when there are items requiring their action. Staff proposes that the Board may consider amending the language for Section 1 of Article III with regard to the adoption of the regular meeting schedule for the upcoming year from “shall” to “may.”

**Fiscal Impact**

None

**Attachment:**

1. Draft Board Resolution Approving the Amendment to the Bylaws

RESOLUTION NO. 2019-\_\_\_\_\_

**RESOLUTION OF THE SAN MATEO COUNTY COUNTYWIDE OVERSIGHT BOARD  
APPROVING THE AMENDMENT TO THE BOARD BYLAWS**

**WHEREAS**, the San Mateo County Countywide Oversight Board (the “Board”) was created pursuant to California Health and Safety Code (HSC) Section 34179(j) to provide guidance and oversight to the successor agencies who are tasked with winding down the affairs of redevelopment agencies (RDAs); and

**WHEREAS**, the Board desires to amend the bylaws, in particular, the language for Section 1 of Article III to read as “Prior to the end of each fiscal year, the Board may adopt its regular meeting schedule for the upcoming fiscal year, including any alternate meeting dates schedule due to holidays.”

**NOW, THEREFORE, BE IT RESOLVED** that the Approved Amended Bylaws attached hereto as Exhibit A shall constitute the Bylaws for the San Mateo County Countywide Oversight Board.

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Exhibit A – Approved Amended Bylaws

## BYLAWS OF THE SAN MATEO COUNTY COUNTYWIDE OVERSIGHT BOARD

### ARTICLE I □ THE SAN MATEO COUNTY COUNTYWIDE OVERSIGHT BOARD

#### Section 1: Name of San Mateo County Countywide Oversight Board

The official name shall be the “San Mateo County Countywide Oversight Board” (hereinafter referred to as “Board”).

#### Section 2: Purpose Powers

The Board is established pursuant to California Health and Safety Code Division 24, Part 1.85, Chapter 4, Sections 34179 in connection with the winding down of the affairs of the thirteen Successor Agencies within San Mateo County and is granted all powers and responsibilities defined by law.

#### Section 3: Board Composition

- A. Composition. Board members shall be appointed by the appointing authorities set forth in California Health and Safety Code Section 34179(j).
- B. Alternates. Each appointing agency as set forth in California Health and Safety Code Section 34179(j) may also appoint an alternate member. In the absence of a regular member, alternate members are granted the same authority as the regular member.
- C. Voting. Each regular member shall be entitled to one vote. In the absence of their regular member, alternate members are granted the voting privileges and power of their regular member. Voting by proxy is not allowed. Members must be present in person or by teleconference or video conference in accordance with the Brown Act in order to vote.
- D. Vacancies. When a Board seat becomes vacant, the agency who originally appointed the former member may appoint a new member to take the seat.

#### Section 4: Duration

The Board shall remain established until all of the thirteen Successor Agencies have been formally dissolved pursuant to Health and Safety Code section 34187.

### ARTICLE II □ OFFICERS

## **Section 1: Officers and Officials**

The members of the Board shall elect one member to serve as the Chairperson and may elect one member to serve as the Vice Chairperson. The term of office for the Chairperson and Vice Chairperson shall be effective July 1 and shall be for one year. In the event an election does not take place prior to the end of a term of office, the prior incumbents will continue to serve in such capacities until a new Chairperson and a new Vice Chairperson are elected.

## **Section 2: Chairperson**

The Chairperson of the Board shall preside at all board meetings; represent the position of the Board; act as spokesperson for the Board; and serve as the public contact for the Board.

## **Section 3: Vice Chairperson**

The Vice Chairperson shall perform the duties of the Chairperson in his/her absence or when requested.

## **Section 4: Legal Counsel**

The Board may engage legal counsel as it deems necessary.

# **ARTICLE III: MEETINGS**

## **Section 1: Regular Meetings**

Prior to the end of each fiscal year, the Board may adopt its regular meeting schedule for the upcoming fiscal year, including any alternate meeting dates schedule due to holidays.

## **Section 2: Special Meetings**

Special meetings may be held at the request of the Chairperson, or by written request of at least three members of the Board, for the purpose of transacting any business designated in the notice. At such special meetings, no business other than that designated in the notice shall be considered.

## **Section 3: Meeting Notices and Agendas**

All meetings will be noticed in accordance with the Ralph M. Brown Act, Government Code Section 54950 *et seq.* ("Brown Act") as it may be amended from time to time. Agendas for regular meetings shall be posted at least 72 hours in advance, and agendas for special meetings shall be posted at least 24 hours in advance of the meeting in accordance with the Brown Act at a location freely accessible to members of the public. Agendas will also be posted electronically on the County's internet website (<https://controller.smcgov.org/countywide-oversight-board-former-redevelopment-agencies>).

## **Section 4: Adjourned Meetings**

The Board may adjourn any meeting to a time and place specified in the motion for adjournment. In adjourning any meeting, there shall be compliance with all procedures of the Brown Act.

### **Section 5: Quorum**

A majority of the total membership of the Board (*i.e.*, four members) shall constitute a quorum for the purposes of conducting the business of the Board, exercising its powers and for all other purposes; provided, however, that if a quorum is not present for a meeting, the meeting will be adjourned. An affirmative vote by a majority (4) of the total membership (7) of the Board shall be required for approval of any matters brought before the Board.

### **Section 6: Public Participation**

The agenda for each Board meeting will provide time for public comment on any subject matter within the jurisdiction of the Board and that is not an item on the agenda, or if the meeting has a consent agenda, is listed thereon. As a general policy, each speaker shall be allowed three (3) minutes for public comment during this time. A majority of the Board may refer any issues raised to staff for appropriate action and any Board member may briefly comment on any issue brought up during this period. No other action may be taken by the Board at this time with respect to items not listed on the agenda.

For the purposes of facilitating orderly meetings, persons who wish to speak during public comment, or with respect to any agenda item, must first be recognized by the Chairperson and are requested to fill out a speaker card and deliver it to the Clerk before the Board considers the agenda item on which they desire to speak. Speakers are encouraged to provide their names for the record but will not be required to do so as a condition of speaking.

The Chairperson may limit speakers making defamatory or profane remarks, or who use abusive or threatening language, or who engage in any other disorderly conduct that willfully disrupts, disturbs or otherwise impedes the orderly conduct of any meeting, including unnecessary repetition of issues and points already raised by previous speakers. As a general matter, speakers are encouraged to direct the comments to the Chairperson and the Board as a whole and not to any particular Board member or staff member.

### **Section 7: Order of Business**

Staff may develop templates and other guidance to assist Successor Agencies in submitting items to the Board for placement on the meeting agendas.

The Chairperson shall work with Staff in setting each meeting's agenda. Staff shall add items to a meeting's agenda at the direction of the Chairperson or at the request of at least three Board Members.

## **ARTICLE IV - CONFLICT OF INTEREST AND ETHICS TRAINING**

All Board members are subject to the provisions of California Government Code Title 9, Chapter 7 relative to Conflicts of Interest and must file a Statement of Economic Interests as required by the law. Board members must also complete ethics training every two years as required by California Government Code Title 5, Division 2, Part 1, Chapter 2, Article 2.4 and AB 1234.

**ARTICLE VI □ AMENDMENTS**

These Bylaws may be amended upon an affirmative vote by a majority of the total membership of the Board, but no such amendment shall be adopted unless at least seven (7) days written notice thereof has previously been given to all members of the Board. Notice of the amendment shall identify the section or sections of these Bylaws proposed to be amended. The thirteen Successor Agencies shall be notified of any amendments to these Bylaws.

**ARTICLE VII □ SEVERABILITY**

If any section of these bylaws are inconsistent with law, such section is severable and the rest of the bylaws remain in effect.

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**San Mateo County  
Countywide Oversight Board**

Date: August 5, 2019 **Agenda Item No. 9**

To: San Mateo County Countywide Oversight Board (OB)

From: Shirley Tourel, Assistant Controller

Subject: Last and Final Recognized Obligations Payment Schedule (ROPS) of the Successor Agency (SA) to the Former San Carlos Redevelopment Agency

**Background**

Pursuant to Health and Safety Code Section 34191.6, once a SA has met the requirements for filing a Last and Final ROPS, it may submit its Last and Final ROPS to the Board at any time. Once the Last and Final ROPS has been approved by the Board, it shall be submitted to the DOF for review. The DOF has 100 days to complete the review and issue an approval or denial.

The DOF may change/amend the Last and Final ROPS during their review process. Any changes must be agreed upon in writing by the SA. If the SA and the DOF cannot agree on changes, the DOF shall issue a letter denying the Last and Final ROPS.

After approval by the DOF, the SA may amend the Last and Final ROPS no more than two times, subject to DOF review and approval. SAs may amend or modify existing contracts, agreements, or other arrangements identified on the DOF-approved Last and Final ROPS outside of the limited two official amendments, so long as they do not accelerate, extend, or increase the outstanding payments or create a new obligation.

**Discussion**

Enclosed for your consideration is the San Carlos SA's Last and Final ROPS which includes \$17,825,112 in debt service and \$150,000 in administrative costs. The obligations listed on the Last and Final ROPS will cover activities between July 2020 to June 2035.

**Fiscal Impact**

Funding for ROPS reduces the amount of tax revenue available for "Residual" distributions to the affected taxing entities.

**CAC Exhibit**

A. San Carlos SA's Last and Final ROPS Agenda Packet

Date: August 5, 2019

To: San Mateo County Countywide Oversight Board

From: Jeff Maltbie, Executive Director, San Carlos Successor Agency

Subject: Approval of the Last and Final Recognized Obligation Payment Schedule (ROPS) and Administrative Cost Allowance Budget of the San Carlos Successor Agency (SA)

Former RDA: **San Carlos**

**Recommendation**

Adopt resolutions approving the San Carlos Successor Agency’s Last and Final ROPS and Administrative Cost Allowance Budget.

**Background**

California Health and Safety Code (HSC) Section 34191.6 permits successor agencies to submit a Last and Final ROPS for approval if all of the following conditions are met:

- 1) the remaining debt is limited to administrative costs and payments pursuant to enforceable obligations with defined payment schedules,
- 2) all remaining obligations have been previously listed on a ROPS and approved for payment by DOF pursuant to HSC Section 34177, and
- 3) the Successor Agency is not party to outstanding or unresolved litigation. The San Carlos Successor Agency meets all the conditions to submit a Last and Final ROPS.

The San Carlos Successor Agency meets the above conditions and has prepared a Last and Final ROPS for the San Mateo Countywide Oversight Board’s (Oversight Board) consideration. The Last and Final ROPS is a schedule of necessary payments for each enforceable obligation of the former San Carlos Redevelopment Agency for each fiscal year period until the final enforceable obligation is paid and retired, in this case Fiscal Year 2034-35. It replaces the annual ROPS that have been due each year on February 1 pursuant to Health and Safety Code Section 34177(o). It has the advantage of removing future ROPS preparation and filings, thereby reducing the administrative burden on the Successor Agency, Oversight Board, County Auditor Controller, and California Department of Finance (“DOF”).

The San Carlos Successor Agency Board considered the Last and Final ROPS at its meeting on July 8, 2019.

## Discussion

### Administrative Cost Allowance

Pursuant to Health and Safety Code Section 34177(j), the Successor Agency is required to prepare a proposed administrative budget and submit it to the Oversight Board for approval. The Successor Agency is permitted to receive up to \$250,000 per year for an administrative allowance. The Successor Agency has historically requested less than the maximum amount. With a Last and Final ROPS, the recurring administrative cost allowance would be significantly reduced to match the reduced administrative duties of the Successor Agency.

The attached Administrative Budget covers the Last and Final ROPS time period starting with FY 2020-21 through FY 2034-35, and budgets \$10,000 per year.

The Successor Agency's audited financials cost approximately \$6,800 per year based on the SA's agreement with Maze, leaving \$3,200 for other administrative activities. The remaining \$3,200 administrative budget is based on an annual estimate of staff hours by task multiplied by an average fully burdened hourly rate to determine total annual administrative costs. The attached administrative budget details estimated hours by task and the total cost based on hourly rates. Activities include administering ROPS payments and accounting for expenses and cash balances each year so the Successor Agency is ready to conduct a final "true-up" of assets upon its dissolution pursuant to Health and Safety Code Section 34187.

### Last and Final ROPS Enforceable Obligations

The Last and Final ROPS requests \$18 million in RPTTF to pay for obligations beginning in the ROPS 20-21A period and ending in the ROPS 34-35B period. RPTTF is the only funding source available to the Successor Agency.

Most of the enforceable obligations on the Last and Final ROPS remain unchanged from prior ROPS. The remaining enforceable obligations listed on the Last and Final ROPS are as follows:

- Debt service payments on the 2018 Tax Allocation Refunding Bonds;
- Bond fiscal agent fees;
- Installment Note for the San Carlos Elms; and
- Administrative cost allowance.

Debt service payments and fiscal agent fees for the 2018 Tax Allocation Refunding Bonds will be paid off and retired in ROPS 33-34A period. The Installment Note for the San Carlos Elms will be paid off and retired in the ROPS 34-35B period. After FY 2034-35, all Successor Agency enforceable obligations will be paid, and the Successor Agency will dissolve.

After all Last and Final ROPS obligations are paid off, the Successor Agency will be subject to a final “true-up” of available assets, and will be required to remit any unspent funds to the County Auditor-Controller to distribute to affected taxing entities pursuant to Health and Safety Code Section 34187. The Administrative Budget requests \$10,000 in the Successor Agency’s final year, Fiscal Year 2034-35, to cover the extra time required to conduct a true-up review.

#### *Description of ROPS Obligations*

- *Items 22 and 4 – 2018 Refunding Bond and Fiscal Agent Fees* – In 2018, the SA issued 2018 Tax Allocation Refunding Bonds to refund the 2007 Tax Allocation Bonds originally issued by the Redevelopment Agency of the City of San Carlos. The SA is requesting \$13.2 million in RPTTF to make bond debt service payments and another \$23,100 to pay annual Fiscal Agent administration fees, which will be fixed at \$1,650 annually until the bonds are paid off. There are no bond reserves nor any remaining bond proceeds available to fund this item; available bond proceeds were applied to the refunding in 2018. Beginning in the ROPS 20-21B period, the Indenture of Trust requires the Successor Agency to request 50 percent of the annual principal payment due in the following A period in the preceding B period. This is reflected in the Last and Final ROPS. The bonds will be paid off in 2033.

The SA reviewed its options to accelerate payments on the bonds in order to reduce costs as much as possible. The Last and Final ROPS requires all obligations to be on a fixed payment schedule. The bond placement agent and bond purchaser stated it is not possible to set a fixed schedule for accelerated payment of the bonds without knowing the amount of Residual RPTTF that will be available to apply toward prepayment. In addition, prepayment would incur a penalty pursuant to Section 203 of the Indenture (a redemption price of 103% to 101% based on the prepayment date), which may not be cost effective. The bond purchaser stated it cannot change these call provisions because it has sunk costs that need to be recovered, and if the call provisions were shortened or changed, it could lose money or not meet the yield threshold.

- *Item 7 – San Carlos Elms Installment Note* – A total of \$4.6 million is requested to pay off a loan that was used to purchase property for the San Carlos Elms, an affordable senior multifamily housing and residential care facility owned and operated by the San Carlos Development Corporation (SCDC), a non-profit agency. Attached, please see the ownership report and long-term purchase agreement

conveying the property from the former RDA to SCDC in 1994. No revenues are generated for the SA from this project, and in accordance with Section 7.2 of agreement, no security deposit nor escrow account was set up to make Installment Note payments. Thus, RPTTF is the only source of funding for this item. The note will be paid off in 2035. Prepayment is not permitted by Section 7.1 of the Note.

The SA consulted the noteholder and DOF about accelerating payments on the Note without changing the total amount of principal and interest due. DOF stated that in order to accelerate prepayment, the SA and noteholder would need to amend the agreement and demonstrate savings to affected taxing entities. Accelerating payments on the Note would not result in any savings because the Note does not permit prepayment to save on principal and interest. Therefore, amending the Note to accelerate payments is not advised because there would be no savings to taxing entities, the SA would incur extra administrative costs to amend the Note, and the adoption of a Last and Final ROPS would be delayed.

- *Item 8 – Contract for Legal Services* – The SA had an enforceable obligation for legal services related to the Wheeler redevelopment project. No legal services are anticipated in the Last and Final ROPS, therefore \$0 is requested. DOF instructed the SA to request \$0 for this item on the Last and Final ROPS rather than deleting the line item on the form for technical reasons.
- *Item 19 – Administrative Cost Allowance* - The SA is requesting \$10,000 for annual administrative expenses from FY 2020-21 through 2034-35, or \$150,000 total. DOF confirmed there is no formal policy or requirement for Last and Final administrative budgets, other than the maximum annual admin allowance permitted in the law (generally \$250,000) but instructed the SA to request a reasonable amount and be prepared to justify the amount requested. Per HSC Section 34177(j), the SA has prepared an Administrative Budget and submitted it to the Oversight Board for approval.

The Last and Final ROPS requests RPTTF to pay for all enforceable obligations. The SA does not have any other funding source, as it has no revenue generating assets and any interest earned on RPTTF deposited into the SA bank account is used to offset bank fees.

#### DOF Review

Upon Countywide Oversight Board approval, the Last and Final ROPS will be immediately submitted to DOF for review. The Last and Final ROPS will also be transmitted to the San Mateo County Manager and San Mateo County Auditor-Controller for their reference. DOF has up to 100 days to review the Last and Final ROPS. Future disbursements of property tax revenue to pay for ROPS obligations by the Auditor-Controller will continue to be on June 1 for A periods and January 2 for B periods. Once DOF approves a successor agency's Last and Final ROPS, the successor agency may submit up to two requests to amend it and cannot include any new items.

DOF conducted a preliminary review of the draft Last and Final ROPS in June 2019 and did not identify any issues that need to be addressed.

### **Financial Impact**

Adoption and transmittal of the Last and Final ROPS is necessary to receive money from the Redevelopment Property Tax Trust Fund (RPTTF) to pay ongoing bond payments and other enforceable obligations of the former Redevelopment Agency. This Last and Final ROPS will cover the time period of July 1, 2020 through June 30, 2035. It is anticipated that there will be enough RPTTF to pay for enforceable obligations until all enforceable obligations are paid for and retired in 2035.

### **Attachments**

1. Draft Resolution of the Oversight Board Approving the San Carlos Last and Final ROPS and Administrative Cost Budget
2. Exhibit A – San Carlos Successor Agency’s Last and Final ROPS
3. Exhibit B - San Carlos Successor Agency’s Administrative Budget for July 2020-June 2035
4. Exhibit C - Indenture of Trust - 2018 Tax Allocation Bond Refunding
5. Exhibit D – Supporting Schedule for Bond Payments Reflected on the Last and Final ROPS
6. Exhibit E - Bond Trustee Fee Most Recent Invoice
7. Exhibit F - Installment Sale Agreement – San Carlos Elms Facility
8. Exhibit G - San Carlos Elms Ownership Report/Purchase Agreement
9. Exhibit H – Audit Services Agreement

RESOLUTION NO. 2019-\_\_\_\_\_

**RESOLUTION OF THE SAN MATEO COUNTY COUNTYWIDE OVERSIGHT BOARD  
APPROVING THE LAST AND FINAL RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE (ROPS)  
AND ADMINISTRATIVE COSTS BUDGET FOR THE PERIOD JULY 1, 2020 TO JUNE 30, 2035 OF  
THE SUCCESSOR AGENCY TO THE FORMER SAN CARLOS REDEVELOPMENT AGENCY (RDA)**

**WHEREAS**, California Health and Safety Code (HSC) Section 34177 requires the Successor Agencies to prepare an Annual Recognized Obligations Payment Schedule (“Annual ROPS”) for each 12-month fiscal period, which lists the outstanding obligations of the former RDA and states the sources of funds for required payments; and

**WHEREAS**, HSC Section 34177 also requires the Successor Agencies to prepare an administrative budget for Oversight Board approval and the total amount to be listed as an obligation on the ROPS; and

**WHEREAS**, pursuant to HSC Section 34191.6 the Successor Agency may submit a Last and Final ROPS for approval if all of the following conditions are met: 1) the remaining debt is limited to administrative costs and payments pursuant to enforceable obligations with defined payment schedules, (2) all remaining obligations have been previously listed on a ROPS and approved for payment by Department of Finance (“DOF”) pursuant to HSC Section 34177, and (3) the Successor Agency is not a party to outstanding or unresolved litigation; and

**WHEREAS**, pursuant to HSC Section 34191.6(c)(7) if the DOF approved the Last and Final ROPS, the Successor Agency shall no longer prepare the Annual ROPS required under HSC Section 34177; and

**WHEREAS**, the Successor Agency to the Former San Carlos Redevelopment Agency meets the conditions to submit a Last and Final ROPS and has prepared a draft Last and Final ROPS and the related Administrative Costs Budget for the time period July 1, 2020 to June 30, 2035, claiming a total enforceable obligation amount of \$17,975,112 inclusive of \$150,000 administrative cost allowance, as set forth in the attached Exhibits A and B; and

**WHEREAS**, the Administrative Costs Budget is final unless an amendment is necessary; and

**WHEREAS**, pursuant to HSC 34180(g) the Oversight Board must approve the establishment of each ROPS; and

## Attachment 1 – Page 2 of 2

**WHEREAS**, California Health and Safety Code Section (HSC) 34179(e) requires all action items of Countywide Oversight Boards, including the San Mateo County Countywide Oversight Board, be accomplished by resolution.

**NOW, THEREFORE, BE IT RESOLVED**, the San Mateo County Countywide Oversight Board hereby approves the San Carlos Successor Agency’s Last and Final ROPS and the related Administrative Costs Budget, attached hereto as Exhibits A and B and incorporated herein by this reference;

**BE IT FURTHER RESOLVED**, that the Oversight Board directs the Successor Agency to submit the Last and Final ROPS to the State Department of Finance upon approval by the Oversight Board and to post the Last and Final ROPS on the Successor Agency’s Internet Web site.

\* \* \*

Exhibit A – San Carlos Successor Agency’s Last and Final ROPS

Exhibit B – San Carlos Successor Agency’s Administrative Costs Budget for the Period July 1, 2020 to June 30, 2035

**Last and Final Recognized Obligation Payment Schedule (ROPS) -  
Summary Filed for the July 1, 2020 through June 30, 2035 Period**

**Successor Agency:** San Carlos  
**County:** San Mateo  
**Initial ROPS Period:** 20-21A  
**Final ROPS Period:** 34-35B

<b>Requested Funding for Enforceable Obligations</b>	<b>Total Outstanding Obligation</b>
<b>A Enforceable Obligations Funded as Follows (B+C)</b>	<b>\$-</b>
B Bond Proceeds	-
C Other Funds	-
<b>D Redevelopment Property Tax Trust Fund (RPTTF) (E+F)</b>	<b>\$17,975,112</b>
E RPTTF	17,825,112
F Administrative RPTTF	150,000
<b>G Total Outstanding Obligations (A+D)</b>	<b>\$17,975,112</b>

**Certification of Oversight Board Chairman:**

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

\_\_\_\_\_  
 Name Title

/s/ \_\_\_\_\_  
 Signature Date

**San Carlos Last and Final Recognized Obligation Payment Schedule (ROPS) - Summary by ROPS  
Period July 1, 2020 through June 30, 2035**

**Attachment 2 - Exhibit A - Page 2 of 5**

A Period July - December					
ROPS Period	Fund Sources				Six-Month Total
	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	
	\$0-	\$0-	\$9,328,443	\$150,000	\$9,478,443
ROPS 20-21A	-	-	953,707	10,000	\$963,707
ROPS 21-22A	-	-	632,164	10,000	\$642,164
ROPS 22-23A	-	-	632,021	10,000	\$642,021
ROPS 23-24A	-	-	633,071	10,000	\$643,071
ROPS 24-25A	-	-	633,446	10,000	\$643,446
ROPS 25-26A	-	-	633,145	10,000	\$643,145
ROPS 26-27A	-	-	632,171	10,000	\$642,171
ROPS 27-28A	-	-	633,020	10,000	\$643,020
ROPS 28-29A	-	-	633,083	10,000	\$643,083
ROPS 29-30A	-	-	632,358	10,000	\$642,358
ROPS 30-31A	-	-	631,233	10,000	\$641,233
ROPS 31-32A	-	-	631,608	10,000	\$641,608
ROPS 32-33A	-	-	633,358	10,000	\$643,358
ROPS 33-34A	-	-	631,358	10,000	\$641,358
ROPS 34-35A	-	-	152,700	10,000	\$162,700

B Period January - June						Twelve-Month Total
ROPS Period	Fund Sources				Six-Month Total	
	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF		
	\$0-	\$0-	\$8,496,669	\$0-	\$8,496,669	\$17,975,112
ROPS 20-21B	-	-	630,514	-	\$630,514	\$1,594,221
ROPS 21-22B	-	-	630,371	-	\$630,371	\$1,272,535
ROPS 22-23B	-	-	631,421	-	\$631,421	\$1,273,442
ROPS 23-24B	-	-	631,796	-	\$631,796	\$1,274,867
ROPS 24-25B	-	-	631,495	-	\$631,495	\$1,274,941
ROPS 25-26B	-	-	630,521	-	\$630,521	\$1,273,666
ROPS 26-27B	-	-	631,370	-	\$631,370	\$1,273,541
ROPS 27-28B	-	-	631,433	-	\$631,433	\$1,274,453
ROPS 28-29B	-	-	630,708	-	\$630,708	\$1,273,791
ROPS 29-30B	-	-	629,583	-	\$629,583	\$1,271,941
ROPS 30-31B	-	-	629,958	-	\$629,958	\$1,271,191
ROPS 31-32B	-	-	631,708	-	\$631,708	\$1,273,316
ROPS 32-33B	-	-	629,708	-	\$629,708	\$1,273,066
ROPS 33-34B	-	-	152,700	-	\$152,700	\$794,058
ROPS 34-35B	-	-	143,383	-	\$143,383	\$306,083

**San Carlos Last and Final Recognized Obligation Payment Schedule (ROPS) - ROPS**  
**Detail July 1, 2020 through June 30, 2035**  
**(Report Amounts in Whole Dollars)**

**Attachment 2 - Exhibit A - Page 3 of 5**

A	B	C	D	E	F	G	H	I
Item #	Project Name	Obligation Type	Agreement Execution Date	Agreement Termination Date	Payee	Description	Project Area	Total Outstanding Obligation
								<b>\$17,975,112</b>
4	Fiscal Agent Fees	Fees	12/01/2007	09/01/2033	US Bank	Annual issuer fees	San Carlos	23,100
7	Installment Note - San Carlos Elms	Third-Party Loans	10/01/1994	07/01/2035	A.R.E. Trust, successor to Borel Bank, Trustee	Long term purchase note for property at Elms & Cherry St	San Carlos	4,571,683
8	Contract for Legal Services	Legal	10/31/2003	07/01/2035	Murphy & Associates PC	Counsel for Wheeler redevelopment project	San Carlos	-
19	Successor Agency Admin Allowance	Admin Costs	07/01/2014	07/01/2035	City of San Carlos	Employee costs, supplies, meetings, etc.	San Carlos	150,000
22	2018 Tax Allocation Refunding Bonds	Refunding Bonds Issued After 6/27/12	04/01/2018	09/01/2033	US Bank	Refunded Redevelopment Agency 2007 Tax Allocation Bonds, Series A		13,230,329

A	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	
	20-21A (Jul-Dec)				20-21B (Jan-Jun)				21-22A (Jul-Dec)				21-22B (Jan-Jun)				22-23A (Jul-Dec)				
Item #	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	
	\$-	\$-	\$953,707	\$10,000	\$-	\$-	\$630,514	\$-	\$-	\$-	\$632,164	\$10,000	\$-	\$-	\$630,371	\$-	\$-	\$-	\$-	\$632,021	\$10,000
4	-	-	1,650	-	-	-	-	-	-	-	1,650	-	-	-	-	-	-	-	1,650	-	
7	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-	
8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
19	-	-	-	10,000	-	-	-	-	-	-	-	10,000	-	-	-	-	-	-	-	10,000	
22	-	-	799,357	-	-	-	477,814	-	-	-	477,814	-	-	-	477,671	-	-	-	477,671	-	

**Attachment 2 - Exhibit A - Page 4 of 5**

A	AD	AE	AF	AG	AH	AI	AJ	AK	AL	AM	AN	AO	AP	AQ	AR	AS	AT	AU	AV	AW
	22-23B (Jan-Jun)				23-24A (Jul-Dec)				23-24B (Jan-Jun)				24-25A (Jul-Dec)				24-25B (Jan-Jun)			
Item #	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF
	\$-	\$-	\$631,421	\$-	\$-	\$-	\$633,071	\$10,000	\$-	\$-	\$631,796	\$-	\$-	\$-	\$633,446	\$10,000	\$-	\$-	\$631,495	\$-
4	-	-	-	-	-	-	1,650	-	-	-	-	-	-	-	1,650	-	-	-	-	-
7	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-
8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	-	-	-	-	-	-	-	10,000	-	-	-	-	-	-	-	10,000	-	-	-	-
22	-	-	478,721	-	-	-	478,721	-	-	-	479,096	-	-	-	479,096	-	-	-	478,795	-

A	AX	AY	AZ	BA	BB	BC	BD	BE	BF	BG	BH	BI	BJ	BK	BL	BM	BN	BO	BP	BQ
	25-26A (Jul-Dec)				25-26B (Jan-Jun)				26-27A (Jul-Dec)				26-27B (Jan-Jun)				27-28A (Jul-Dec)			
Item #	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF
	\$-	\$-	\$633,145	\$10,000	\$-	\$-	\$630,521	\$-	\$-	\$-	\$632,171	\$10,000	\$-	\$-	\$631,370	\$-	\$-	\$-	\$633,020	\$10,000
4	-	-	1,650	-	-	-	-	-	-	-	1,650	-	-	-	-	-	-	-	1,650	-
7	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-
8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	-	-	-	10,000	-	-	-	-	-	-	-	10,000	-	-	-	-	-	-	-	10,000
22	-	-	478,795	-	-	-	477,821	-	-	-	477,821	-	-	-	478,670	-	-	-	478,670	-

A	BR	BS	BT	BU	BV	BW	BX	BY	BZ	CA	CB	CC	CD	CE	CF	CG	CH	CI	CJ	CK
	27-28B (Jan-Jun)				28-29A (Jul-Dec)				28-29B (Jan-Jun)				29-30A (Jul-Dec)				29-30B (Jan-Jun)			
Item #	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF
	\$-	\$-	\$631,433	\$-	\$-	\$-	\$633,083	\$10,000	\$-	\$-	\$630,708	\$-	\$-	\$-	\$632,358	\$10,000	\$-	\$-	\$629,583	\$-
4	-	-	-	-	-	-	1,650	-	-	-	-	-	-	-	1,650	-	-	-	-	-
7	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-
8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	-	-	-	-	-	-	-	10,000	-	-	-	-	-	-	-	10,000	-	-	-	-
22	-	-	478,733	-	-	-	478,733	-	-	-	478,008	-	-	-	478,008	-	-	-	476,883	-

**Attachment 2 - Exhibit A - Page 5 of 5**

A	CL	CM	CN	CO	CP	CQ	CR	CS	CT	CU	CV	CW	CX	CY	CZ	DA	DB	DC	DD	DE
	30-31A (Jul-Dec)				30-31B (Jan-Jun)				31-32A (Jul-Dec)				31-32B (Jan-Jun)				32-33A (Jul-Dec)			
Item #	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF
	\$-	\$-	\$631,233	\$10,000	\$-	\$-	\$629,958	\$-	\$-	\$-	\$631,608	\$10,000	\$-	\$-	\$631,708	\$-	\$-	\$-	\$633,358	\$10,000
4	-	-	1,650	-	-	-	-	-	-	-	1,650	-	-	-	-	-	-	-	1,650	-
7	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-
8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	-	-	-	10,000	-	-	-	-	-	-	-	10,000	-	-	-	-	-	-	-	10,000
22	-	-	476,883	-	-	-	477,258	-	-	-	477,258	-	-	-	479,008	-	-	-	479,008	-

A	DF	DG	DH	DI	DJ	DK	DL	DM	DN	DO	DP	DQ	DR	DS	DT	DU	DV	DW	DX	DY
	32-33B (Jan-Jun)				33-34A (Jul-Dec)				33-34B (Jan-Jun)				34-35A (Jul-Dec)				34-35B (Jan-Jun)			
Item #	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF	Bond Proceeds	Other Funds	RPTTF	Admin RPTTF
	\$-	\$-	\$629,708	\$-	\$-	\$-	\$631,358	\$10,000	\$-	\$-	\$152,700	\$-	\$-	\$-	\$152,700	\$10,000	\$-	\$-	\$143,383	\$-
4	-	-	-	-	-	-	1,650	-	-	-	-	-	-	-	-	-	-	-	-	-
7	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-	-	-	152,700	-	-	-	143,383	-
8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	-	-	-	-	-	-	-	10,000	-	-	-	-	-	-	-	10,000	-	-	-	-
22	-	-	477,008	-	-	-	477,008	-	-	-	-	-	-	-	-	-	-	-	-	-

**Successor Agency to the Former San Carlos Redevelopment Agency  
Last & Final ROPS Administrative Costs Budget  
Period: July 1, 2020 to June 30, 2035**

<b>Tasks by Department</b>	<b>Estimated Hours</b>	<b>Average Fully Burdened Hourly Rate</b>	<b>Total Estimated Cost</b>	<b>Annual Budget</b>
<b>Community Development Department</b>	<b>1</b>	<b>\$ 202</b>	<b>\$ 202</b>	<b>\$ 200</b>
Successor Agency Administration				
<b>Administrative Services Department</b>	<b>7</b>	<b>179</b>	<b>1,253</b>	<b>1,200</b>
Respond to inquiries from State, County and Taxing Agencies				
Reconcile actual expenses and cash balances to approved amounts				
Regular accounting services and payment administration				
Year-end financial activities and audit				
<b>City Manager</b>	<b>0.5</b>	<b>278</b>	<b>139</b>	<b>100</b>
Manage Successor Agency staff				
<b>City Attorney</b>	<b>1</b>	<b>278</b>	<b>278</b>	<b>200</b>
Provide legal advice relating to Successor Agency matters				
<b>Professional Services</b>			<b>7,575</b>	<b>7,500</b>
RSG Successor Agency Consulting (Last & Final ROPS True-Up)	4	200	800	
Auditors (Successor Agency Audited Financials)			6,775	
<b>Bank Fees and Office Supplies</b>			<b>800</b>	<b>800</b>
Wells Fargo Bank	n/a	n/a		
FedEx				
<b>TOTAL</b>	<b>13.5</b>	<b>\$ 1,137</b>	<b>\$ 10,247</b>	<b>\$ 10,000</b>

*Note: The amounts budgeted per department are estimated. The total administrative budget may be redistributed among different departments as necessary as each.*

**INDENTURE OF TRUST**

**Dated as of April 1, 2018**

**by and between the**

**SUCCESSOR AGENCY TO THE SAN CARLOS REDEVELOPMENT AGENCY**

**and**

**U.S. BANK NATIONAL ASSOCIATION  
as Trustee**

**Relating to**

**\$11,840,684  
Successor Agency to the San Carlos Redevelopment Agency  
2018 Tax Allocation Refunding Bonds**

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## INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "Indenture") is made and entered into and dated as of April 1, 2018, by and between the SUCCESSOR AGENCY TO THE SAN CARLOS REDEVELOPMENT AGENCY, a public entity duly organized and existing under the laws of the State of California (the "Successor Agency"), 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**, pursuant to Section 34172(a) of the California Health and Safety Code, the San Carlos Redevelopment Agency (the "Former Agency") has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173, the Successor Agency has become the successor entity to the Former Agency; and

**WHEREAS**, by implementation of California Assembly Bill X1 26, which was codified in the Health and Safety Code beginning with Section 34161 (as amended from time to time, the "Dissolution Act") and amended provisions of the California Redevelopment Law (Health and Safety Code Section 33000, *et seq.*, herein the "Law"), and the Successor Agency, in accordance with and pursuant to the Dissolution Act, assumed the duties and obligations of the Former Agency as provided in the Dissolution Act; and

**WHEREAS**, the Former Agency issued the following outstanding series of bonds prior to its dissolution pursuant to a Bond Issuance and Sale Agreement, dated as of December 1, 2007, among the Former Agency, U.S. Bank National Association, as trustee, and the Association of Bay Area Governments ("ABAG"), for the purpose of financing and refinancing redevelopment activities:

- (i) \$12,875,000 San Carlos Redevelopment Agency San Carlos Redevelopment Project 2007 Tax Allocation Bonds, Series A (the "2007A Bonds"); and
- (ii) \$3,135,000 San Carlos Redevelopment Agency San Carlos Redevelopment Project 2007 Tax Allocation Bonds, Series B (the "2007B Bonds"); and

**WHEREAS**, the 2007B Bonds are scheduled to mature on September 1, 2018, and the 2007A Bonds are redeemable at the option of the Successor Agency on any date at a redemption price equal to the par amount to be redeemed; and

**WHEREAS**, the refunding of the 2007A Bonds will result in the refunding of a corresponding amount of the \$38,835,000 Association of Bay Area Governments 2007 Revenue Bonds, Series A (California Tax Allocation Bonds) previously issued by ABAG; and

**WHEREAS**, the Successor Agency wishes to refund the outstanding 2007A Bonds through the issuance of the 2018 Bonds (defined herein); and

**WHEREAS**, all acts and proceedings required by law necessary to make the 2018 Bonds when executed by the Successor Agency, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the Successor Agency, and to

constitute this Indenture a legal, 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 at any time, 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 1.01. 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 2018 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 2018 Bonds in the manner and form provided in this Indenture.

Section 1.02. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.02 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.

"Accredited Investor" means an "accredited investor" as defined in Section 2(15) under the Securities Act of 1933, as amended,

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds and any other Parity Debt in such Bond Year, and (b) the principal amount of the Outstanding Bonds (including the aggregate principal amount of the term bonds required to be redeemed pursuant to a Supplemental Indenture) and any other Parity Debt payable by their terms in such Bond Year.

"Bond" or "Bonds" means the (i) 2018 Bonds and (ii) any Parity Debt that is issued as bonds pursuant to a Supplemental Indenture.

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

"Bond Proceeds Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.03.

"Bond Year" means, any twelve-month period beginning on September 2 in any year and ending on the next succeeding September 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date, and end on September 1, 2018.

"Business Day" means a day of the year on which banks in San Francisco, California, or the city where the Principal Corporate Trust Office is located, are not required or permitted to be closed and on which the New York Stock Exchange is not closed.

"City" means the City of San Carlos, a municipal corporation duly organized and existing under the Constitution and the laws of the State.

"Closing Date" means, with respect to the 2018 Bonds, the date on which the 2018 Bonds are delivered by the Successor Agency to the original purchaser thereof, being April 20, 2018.

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

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Successor Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to the City and Successor Agency administrative staff costs, printing expenses, bond insurance and surety bond premiums, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds, including the legal counsel fees of counsel to the Original Purchaser in the amount of \$10,000.00.

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

"Defeasance Obligations" means (i) cash and (ii) Federal Securities.

"Dissolution Act" means Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code, as amended from time to time.

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

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

"Fiscal Year" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month

period selected and designated by the Successor Agency to the Trustee in writing as its official fiscal year period.

"Former Agency" means the San Carlos Redevelopment Agency, a public body corporate and politic duly organized and existing under the Redevelopment Law and dissolved in accordance with the Dissolution Act.

"Indenture" means this Indenture of Trust by and between the Successor Agency and the Trustee, as originally entered into or as it may be amended or supplemented by any Supplemental Indenture entered into pursuant to the provisions hereof.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice as such under the laws of the State, appointed by the Successor Agency, and who, or each of whom:

- (a) is in fact independent and not under domination of the Successor Agency;
- (b) does not have any substantial interest, direct or indirect, with the Successor Agency; and
- (c) 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.

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

- (a) is judged by the Successor Agency to have experience in matters relating to the issuance of tax allocation refunding bonds by successor agencies;
- (b) is in fact independent and not under domination of the Successor Agency;
- (c) does not have any substantial interest, direct or indirect, with the Successor Agency; and
- (d) 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.

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

"Interest Payment Date" means each March 1 and September 1, commencing September 1, 2018, in each year so long as any of the Bonds remain Outstanding hereunder.

"Law" means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the Health and Safety Code of the State, and the Dissolution Act.

"Material Adverse Effect" means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the Successor Agency, (b) the ability of the Successor Agency to carry out its

business in the manner conducted as of the date of this Indenture or to meet or perform its obligations under this Indenture on a timely basis, (c) the validity or enforceability of this Indenture, or (d) the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes.

"Material Litigation" means any action, suit, proceeding, inquiry or investigation against the Successor Agency in any court or before any arbitrator of any kind or before or by any governmental authority, (i) if determined adversely to the Successor Agency, may have a Material Adverse Effect, (ii) seek to restrain or enjoin any of the transactions contemplated by this Indenture, or (iii) may adversely affect (A) the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes or (B) the ability of the Successor Agency to perform its obligations under this Indenture.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year as certified in writing by the Successor Agency to the Trustee.

"Moody's" means Moody's Investors Service and its successors.

"Notice of Insufficiency" means the notice described in Health & Safety Code Section 34183(b).

"Optional Redemption Date" means each March 1, June 1, September 1, and December 1, commencing with June 1, 2023.

"Outstanding" when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.05) all Bonds except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Successor Agency pursuant hereto.

"Oversight Board" means the Oversight Board of the Successor Agency to the San Carlos Redevelopment Agency, duly constituted from time to time pursuant to Section 34179 of the California Health and Safety Code.

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

"Parity Debt" means any loan, bonds (including any bonds issued pursuant to a Supplemental Indenture), notes, advances or indebtedness payable from Tax Revenues on a parity with the 2018 Bonds, as authorized by the provisions of Section 5.02.

"Parity Debt Instrument" means any resolution, indenture of trust, loan agreement, trust agreement or other instrument authorizing the issuance of any Parity Debt, including, without limitation, a Supplemental Indenture authorized by Section 7.01(e).

"Pass-Through Payments" means all payments required to be paid in each Fiscal Year to any local government agency within the Project Area pursuant to the Law.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) Federal Securities;

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

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations (but only the interest component of stripped obligations) of the Resolution Funding Corporation; and (vi) consolidated system wide bonds and notes of the Farm Credit System;

(d) money market funds (including funds of the Trustee or its affiliates) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G", "AAAm", or "AAm", and, if rated by Moody's, rated Aaa, Aa1 or Aa2, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;

(e) certificates of deposit secured at all times by collateral described in (a) or (b) above, which have a maturity of one year or less, which are issued by commercial banks, including affiliates of the Trustee, savings and loan associations or mutual savings banks, and such collateral must be held by a third party, and the Trustee on behalf of the Bondowners must have a perfected first security interest in such collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation;

(g) investment agreements, including guaranteed investment contracts, which, are general obligations of an entity whose long term debt obligations, or claims paying ability, respectively, which are rated in one of the two highest rating categories by Moody's or S&P or which are collateralized so as to be rated in one of the two highest rating categories by Moody's or S&P;

(h) commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) deposit accounts, money market deposits or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(k) repurchase agreements for thirty (30) days or less (more than thirty (30) days which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date, which satisfy the following criteria:

(i) repurchase agreements must be between the Trustee and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation and which are rated "A" or better by Moody's and S&P, or (B) a bank rated "A" or better by Moody's and S&P;

(ii) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal agency obligations backed by the full faith and credit of the U.S. government; (B) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the Trustee or a third party acting as agent for the Trustee simultaneous with payment (perfection by possession of certificated securities); (D) the Trustee must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee to liquidate the collateral; (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of

the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to 105% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred; and

(iii) a legal opinion must be delivered to the Trustee to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds;

(l) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; provided, however, pre-refunded municipal bonds rated by S&P only (i.e., no Moody's rating) are acceptable if such pre-refunded municipal bonds were pre-refunded with cash, direct U.S. or U.S. guaranteed obligations or AAA rated pre-refunded municipal bonds; and

(m) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to deposit and withdraw from such investment directly in its own name.

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

"Principal Corporate Trust Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Successor Agency.

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

"Qualified Institutional Buyer" means a "qualified institutional buyer" within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended.

"Recognized Obligation Payment Schedule" means the schedule by that name prepared before each fiscal period in accordance with the requirements of Section 34177(l) of the California Health and Safety Code.

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

"Redevelopment Obligation Retirement Fund" means the fund established and held by the Successor Agency pursuant to Section 34170.5(a) of the California Health and Safety Code.

"Redevelopment Plan" means the Redevelopment Plan for the San Carlos Redevelopment Project, approved by Ordinance No. 964, enacted by the City Council of the City on July 7, 1986, together with any amendments thereof heretofore or hereafter duly authorized pursuant to the Law.

"Redevelopment Property Tax Trust Fund" means the fund established pursuant to Section 34170.5(b) of the California Health and Safety Code and administered by the San Mateo County Auditor–Controller.

"Refunding Law" means Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, and the acts amendatory thereof and supplemented thereto.

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

"Report" means a document in writing signed by an Independent Redevelopment Consultant and including:

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

(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.

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC and its successors.

"Semiannual Period" means (a) each six-month period beginning on January 1 of any calendar year and ending on June 30 of such calendar year, and (b) each six-month period beginning on July 1 of any calendar year and ending on December 31 of such calendar year.

"State" means the State of California.

"Subordinate Debt" means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Successor Agency that are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues that is subordinate to (i) the pledge of and lien upon the Tax Revenues hereunder for the security of the Bonds, and (ii) the Successor Agency's obligation to reimburse the provider of a bond insurance policy, surety bond or similar instrument relating to any Parity Debt or Subordinate Debt.

"Successor Agency" means the Successor Agency to the San Carlos Redevelopment Agency, a public entity duly organized and existing under the Law.

"Supplemental Indenture" means any resolution, agreement or other instrument which has been duly adopted or entered into by the Successor Agency, but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Tax Revenues" means taxes eligible for allocation to the Successor Agency with respect to the Project Area pursuant to the Law (exclusive of (i) amounts, if any, received

pursuant to Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with section 16110) of the Government Code, and (ii) any Pass-Through Payments but only to the extent that such payments are not subordinated to the payment of debt service on the Bonds), together with all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations.

"Trustee" means U.S. Bank National Association, as trustee hereunder, or any successor thereto appointed as trustee hereunder in accordance with the provisions of Article VI.

"2007 Agreement" means the Bond Issuance and Sale Agreement, dated as of December 1, 2007, among the Former Agency (now succeeded by the Successor Agency), the Association of Bay Area Governments and the 2007 Trustee.

"2007 Irrevocable Refunding Instructions" means the Irrevocable Refunding Instructions dated the Closing Date relating to the prepayment of the 2007A Bonds given to the 2007 Trustee.

"2007 Trustee" means U.S. Bank National Association, as trustee.

"2007A Bonds" means the \$12,875,000 initial principal amount San Carlos Redevelopment Agency San Carlos Redevelopment Project 2007 Tax Allocation Bonds, Series A.

"2007B Bonds" means the \$3,135,000 initial principal amount San Carlos Redevelopment Agency San Carlos Redevelopment Project 2007 Tax Allocation Bonds, Series B.

"2018 Bonds" means the Successor Agency to the San Carlos Redevelopment Agency 2018 Tax Allocation Refunding Bonds at any time Outstanding.

"2018 Bond Proceeds Account" means the account by that name within the Bond Proceeds Fund established and held by the Trustee pursuant to Section 3.03.

"2018 Costs of Issuance Account" means the account by that name within the Bond Proceeds Fund established and held by the Trustee pursuant to Section 3.03.

"2018 Original Purchaser" means Banner Bank, as the initial purchaser of the 2018 Bonds, and its successors and assigns.

"Written Request of the Successor Agency" or "Written Certificate of the Successor Agency" means a request or certificate, in writing signed by the Mayor, City Manager or Administrative Services Director of the City or by any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose.

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

## ARTICLE II

### AUTHORIZATION AND TERMS

Section 2.01. Authorization of 2018 Bonds. The 2018 Bonds in the aggregate principal amount of \$11,840,684 are hereby authorized to be issued by the Successor Agency under and subject to the terms of this Indenture, the Law and the Refunding Law. This Indenture constitutes a continuing agreement with 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 the interest on all Bonds that may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained.

Section 2.02. Terms of 2018 Bonds. The 2018 Bonds shall be dated as of the Closing Date with respect thereto, and shall be issued in fully registered form without coupons in the denomination of \$1 or any integral multiple thereof as a single term bond maturing September 1, 2033. The 2018 Bonds shall mature and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rate of 2.850% per annum.

The 2018 Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) a 2018 Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Closing Date with respect thereto; *provided, however,* that if, as of the date of authentication of any 2018 Bond, interest thereon is in default, such 2018 Bond, as applicable, shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the 2018 Bonds (including the final interest payment upon maturity) shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date, to such Owner at the address of such Owner as it appears on the Registration Books as of such Record Date; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of 2018 Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee prior to the applicable Record Date. Principal of and redemption premium (if any) on any 2018 Bond shall be paid upon presentation and surrender thereof, at maturity or earlier redemption, at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and redemption premium (if any) on the 2018 Bonds shall be payable in lawful money of the United States of America.

Section 2.03. Redemption of 2018 Bonds.

(a) Optional Redemption.

The 2018 Bonds may be redeemed prior to maturity at the option of the Successor Agency from any source of available funds, as a whole or in part, on any Optional Redemption Date, commencing with June 1, 2023, at the following respective redemption prices (expressed as percentages of the principal amount of the 2018 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Optional Redemption Dates</u>	<u>Redemption Price</u>
June 1, 2023 through and including March 1, 2024	103%
June 1, 2024 through and including March 1, 2025	102
June 1, 2025 through and including March 1, 2026	101
June 1, 2026 and any Optional Redemption Date thereafter	100

(b) Sinking Fund Redemption. The 2018 Bonds are subject to mandatory sinking fund redemption on September 1 in each year, commencing September 1, 2018, as set forth below, from sinking fund payments made by the Successor Agency, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table:

**2018 Bonds Due Sept. 1, 2033**

<u>Sept. 1</u>	<u>Principal Amount</u>
2018	\$300,000
2019	628,632
2020	643,860
2021	662,985
2022	681,593
2023	703,118
2024	723,907
2025	743,938
2026	763,191
2027	786,641
2028	809,186
2029	830,798
2030	852,225
2031	877,264
2032	905,766
2033	927,580

(c) Notice of Redemption; Rescission. The Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail, postage prepaid) notice of any optional redemption at least 30 days prior to the redemption date, to the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books.

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

(d) Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new Bond or Bonds of the same interest rate and maturity, of authorized

denominations, in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

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

(f) Manner of Redemption. Whenever any Bonds or portions thereof are to be selected for redemption pursuant to Section 2.03(a), the Successor Agency shall make such selection and notify the Trustee thereof at least 30 days prior to the date fixed for redemption.

Section 2.04. Form of 2018 Bonds. The 2018 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, which is attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

Section 2.05. Execution of Bonds. The Bonds shall be executed on behalf of the Successor Agency by the signature of the Mayor, the City Manager or the Administrative Services Director of the City who are in office on the date of execution and delivery of this Indenture or at any time thereafter. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the purchaser. Any Bond may be signed and attested on behalf of the Successor Agency by such persons as at the actual date of the execution of such Bond shall be the proper officers of the Successor Agency although on the date of such Bond any such person shall not have been such officer of the Successor Agency.

Only such of the Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore set forth, manually executed and dated by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such Certificate 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 2.09 hereof, the temporary Bonds may bear thereon a Certificate of Authentication executed and dated by the Trustee, may be initially registered by the Trustee, and, until so exchanged as provided under Section 2.09 hereof, the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Principal Corporate Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the 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 denomination. The Trustee shall

collect from the Owner any tax or other governmental charge on the transfer of any Bonds pursuant to this Section 2.06. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Successor Agency.

The Trustee may refuse to transfer, under the provisions of this Section 2.06, either (a) any Bonds during the period 15 days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption (if applicable).

Notwithstanding the foregoing, a 2018 Bond may only be transferred in whole to an Accredited Investor or Qualified Institutional Buyer who delivers to the Trustee and the Successor Agency an executed letter substantially in the form of Exhibit C. The Successor Agency may remove the limitations set forth in this Section 2.06 without the consent of any Owner of the Bonds other than the 2018 Original Purchaser (if it is still an Owner).

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Corporate 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 2.07. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Successor Agency.

The Trustee may refuse to exchange, under the provisions of this Section 2.07, either (a) any Bonds during the period 15 days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption (if applicable).

Section 2.08. Registration of Bonds. The Trustee will keep or cause to be kept, at its Principal Corporate 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, upon reasonable prior notice to the Trustee; 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 2.09. 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 authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations, interest rates and like maturities. 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 authenticate and deliver, a new Bond of like tenor and amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. 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 be 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 tenor and amount in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond has matured or has been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee and the Successor Agency). The Successor Agency may require payment by the Owner 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 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. Delivery of 2018 Bonds. The 2018 Bonds shall be initially delivered in the form of a single fully registered 2018 Bond without coupons. Upon initial delivery, the ownership of each such 2018 Bond shall be registered on the Registration Books in the name of the 2018 Original Purchaser. The 2018 Bonds are initially being sold to a private investor and shall not bear a CUSIP number, nor shall there be any application for eligibility for the 2018 Bonds with The Depository Trust Company (DTC).

During any period that the 2018 Original Purchaser is the Owner of the 2018 Bonds, the 2018 Bonds shall not be (i) assigned a rating by any credit rating agency, (ii) registered with The Depository Trust Company or any other securities depository, (iii) offered pursuant to any type of offering document or official statement or (iv) assigned a CUSIP number by Standard & Poor's CUSIP Service.

Notwithstanding anything herein to the contrary, so long as all of the 2018 Bonds are owned by the 2018 Original Purchaser or a single Owner (i) the Trustee shall pay principal of and interest and redemption premium on the 2018 Bonds when due by wire transfer in immediately available funds to the Owner in accordance with wire transfer instructions on file with the Trustee as shall be filed by the Owner with the Trustee from time to time; provided if the date for payment is not a Business Day, then such payment shall be made on the Business Day immediately preceding said payment date, (ii) payments of principal on the 2018 Bonds, including sinking fund redemption, shall be made without the requirement for presentation and surrender of the 2018 Bonds by the Owner, and (iii) the Trustee shall not be required to give notice to the Owner of the sinking fund redemption of 2018 Bonds pursuant to Section 2.03(b).

### ARTICLE III

#### DEPOSIT AND APPLICATION OF PROCEEDS OF 2018 BONDS

Section 3.01. Issuance of 2018 Bonds. Upon the execution and delivery of this Indenture, the Successor Agency shall execute and deliver to the Trustee in the registered name of the 2018 Original Purchaser, the 2018 Bonds in the aggregate principal amount of \$11,840,684, and the Trustee shall authenticate and deliver the 2018 Bonds upon the Written Request of the Successor Agency.

Section 3.02. Application of Proceeds of Sale and Certain Other Amounts. On the Closing Date with respect to the 2018 Bonds, the 2018 Original Purchaser will wire the purchase price of the 2018 Bonds in the amount of \$11,810,684.00 (calculated as the par amount of the 2018 Bonds, less an original issue discount of \$30,000.00) to the Trustee. The proceeds of the sale of the 2018 Bonds so received shall be applied by the Trustee as follows:

(a) The Trustee shall deposit the amount of \$182,000.18 in the 2018 Costs of Issuance Account.

(b) The Trustee shall deposit the remaining amount of proceeds of the 2018 Bonds (\$11,628,683.82) in the 2018 Bond Proceeds Account for further distribution as set forth in Section 3.03(a).

Section 3.03. Bond Proceeds Fund. There is hereby established a separate fund to be known as the "Bond Proceeds Fund," which shall be held by the Trustee in trust, and within such fund there shall be established a separate "2018 Bond Proceeds Account" and a separate "2018 Costs of Issuance Account."

(a) Use of Moneys in the 2018 Bond Proceeds Account. On the Closing Date, with respect to the amounts in the 2018 Bond Proceeds Account, the Trustee shall transfer \$11,628,683.82 to the 2007 Trustee pursuant to the 2007 Irrevocable Refunding Instructions.

(b) Use of Moneys in the 2018 Costs of Issuance Account. The moneys in the 2018 Costs of Issuance Account shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance related to the 2018 Bonds 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 6 months following the Closing Date, or upon the earlier Written Request of the Successor Agency, all amounts (if any) remaining in the 2018 Costs of Issuance Account shall be withdrawn therefrom by the Trustee and transferred to the Interest Account of the Debt Service Fund to be used to pay debt service on the 2018 Bonds, and the Costs of Issuance Fund shall be closed.

## ARTICLE IV

### SECURITY OF BONDS; FLOW OF FUNDS

Section 4.01. Security of Bonds; Equal Security. Pursuant to Section 34177.5(g) of the Dissolution Act, except as provided in Section 6.06, the 2018 Bonds and the Parity Debt shall be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery, which pledge and lien shall be subordinate to the pledge of, security interest in and lien on all of the Tax Revenues in favor of the 2007B Bonds for so long as the 2007B Bonds are outstanding. In addition, the 2018 Bonds and the Parity Debt shall be equally secured by a pledge of, security interest in and lien on all of the moneys in the Debt Service Fund, the Interest Account, and the Principal Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest on the 2018 Bonds.

In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract between the Successor Agency and the Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the 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 4.02. Redevelopment Obligation Retirement Fund; Deposit of Tax Revenues. The Successor Agency has established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Dissolution Act and, so long as any of the Bonds are Outstanding, the Successor Agency shall continue to hold and maintain such fund as a separate fund in its treasury (which shall be a separate account from other accounts of the Successor Agency and the City into which no other moneys shall be deposited). The Successor Agency shall deposit all of the Tax Revenues received with respect to any Semiannual Period into the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency. The Successor Agency shall, within 5 days of the receipt thereof, transfer to the Trustee for deposit in the Debt Service Fund all such Tax Revenues as are required to pay debt service on the Bonds in accordance with the terms hereof or to replenish any reserve account or fund established with respect to Parity Debt, subject to the priority lien in favor of the 2007B Bonds for so long as the 2007B Bonds are outstanding.

All Tax Revenues received by the Successor Agency with respect to a Bond Year in excess of the amount required to pay the 2007B Bonds and Annual Debt Service on the 2018 Bonds and any other Parity Debt, and except as may be provided to the contrary in any Parity Debt Instrument, shall be released from the pledge and lien hereunder and shall be applied in accordance with the Law, including but not limited to the payment of any amounts due and owing to the United States of America pursuant to Section 5.13. Prior to the payment in full of the principal of and interest and premium, if any, on the Bonds and the payment in full of all other amounts payable hereunder and under any Supplemental Indentures, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the

Redevelopment Obligation Retirement Fund, except as may be provided in this Indenture and in any Supplemental Indenture.

Section 4.03. Deposit of Amounts by Trustee. There is hereby established a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee hereunder in trust. Concurrently with transfers with respect to Parity Debt pursuant to Parity Debt Instruments, moneys in the Redevelopment Obligation Retirement Fund shall be transferred by the Successor Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are hereby established in the Debt Service Fund, and in the following order of priority:

(a) Interest Account. Within five Business Days of its receipt of moneys in the Redevelopment Obligation Retirement Fund, the Successor Agency shall 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 the next Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable.

(b) Principal Account. Within five Business Days of its receipt of moneys in the Redevelopment Obligation Retirement Fund, the Successor Agency shall withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal (including sinking fund redemption amounts) becoming due and payable on the Outstanding Bonds, including the aggregate principal amount of any term bonds required to be redeemed pursuant to Section 2.03(b) or the terms of a Supplemental Indenture, on the next September 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal (including sinking fund redemption amounts) to become due on the next September 1 on all of the Outstanding Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds, including the aggregate principal amount of any term bonds required to be redeemed pursuant to Section 2.03(b) or the terms of a Supplemental Indenture, as it shall become due and payable.

(c) Redemption Account. On or before the Business Day preceding any date on which Bonds are to be optionally redeemed pursuant to Section 2.03(a), the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Successor Agency pursuant to Section 2.03(a) for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date pursuant to Section 2.03(a) and similar provisions in one or more Supplemental Indentures. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed pursuant to Section 2.03(a) and similar provisions in one or more Supplemental Indentures on the date set for such redemption. Interest due on Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account.

## ARTICLE V

### OTHER COVENANTS OF THE SUCCESSOR AGENCY

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

Section 5.02. No New Senior Debt; Issuance of Parity Debt; Subordinate Debt.

The 2007B Bonds shall be considered senior debt to the Bonds and Parity Debt for so long as the 2007B Bonds remain outstanding. From and after the Closing Date, the Successor Agency may not issue or incur any bonds, notes, loans, advances or other indebtedness that are secured by a pledge of Tax Revenues or moneys deposited in the Redevelopment Property Tax Trust Fund, on a basis senior or superior to the Bonds.

In addition to the 2018 Bonds, the Successor Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Successor Agency for refunding purposes only. The Successor Agency may issue and deliver any such Parity Debt subject to the following specific conditions that are hereby made conditions precedent to the issuance and delivery of such Parity Debt issued under this Section:

(a) The additional Parity Debt must have been issued in compliance with the refunding provisions of the Dissolution Act, including, but not limited to, the requirement that the total interest cost to maturity on the Parity Debt plus the principal amount of the Parity Debt may 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.

(b) No event of default hereunder or under any Parity Debt Instrument shall have occurred and be continuing;

(c) The interest payment date with respect to such Parity Debt shall be March 1 and September 1, and the principal payment dates with respect to such Parity Debt shall be September 1; and

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

The Successor Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Successor Agency. Any Subordinate Debt that is issued as bonds or incurred in the form of a loan may be payable on different dates than the Bonds; provided, however, the Successor Agency shall not use Tax Revenues deposited into the Redevelopment Obligation Retirement Fund to pay the enforceable obligations of the Successor Agency to pay debt service on any Subordinate Debt until such time as the Successor Agency has transferred to the Trustee sufficient Tax Revenues to pay debt service on the 2018 Bonds and any Parity Debt for the applicable Bond Year.

Section 5.03. Extension of Payment. The Successor Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Successor Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 5.04. Payment of Claims. The Successor Agency shall promptly pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Successor Agency or upon the Tax Revenues or other amounts pledged to the payment of the Bonds, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing herein contained shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said claims.

Section 5.05. Books and Accounts; Financial Statements; Additional Reporting Requirements.

(a) Books and Records; Audit. The Successor Agency shall at all times keep, or cause to be kept, proper and current books and accounts in which accurate entries are made of the financial transactions and records of the Successor Agency relating to the Redevelopment Plan and the Tax Revenues and other funds relating to the Redevelopment Plan, which shall be subject to inspection by the Owners of not less than 10% of the Bonds at all times during normal business hours and upon reasonable notice by such Owners to the Successor Agency. Within nine months after the close of each Fiscal Year an Independent Certified Public Accountant shall prepare an audit of the financial transactions and records of the Successor Agency for such Fiscal Year. To the extent permitted by law, such audit may be included within the annual audited financial statements of the City. The Successor Agency shall furnish a copy of such financial statements to any Owner upon reasonable request of such Owner and at the expense of such Owner, to the extent not previously provided pursuant to Section 5.05(b)(i). The Trustee shall have no duty to review such audits.

(b) Additional Annual Disclosure to Owner. In addition to the requirement of clause (a), the Successor Agency covenants to provide to the Owner the following:

(i) within nine months after the close of each Fiscal Year, the Comprehensive Annual Financial Report (CAFR) of the City, which shall include audited financial statements of the City, including, to the extent permitted by law, the audited financial statements of the Successor Agency, with a standard opinion provided by the auditor in accordance with Generally Accepted Accounting Principles including required supplemental information;

(ii) within nine months after the close of each Fiscal Year, one or more tables setting forth (A) Tax Revenues for such Fiscal Year, (B) debt service on the Bonds and any Parity Debt for such Fiscal Year, (C) the coverage ratio of Tax Revenues to such debt service on the Bonds and Parity

Debt, (D) the total assessed valuation of the taxable property in the Project Area for the prior Fiscal Year, and (E) the top ten taxpayers in the Project Area as shown on the records of the County Assessor for the prior Fiscal Year and the percent of Tax Revenues from each. Upon written notice to each Owner, any information to be provided pursuant to this covenant may be provided directly to the Owner or may be disseminated through the dissemination services provided through EMMA;

(iii) as soon as practicable upon request of an Owner, but no later than 15 days following approval by State Department of Finance, a copy of the State Department of Finance approved ROPS filing in the event the information cannot be obtained through the State Department of Finance at <http://www.dof.ca.gov/redevelopment/ROPS/view.php> ;

(iv) within nine months after the close of each Fiscal Year, or as soon thereafter as such documents become available, copies of the Department of Finance Distribution Reports for the prior fiscal year from the County Auditor-Controller, to the extent not posted on the County's website; and

(v) promptly following the Successor Agency's knowledge thereof, notices of (A) any default on any debt obligation, (B) Material Litigation, (C) material governmental proceedings, or (D) Material Adverse Effect

The Successor Agency shall promptly notify the Trustee and the Owner by telephone, promptly confirmed in writing, of any event, action or failure to take any action which constitutes an event of default under any obligation or this Indenture, together with a detailed statement by an authorized representative of the Successor Agency of the steps being taken by the Successor Agency to cure the effect of such event of default.

The Successor Agency shall promptly notify the Trustee in writing (and the Trustee shall in turn notify the Owners) (i) of any action, suit or proceeding or any investigation, inquiry or similar proceeding by or before any court or other governmental authority, domestic or foreign, against the Successor Agency which involve claims equal to or in excess of \$100,000 or that seeks injunctive relief, any Material Litigation and the occurrence of any Material Adverse Effect.

Section 5.06. Protection of Security and Rights of Owners. The Successor Agency will preserve and protect the security of the Bonds and the rights of the Owners and to contest by court action or otherwise (i) the assertion by any officer of any government unit or any other person whatsoever against the Successor Agency that (A) the Law is unconstitutional or (B) that the Tax Revenues pledged under this Indenture cannot be paid to the Successor Agency for the debt service on the Bonds or (ii) any other action affecting the validity of the Bonds or diluting the security therefor, including, with respect to the Tax Revenues. From and after the Closing Date, the Bonds shall be incontestable by the Successor Agency.

Section 5.07. Payments of Taxes and Other Charges. Except as otherwise provided herein, the Successor Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Successor Agency or the properties then owned by the Successor Agency in the Project Areas, or upon the revenues therefrom when the same shall become due.

Nothing herein contained shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said taxes, assessments or charges. The Successor Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Project Areas or any part thereof.

Section 5.08. Compliance with the Law; Recognized Obligation Payment Schedules; Notice of Insufficiency. The Successor Agency shall comply with all of the requirements of the Law. Pursuant to Section 34177 of the Law, not later than each date a Recognized Obligation Payment Schedule is due, the Successor Agency shall submit to the Oversight Board and the State Department of Finance, a Recognized Obligation Payment Schedule. The Successor Agency shall take all actions required under the Law to include in the Recognized Obligation Payment Schedule for each Semiannual Period debt service on the Bonds, so as to enable the San Mateo County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on each January 2 and June 1, as applicable, amounts required to enable the Successor Agency to pay timely principal of, and interest on, the Bonds on a timely basis and to pay any amounts owed to any Insurer.

Without limitation of the foregoing, in order to ensure that amounts are available for the Trustee to pay debt service on all Outstanding Bonds and all amounts due and owing hereunder on a timely basis, the Successor Agency shall apply amounts received on the June 1, 2019 and the January 2, 2020 Recognized Obligation Payment Schedule distribution dates to pay debt service on the 2018 Bonds on September 1, 2019 and March 1, 2020. Thereafter, the Successor Agency shall submit to the State Department of Finance and the San Mateo County Auditor-Controller, no later than February 1 of each year, an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the San Mateo County Auditor-Controller that shall include (i) all of the debt service due on all Outstanding Bonds on the next succeeding September 1 (which amount is anticipated to equal interest due on such September 1 plus 50% of principal due on such September 1), which shall be distributed to the Successor Agency on each June 1 (but only to the extent that there are not other amounts previously reserved therefor), (ii) all of the interest due on the 2018 Bonds on the following March 1, which amounts shall be distributed to the Successor Agency on each January 2, and (iii) 50% of the principal due on the Outstanding Bonds on the September 1 following such January 2, which amounts shall be distributed to the Successor Agency on such January 2.

In the event the provisions set forth in the Dissolution Act as of the Closing Date of the 2018 Bonds that relate to the filing of Recognized Obligation Payment Schedules are amended or modified in any manner, the Successor Agency agrees to take all such actions as are necessary to comply with such amended or modified provisions so as to ensure the timely payment of debt service on the Bonds and, if the timing of distributions of the Redevelopment Property Tax Trust Fund is changed, the receipt of funds so that the provisions of the first paragraph of this Section 5.08 are complied with as fully as possible.

Section 5.09. Dissolution Act Invalid; Maintenance of Tax Revenues. In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions, provisions of the Dissolution Act or the equivalent become applicable to the Bonds, the Successor Agency shall comply with all requirements of the Dissolution Act or the equivalent to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of San Mateo County and, in the case of amounts payable by the State, appropriate officials of the State and shall apply any such Tax

Revenues received by the Successor Agency in the manner set forth in this Indenture. In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and neither provisions of the Dissolution Act nor the equivalent replace the invalid provisions, then the Successor Agency shall use good faith efforts to insure the allocation and payment to it of the Tax Revenues and, if and to the extent the Tax Revenues are thereafter insufficient for the Successor Agency to satisfy its obligations under this Indenture, an Event of Default shall be deemed to have occurred and the remedies upon an Event of Default contained herein shall apply.

The Successor Agency covenants and agrees that if all or any part to the Redevelopment Plan 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 Redevelopment Plan.

Section 5.10. No Arbitrage. The Successor Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2018 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2018 Bonds would have caused the 2018 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 5.11. Private Activity Bond Limitation. The Successor Agency shall assure that the proceeds of the 2018 Bonds are not so used as to cause the 2018 Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Section 5.12. Federal Guarantee Prohibition. The Successor Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the 2018 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Section 5.13. Rebate Requirement. The Successor Agency shall take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2018 Bonds.

Section 5.14. Maintenance of Tax-Exemption. The Successor Agency shall take all actions necessary to assure the exclusion of interest on the 2018 Bonds from the gross income of the Owners of the 2018 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2018 Bonds.

Section 5.15. Further Assurances. The Successor Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Indenture.

Section 5.16. Protection of Tax Revenues. The Successor Agency shall not enter into any agreement with any other governmental entity, or amend any such agreement, if such agreement or amendment would have the effect of reducing the amount of Tax Revenues

available to the Successor Agency for the payment of principal or interest payments on the Bonds or other payments required by this Indenture or any Supplemental Indenture without the prior written consent of the Owner.

Section 5.17. Costs and Expenses.. Subject to the following sentence, the Successor Agency agrees to pay the reasonable out-of-pocket expenses and disbursements of the Owners and the necessary and reasonable fees, expenses and disbursements of counsel to the Owners in connection with (A) obtaining any waiver or consent under this Indenture (whether or not the transactions contemplated thereby shall be consummated), , and (B) the occurrence of an Event of Default and collection and other enforcement proceedings resulting therefrom.

## ARTICLE VI

### THE TRUSTEE

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

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants, duties or obligations shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's 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 shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Successor Agency to the Trustee, as well as the Owners, whereupon the Successor Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Successor Agency and by giving notice of such resignation by first class mail, postage prepaid, to the Bond Owners 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 at the expense of the Successor Agency 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, acknowledging 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 a notice of the succession of such Trustee to the trusts hereunder to each rating agency that then maintains a 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.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a financial institution having a corporate trust office in the State, having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such financial institution 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 financial institution 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.

Section 6.02. Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which 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 6.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 6.03. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the 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 security for the Bonds or the tax status of interest thereon 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 intentional misconduct. The Trustee shall not be liable for the acts of any agents of the Trustee selected by it with due care. The Trustee and its officers and employees 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 by a responsible employee or 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 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 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 intentional misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer shall have actual knowledge thereof, or shall have received written notice thereof from the Successor Agency at its Principal Corporate Trust Office. In the absence of such actual knowledge or notice, the Trustee may conclusively assume that no Event of Default has occurred and is continuing under this Indenture. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by any other party of any of the terms, conditions, covenants or agreements herein or 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 may rely conclusively on the Successor Agency's certificates to establish the Successor Agency's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of 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).

The Trustee shall have no liability or obligation to the Bondowners with respect to the payment of debt service on the Bonds by the Successor Agency or with respect to the observance or performance by the Successor Agency of the other conditions, covenants and terms contained in this Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the Successor Agency pursuant to this Indenture or otherwise.

No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys or receivers and the Trustee shall not be responsible for any intentional misconduct or negligence on the part of any agent, attorney or receiver appointed with due care by it hereunder.

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

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

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

Section 6.04. Right to Rely on Documents and Opinions. 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 prescribed by the proper party or parties, and shall not be required to make any investigation into the facts or matters contained thereon. 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 intentional 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 under the provisions of this Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant or Independent Redevelopment Consultant appointed by the Successor Agency.

Section 6.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times upon reasonable notice to the inspection of the Successor

Agency, and any Owner, and their agents and representatives duly authorized in writing, during regular business hours and under reasonable conditions.

Section 6.06. Compensation and Indemnification. The Successor Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under this Indenture in accordance with the letter proposal from the Trustee approved by the Successor Agency and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture. The Trustee shall have a first lien on the Tax Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel).

The Successor Agency further covenants and agrees to indemnify, defend 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 connection with the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Successor Agency and the rights of the Trustee under this Section 6.06 shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

Section 6.07. Deposit and Investment of Moneys in Funds. Moneys in the Debt Service Fund, the Interest Account and the Principal Account and the 2018 Costs of Issuance Account shall be invested by the Trustee in Permitted Investments as directed by the Successor Agency in the Written Request of the Successor Agency filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such Written Request of the Successor Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out hereunder. The Trustee shall be entitled to rely conclusively upon the written instructions of the Successor Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. Moneys in the Redevelopment Obligation Retirement Fund may be invested by the Successor Agency in any obligations in which the Successor Agency is legally authorized to invest its funds. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be deposited in the Interest Account. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Successor Agency or otherwise made pursuant to this Section.

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.

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

The Successor Agency covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Successor Agency in any Written Certificate or Written Request of the Successor Agency.

For purposes of this Section 6.07, the term "Fair Market Value" shall mean the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

Section 6.08. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which accurate entries shall be made of all transactions of the Trustee relating to the proceeds of the Bonds made by it and all funds and accounts held by the Trustee established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Successor Agency upon reasonable prior notice, at reasonable hours and under reasonable circumstances. The Trustee shall furnish to the Successor Agency, at least monthly, an accounting of all transactions in the form of its customary statements relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to this Indenture.

Section 6.09. Appointment of Co-Trustee or Agent. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking 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 appoint an

additional individual or institution as a separate co-trustee. The following provisions of this Section 6.09 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them; provided, however, in no event shall the Trustee be responsible or liable for the acts or omissions of any co-trustee.

Should any instrument in writing from the Successor Agency be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the 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.

Section 6.10. Other Transactions with Successor Agency. The Trustee, either as principal or agent, may engaged in or be interested in any financial or other transaction with the Successor Agency.

## ARTICLE VII

### MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 7.01. Amendment With And 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 and, but without the consent of the Owners, to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Successor Agency in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers herein reserved to or conferred upon the Successor Agency, provided under any circumstances that such modifications or amendments shall not, in the reasonable determination of the Successor Agency, materially adversely affect the interests of the Owners; 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, in the reasonable determination of the Successor Agency, materially adversely affect the interests of the Owners; or

(c) 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 exemption from federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel; or

(d) to amend the Recognized Obligation Debt Service Payment Schedule set forth in Exhibit B to take into account the redemption of any Bond prior to its maturity; or

(e) to provide for the issuance of Parity Debt pursuant to a Supplemental Indenture, as such issuance is authorized by Section 5.02.

Except as set forth in the preceding paragraph, 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 or interest 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, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In addition, the Trustee shall be entitled to an opinion of counsel concerning the Supplemental Indenture's lack of any material adverse effect on the Owners.

Section 7.02. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 7.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any amendment or modification hereof pursuant to this Article VII, the 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 Principal Corporate 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 at the expense of the Successor Agency 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 7.04. Amendment by Mutual Consent. The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

Section 7.05. Trustee's Reliance. The Trustee may conclusively rely, and is protected in relying, upon a Certificate of the Successor Agency and an opinion of Bond Counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Bondowners.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 8.01. Events of Default and Acceleration of Maturities. The following events shall constitute Events of Default hereunder:

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

(b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds or any Parity Debt Instrument 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 (with a copy of said notice delivered to the Trustee) of the occurrence of such default, provided that if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such 60 day period, such failure will not constitute an event of default if corrective action is instituted by the Successor Agency (within such 60 day period and the Successor Agency thereafter diligently and in good faith cures such failure within 150 days; or

(c) If the Successor Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Successor Agency or of the whole or any substantial part of its property.

Notwithstanding the foregoing, in the event the Successor Agency fails to file a Recognized Obligation Payment Schedule within the time required by the Dissolution Act, as it may be amended from time to time, the Owner shall have the right to file a writ of mandate to enforce the Successor Agency's obligation to file such Recognized Obligation Payment Schedule in accordance with Section 5.08 hereof and the Dissolution Act.

If an Event of Default has occurred and is continuing, the Trustee may, or if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and (b) the Trustee shall, subject to the provisions of Section 8.06, exercise any other remedies available to the Trustee and the Bondowners in law or at equity.

Upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone promptly 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 the Trustee shall also give such notice to the Owners by mail, 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), and the reasonable fees and expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) 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 Trustee shall promptly give written notice of the foregoing to the Owners of all Bonds then Outstanding, and 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.

Section 8.02. Application of Funds Upon Acceleration. All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee hereunder upon the date of the declaration of acceleration as provided in Section 8.01, and all sums thereafter received by the Trustee hereunder, shall be applied by the Trustee in the following order 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 (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee; and

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

Section 8.03. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings

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

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

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

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

Section 8.05. Non-Waiver. Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, shall affect or impair the obligation of the Successor Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged hereunder, the principal of and interest 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 or the Trustee to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner or the Trustee 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 and the Trustee by the Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners and the Trustee.

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

Section 8.06. Actions by Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, *provided, however,* the Trustee shall have no duty or obligation to exercise any such right or remedy unless it has been indemnified to its satisfaction from any loss, liability or expense (including fees and expenses of its outside counsel and the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel).

Section 8.07. 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 or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

## ARTICLE IX

### MISCELLANEOUS

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

Section 9.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture either the 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 9.03. Defeasance of Bonds. 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 redemption premium (if any) on all or the applicable portion of Outstanding Bonds, as and when the same become due and payable; or

(ii) by irrevocably depositing with the Trustee in trust or an escrow agent in an irrevocable escrow, 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 or the applicable portion of Outstanding Bonds, including all principal, redemption premium (if any) and interest, or;

(iii) by irrevocably depositing with the Trustee in trust or an escrow agent in an irrevocable escrow, Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or the applicable portion thereof (including all principal, redemption premium (if any) and interest) at or before maturity; or

(iv) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

then, at the election of the Successor Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the Successor Agency under this Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the covenants of the Successor Agency hereunder with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds hereunder, (c) the obligations of the Successor Agency under Section 6.06 hereof, and (d) 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. In the event the Successor Agency shall, pursuant to the foregoing provision, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Successor Agency all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Successor Agency has determined to pay and discharge in part.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee pursuant to Section 6.06 shall be paid over to the Successor Agency for deposit in the Redevelopment Retirement Obligation Fund.

In connection with the defeasance of Bonds under this Section 9.03, the Successor Agency shall enter into an escrow agreement with the Trustee or other fiduciary that shall provide that:

(a) Any substitution of securities shall require the delivery of Verification Report and an opinion of Bond Counsel that such substitution will not adversely affect the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

(b) If applicable, the Successor Agency will not exercise any prior optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds (if any), and (ii) as a condition to any such redemption the Successor Agency has delivered to the Trustee a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

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

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

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

Any demand, request, direction, consent, 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 and in accordance therewith, provided, however, that the Trustee shall not be deemed to have knowledge that any Bond is owned by or for the account of the Successor Agency unless the Successor Agency is the registered Owner or the Trustee has received written notice that any other registered Owner is such an affiliate.

Section 9.05. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the 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.

Section 9.06. Waiver of Personal Liability. No member, officer, agent or employee of the Successor Agency shall be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.07. Destruction of Cancelled Bonds. Whenever in this Indenture provision is made for the surrender to the Trustee of any Bonds which have been paid or cancelled pursuant to the provisions of this Indenture, the Trustee shall destroy such bonds and upon 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 9.08. Notices. Any notice, request, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or upon receipt when mailed by first class, registered or certified mail, postage prepaid, or sent by telegram, addressed as follows:

If to the Successor Agency: Successor Agency to the San Carlos  
Redevelopment Agency  
600 Elm Street  
San Carlos, CA 94070  
Attention: Administrative Services Director

If to the Trustee: U.S. Bank National Association  
One California Street, Suite 1000  
San Francisco, California 94111  
Attention: Global Corporate Trust Services

If to the Original Purchaser: Banner Bank  
1750 Howe Avenue, Suite 100  
Sacramento, CA 95825  
Attention: Bob Pedersen  
Phone: (916) 472-4184

Section 9.09. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Indenture shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The 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 6.01 hereof, be assumed by and vest in the Chief Financial Officer of the Successor Agency in trust for the benefit of the Owners. The Successor Agency covenants for the direct benefit of the Owners that its Chief Financial 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 Bonds, pending appointment of a successor Trustee in accordance with the provisions of Section 6.01 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 and 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 Bondowners shall look only to the Successor Agency for the payment of the principal of and interest and premium (if any) on of such Bonds.

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

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

*[Remainder of page intentionally left blank. Signatures on next page.]*

IN WITNESS WHEREOF, the Successor Agency to the San Carlos Redevelopment Agency, has caused this Indenture to be signed in its name by the City Manager of the City and attested by the City Clerk of the City, and an authorized officer of U.S. Bank National Association, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

SUCCESSOR AGENCY TO THE SAN  
CARLOS REDEVELOPMENT AGENCY

By:  \_\_\_\_\_  
City Manager

ATTEST:

 \_\_\_\_\_  
City Clerk

U.S. BANK NATIONAL ASSOCIATION  
*as Trustee*

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

IN WITNESS WHEREOF, the Successor Agency to the San Carlos Redevelopment Agency, has caused this Indenture to be signed in its name by the City Manager of the City and attested by the City Clerk of the City, and an authorized officer of U.S. Bank National Association, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

SUCCESSOR AGENCY TO THE SAN  
CARLOS REDEVELOPMENT AGENCY

By: \_\_\_\_\_  
City Manager

ATTEST:

\_\_\_\_\_  
City Clerk

U.S. BANK NATIONAL ASSOCIATION  
*as Trustee*

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

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF SAN MATEO

SUCCESSOR AGENCY TO THE SAN CARLOS REDEVELOPMENT AGENCY  
2018 TAX ALLOCATION REFUNDING BOND

INTEREST RATE:  
2.850%

MATURITY DATE:  
September 1, 2033

DATED DATE:  
April 20, 2018

REGISTERED OWNER: **BANNER BANK**

PRINCIPAL SUM: **ELEVEN MILLION EIGHT HUNDRED FORTY THOUSAND SIX HUNDRED EIGHTY-FOUR DOLLARS (\$11,840,684)**

**THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY BE TRANSFERRED ONLY IN WHOLE BY THE REGISTERED OWNER SOLELY TO (A) A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT OF 1933), OR (ii) AN "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501 OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED) AND ONLY UPON THE EXECUTION AND DELIVERY BY THE TRANSFERREE OF A PURCHASER LETTER IN SUBSTANTIALLY THE FORM OF EXHIBIT C TO THE INDENTURE AND BY THIS REFERENCE INCORPORATED HEREIN.**

The SUCCESSOR AGENCY TO THE SAN CARLOS REDEVELOPMENT AGENCY, a public entity 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 (the "Registered Owner"), 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 (as hereinafter defined) next preceding the date of authentication of this Bond, unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth (15th) day of the month immediately preceding an Interest Payment Date (the "Record Date"), in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Dated Date above; provided however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, until payment of such Principal Sum in full, at the Interest Rate per annum stated above, payable semiannually on March 1 and September 1 in each year, commencing September 1, 2018 (each an "Interest Payment Date"), calculated on the basis of 360-day year comprised of twelve 30-day months. Principal and premium, if any, upon early redemption hereof are payable upon surrender of this Bond at the corporate trust office of U.S. Bank National

SUCCESSOR AGENCY TO THE SAN CARLOS REDEVELOPMENT AGENCY  
2018 TAX ALLOCATION REFUNDING BOND

Association, in St. Paul, Minnesota, as trustee (the "Trustee"), or at such other place as designated by the Trustee (the "Corporate Trust Office").

Except as otherwise provided in the Indenture when the Bonds are held by a single Owner, interest hereon (including the final interest payment upon maturity or earlier redemption hereof) is payable by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books maintained by the Trustee as of the Record Date for which such Interest Payment Date occurs; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of Bonds in the aggregate principal amount of \$1,000,000 or more upon written instructions of any such registered owner filed with the Trustee for that purpose prior to the Record Date preceding the applicable Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the Successor Agency designated as the "Successor Agency to the San Carlos Redevelopment Agency 2018 Tax Allocation Refunding Bonds" (the "Bonds"), of an aggregate principal amount of \$11,840,684, all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, maturities, interest rates, and other provisions) and all issued pursuant to the provisions of (i) Part 1 of Division 24 of the Health and Safety Code of the State, as amended and supplemented by the provisions of Assembly Bill X1 26, as amended by Assembly Bill 1484, signed by the Governor on June 27, 2012, and filed with the Secretary of State on June 27, 2012 (the "Law"), (ii) Article 11 (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 "Refunding Law") and (iii) an Indenture of Trust, dated as of April 1, 2018, entered into by and between the Successor Agency and the Trustee (the "Indenture"), authorizing the issuance of the Bonds.

The Successor Agency may issue additional bonds and other obligations on a parity with the 2018 Bonds and 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 (as defined in the Indenture) and the Refunding Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues (as that term is defined in the Indenture), and the rights thereunder of the 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 for the purpose of providing funds to refinance certain redevelopment activities undertaken with respect to redevelopment project area (the "Project Area"), to acquire a debt service surety bond for the Bonds and to pay certain expenses of the Successor Agency in issuing the Bonds.

There has been created under the Dissolution Act (as defined in the Indenture) the Redevelopment Obligation Retirement Fund (as defined in the Indenture) into which Tax Revenues shall be deposited and from which the Successor Agency shall transfer amounts to the Trustee for payment, when due, of the principal of and the interest and redemption premium, if

SUCCESSOR AGENCY TO THE SAN CARLOS REDEVELOPMENT AGENCY  
2018 TAX ALLOCATION REFUNDING BOND

any, on the Bonds. As and to the extent set forth in the Indenture, all such Tax Revenues are exclusively and irrevocably pledged to and constitute a trust fund, in accordance with the terms hereof and the provisions of the Indenture and the Law, for the security and payment of the principal of, and for the security and payment of interest and redemption premium, if any, on the Bonds. In addition, the Bonds shall be additionally secured at all times by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Redevelopment Obligation Retirement Fund, the Debt Service Fund, the Interest Account and the Principal Account (as such terms are defined in the Indenture). Except for the 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 and redemption premium, if any, on the Bonds.

The Bonds may be redeemed prior to maturity at the option of the Successor Agency from any source of available funds, as a whole or in part, on any Optional Redemption Date, commencing with June 1, 2023, at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Optional Redemption Dates</u>	<u>Redemption Price</u>
June 1, 2023 through and including March 1, 2024	103%
June 1, 2024 through and including March 1, 2025	102
June 1, 2025 through and including March 1, 2026	101
June 1, 2026 and any Optional Redemption Date thereafter	100

The Bonds are subject to mandatory sinking fund redemption on September 1 in each year, commencing September 1, 2018, as set forth below, from sinking fund payments made by the Successor Agency, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table:

**2018 Bonds Due Sept. 1, 2033**

<u>Sept. 1</u>	<u>Principal Amount</u>
2018	\$300,000
2019	628,632
2020	643,860
2021	662,985
2022	681,593
2023	703,118
2024	723,907
2025	743,938
2026	763,191
2027	786,641
2028	809,186
2029	830,798
2030	852,225
2031	877,264
2032	905,766
2033	927,580

SUCCESSOR AGENCY TO THE SAN CARLOS REDEVELOPMENT AGENCY  
2018 TAX ALLOCATION REFUNDING BOND

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 \$1 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 any 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 Trustee may refuse to transfer or exchange (a) any Bond during the 15 days prior to the date established for the selection of Bonds for redemption, or (b) any Bond selected for redemption.

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 (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 premium (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, (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.

This Bond is not a debt of the City of San Carlos, the County of San Mateo, the State of California, or any of its political subdivisions, and neither said City, said County, said State, nor any of its political subdivisions (other than the Successor Agency to the extent described in the Indenture) 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. 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, the Refunding 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, the Refunding 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.

SUCCESSOR AGENCY TO THE SAN CARLOS REDEVELOPMENT AGENCY  
2018 TAX ALLOCATION REFUNDING BOND

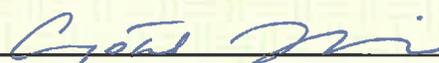
This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Trustee's Certificate of Authentication hereon shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Successor Agency to the San Carlos Redevelopment Agency has caused this Bond to be executed in its name and on its behalf with the facsimile signature of the City Manager of the City of San Carlos and attested by the facsimile signature of the City Clerk of the City of San Carlos, all as of the Dated Date set forth above.

SUCCESSOR AGENCY TO THE SAN CARLOS REDEVELOPMENT AGENCY

By:   
\_\_\_\_\_  
City Manager

ATTEST:

  
\_\_\_\_\_  
City Clerk

Specimen

SUCCESSOR AGENCY TO THE SAN CARLOS REDEVELOPMENT AGENCY  
2018 TAX ALLOCATION REFUNDING BOND

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

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

Authentication Date: April 20, 2018

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: Marianne Sig  
Authorized Signatory

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 appoints(s) \_\_\_\_\_ attorney,

to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

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

Signatures Guaranteed: \_\_\_\_\_

Note: Signature(s) must be guaranteed by an eligible guarantor.

Note: The signatures(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.

SUCCESSOR AGENCY TO THE SAN CARLOS REDEVELOPMENT AGENCY  
2018 TAX ALLOCATION REFUNDING BOND

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or Tax Regulations:

TEN COM --	as tenants in common	UNIF GIFT MIN ACT _____	Custodian _____
TEN ENT --	as tenants by the entireties	(Cust.)	(Minor)
JT TEN --	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____	(State)
COMM PROP --	as community property		

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED  
THOUGH NOT IN THE LIST ABOVE

(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 appoints(s) \_\_\_\_\_ attorney,

to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

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

Signatures Guaranteed: \_\_\_\_\_

Note: Signature(s) must be guaranteed by an eligible guarantor.

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

**EXHIBIT B****RECOGNIZED OBLIGATION DEBT SERVICE PAYMENT SCHEDULE  
FOR 2018 BONDS**

Period Ending	Principal	Interest	Total Payment
09/01/2018	\$300,000.00	\$122,797.76	\$422,797.76
03/01/2019	-	164,454.75	164,454.75
09/01/2019	628,632.00	164,454.75	793,086.75
03/01/2020	-	155,496.74	155,496.74
09/01/2020	643,860.00	155,496.74	799,356.74
03/01/2021	-	146,321.74	146,321.74
09/01/2021	662,985.00	146,321.74	809,306.74
03/01/2022	-	136,874.20	136,874.20
09/01/2022	681,593.00	136,874.20	818,467.20
03/01/2023	-	127,161.50	127,161.50
09/01/2023	703,118.00	127,161.50	830,279.50
03/01/2024	-	117,142.07	117,142.07
09/01/2024	723,907.00	117,142.07	841,049.07
03/01/2025	-	106,826.39	106,826.39
09/01/2025	743,938.00	106,826.39	850,764.39
03/01/2026	-	96,225.28	96,225.28
09/01/2026	763,191.00	96,225.28	859,416.28
03/01/2027	-	85,349.81	85,349.81
09/01/2027	786,641.00	85,349.81	871,990.81
03/01/2028	-	74,140.17	74,140.17
09/01/2028	809,186.00	74,140.17	883,326.17
03/01/2029	-	62,609.27	62,609.27
09/01/2029	830,798.00	62,609.27	893,407.27
03/01/2030	-	50,770.40	50,770.40
09/01/2030	852,225.00	50,770.40	902,995.40
03/01/2031	-	38,626.19	38,626.19
09/01/2031	877,264.00	38,626.19	915,890.19
03/01/2032	-	26,125.18	26,125.18
09/01/2032	905,766.00	26,125.18	931,891.18
03/01/2033	-	13,218.02	13,218.02
09/01/2033	927,580.00	13,218.02	940,798.02
<i>Total</i>	<i>\$11,840,684.00</i>	<i>\$2,925,481.18</i>	<i>\$14,766,165.18</i>

**PURCHASER LETTER**

April 20, 2018

Successor Agency to the San Carlos Redevelopment Agency  
600 Elm Street  
San Carlos, California 94070

U.S. Bank National Association  
One California Street, Suite 1000  
San Francisco, California 94111

Re: Successor Agency to the San Carlos Redevelopment Agency 2018 Tax  
Allocation Refunding Bonds

Ladies and Gentlemen:

The undersigned (the "Purchaser") understands that the Successor Agency to the San Carlos Redevelopment Agency (the "Issuer") has issued its 2018 Tax Allocation Refunding Bonds (the "2018 Bonds"). The Purchaser intends to purchase the 2018 Bonds. In connection with such purchase of the 2018 Bonds, the Purchaser makes the certifications, representations, warranties, acknowledgements and covenants contained in this Letter of Representations to each of the addressees hereof, with the express understanding that such certifications, representations, warranties, acknowledgements and covenants will be relied upon by such addressees.

1. The Purchaser has full power and authority to carry on its business as now conducted, deliver this certificate and make the representations and certifications contained herein. The Purchaser has duly authorized the execution and delivery of this Letter of Representations.

2. The Purchaser has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal bonds and other tax-exempt obligations similar to the 2018 Bonds, to be able to evaluate the risks and merits of the 2018 Bonds, and the Purchaser has evaluated the risks and merits of such lending independently; and is a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act of 1933, as amended. The Purchaser is not acting as a broker, dealer or municipal securities underwriter in connection with sale and delivery of the 2018 Bonds.

3. The Purchaser has conducted its own investigation of the financial condition of the Issuer and the availability of sources of payment for the 2018 Bonds, the purpose for which the 2018 Bonds were issued and of the security for the repayment thereof, and has obtained such information regarding the 2018 Bonds and the Issuer and its operations, financial condition and financial prospects as the Purchaser deems necessary to make an informed lending decision with respect to its purchase of the 2018 Bonds.

Successor Agency to the San Carlos Redevelopment Agency  
U.S. Bank National Association  
April 20, 2018  
Page 2

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4. The Purchaser is purchasing the 2018 Bonds for its loan account and the Purchaser intends to hold the 2018 Bonds for its own account as a long-term loan, without a current view to any distribution or sale thereof; provided that the Purchaser retains the right at any time to dispose of the 2018 Bonds in accordance with its terms. In the event that the Purchaser disposes of the 2018 Bonds at any time, the Purchaser understands that it has the responsibility for complying with the provisions of any applicable federal and state securities laws and all rules and regulations promulgated pursuant thereto. Because the Purchaser has no immediate intent to trade the 2018 Bonds and as a condition to the purchase of the 2018 Bonds, the Purchaser has directed the Issuer not to obtain a CUSIP number or apply for DTC eligibility.

5. The Purchaser is informed that the 2018 Bonds will not be listed on any stock or other securities exchange and was entered into without registration under the provisions of the Securities Act of 1933, or any state securities laws.

6. The Purchaser acknowledges that the 2018 Bonds are transferable in whole and not in part and that:

(i) the transferring holder thereof shall first have complied with all applicable state and federal securities laws and regulations;

(ii) the transferring holder thereof can transfer the 2018 Bonds only to a transferee who executes and delivers to the Issuer a letter of the transferee substantially to the effect of this letter and who qualifies as:

(a) a qualified institutional buyer pursuant to Rule 144A of the 1933 Securities Act; or

(b) an "accredited investor" within the meaning of Section 2(15) of the 1933 Securities Act; and

(iii) the transferring holder thereof will not prepare or furnish, or cause to be prepared or furnished, any disclosure regarding the Issuer without the prior review and written consent of the Issuer, in the Issuer's sole discretion.

7. The Purchaser acknowledges that no credit rating has been sought or obtained with respect to the 2018 Bonds.

8. The Purchaser acknowledges that no official statement has been prepared for the 2018 Bonds, and that the Issuer will not be entering into a continuing disclosure agreement to provide ongoing disclosure to the public with respect to the 2018 Bonds, although the Issuer acknowledges that it will provide specific reporting information to the Purchaser that is identified within the Indenture. The Purchaser has been offered copies of or had full access to all documents relating to the 2018 Bonds and all records, reports, financial statements and other information concerning the Issuer and pertinent to the source of payment for the 2018 Bonds as deemed material by the Purchaser, which the Purchaser as a reasonable Purchaser, has requested and to which the Purchaser, as a reasonable investor, would attach significance in making an investment decision.

Successor Agency to the San Carlos Redevelopment Agency  
U.S. Bank National Association  
April 20, 2018  
Page 3

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9. No person has given any information or made any representations otherwise provided to Purchaser in writing by a person employed or authorized in writing by the Issuer. The Purchaser understands and agrees that any information or representation not contained therein must not, and will not, be relied upon and that nothing contained therein should be construed as legal or tax advice to the purchaser.

10. No person has made any direct or indirect representation or warranty of any kind to the Purchaser with respect to the economic return which may accrue to the Purchaser. The Purchaser has consulted with its own counsel and other advisors making the loan as evidenced by the 2018 Bonds.

11. The Purchaser is able to bear the economic risk of in the lending represented the 2018 Bonds, including a complete loss of principal and interest.

12. The Authorized Representative is a duly authorized officer of the Purchaser with the authority to sign this Certificate on behalf of the Purchaser, and this Certificate has been duly authorized, executed and delivered.

Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the 2018 Bonds.

IN WITNESS WHEREOF, the Purchaser has executed this letter as of the date set forth above.

**BANNER BANK,**  
*as Purchaser*

By:   
Name: Bob Pedersen  
Title: Vice President/Public Finance Officer

**RESOLUTION NO. SA - 015**

**A RESOLUTION OF THE SUCCESSOR AGENCY TO THE SAN CARLOS REDEVELOPMENT AGENCY APPROVING THE ISSUANCE OF BONDS TO REFUND CERTAIN OUTSTANDING BONDS OF THE FORMER REDEVELOPMENT AGENCY, APPROVING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST, AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO.**

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**WHEREAS**, pursuant to Section 34172(a) of the California Health and Safety Code (unless otherwise noted, all Section references hereinafter being to such Code), the San Carlos Redevelopment Agency (the "Former Agency") has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173, the Successor Agency to the San Carlos Redevelopment Agency (the "Successor Agency") has become the successor entity to the Former Agency; and

**WHEREAS**, by implementation of California Assembly Bill X1 26, which was codified in the Health and Safety Code beginning with Section 34161 (as amended from time to time, the "Dissolution Act") and amended provisions of the California Redevelopment Law (Health and Safety Code Section 33000, *et seq.*, herein the "Redevelopment Law"), and the Successor Agency, in accordance with and pursuant to the Dissolution Act, assumed the duties and obligations of the Former Agency as provided in the Dissolution Act; and

**WHEREAS**, prior to dissolution of the Former Agency, the Former Agency issued the following outstanding series of bonds pursuant to a Bond Issuance and Sale Agreement, dated as of December 1, 2007, among the Former Agency, U.S. Bank National Association, as trustee, and the Association of Bay Area Governments ("ABAG"), for the purpose of financing and refinancing redevelopment activities:

- (i) \$12,875,000 San Carlos Redevelopment Agency San Carlos Redevelopment Project 2007 Tax Allocation Bonds, Series A (the "2007A Bonds"); and
- (ii) \$3,135,000 San Carlos Redevelopment Agency San Carlos Redevelopment Project 2007 Tax Allocation Bonds, Series B (the "2007B Bonds"); and

**WHEREAS**, the 2007B Bonds are scheduled to mature on September 1, 2018, and the 2007A Bonds are redeemable at the option of the Successor Agency on any date at a redemption price equal to the par amount to be redeemed; and

**WHEREAS**, the refunding of the 2007A Bonds will result in the refunding of a corresponding amount of the \$38,835,000 Association of Bay Area Governments 2007 Revenue Bonds, Series A (California Tax Allocation Bonds) previously issued by ABAG; and

**WHEREAS**, Section 34177.5 authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law") for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1) (the "Savings Parameters"); and

**WHEREAS**, the Successor Agency wishes to refund the outstanding 2007A Bonds through the issuance of the Successor Agency to the San Carlos Redevelopment Agency 2018 Tax Allocation Refunding Bonds (the "Refunding Bonds"); and

**WHEREAS**, to determine compliance with the Savings Parameters for purposes of the issuance of the Refunding Bonds, the Successor Agency has caused its municipal advisor, NHA Advisors (the "Municipal Advisor"), to prepare an analysis of the potential savings that will accrue to the Successor Agency and to applicable taxing entities as a result of the use of the proceeds of the Refunding Bonds to refund the 2007A Bonds (the "Debt Service Savings Analysis"); and

**WHEREAS**, the Successor Agency desires at this time to approve the issuance of the Refunding Bonds and to approve the form of and authorize the execution and delivery of an Indenture of Trust (the "Indenture"), which will be entered into between the Successor Agency and a trustee to be appointed by the Successor Agency, and to approve such other necessary actions for the purpose of refunding the 2007A Bonds; and

**WHEREAS**, in accordance with Government Code Section 5852.1, the Successor Agency has obtained and disclosed the information set forth in Exhibit A hereto; and

**WHEREAS**, the Successor Agency has previously adopted a debt policy meeting the requirements of Government Code Section 8855(i)(1), and finds that the issuance of the Refunding Bonds is in accordance with the debt policy; and

**WHEREAS**, pursuant to Section 34179 of the Dissolution Act, an oversight board (the "Oversight Board") has been established for the Successor Agency; and

**WHEREAS**, the Successor Agency wishes to request that the Oversight Board approve and direct the issuance of the Refunding Bonds pursuant to this Resolution and the Indenture; and

**WHEREAS**, the Successor Agency further wishes to request that the Oversight Board make certain determinations described below on which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds.

**NOW, THEREFORE**, the Successor Agency to the San Carlos Redevelopment Agency does hereby resolve as follows:

**Section 1. Recitals.** The above recitals are true and correct and are a substantive part of this Resolution.

**Section 2. Determination of Savings.** The Successor Agency hereby determines that there are significant potential savings available to the Successor Agency and to applicable taxing entities in compliance with the Savings Parameters by the issuance by the Successor Agency of the Refunding Bonds to provide funds to refund the outstanding 2007A Bonds, all as evidenced by the Debt Service Savings Analysis on file with the Successor Agency, which Debt Service Savings Analysis is hereby approved.

**Section 3. Approval of Issuance of the Refunding Bonds.** The Successor Agency hereby authorizes and approves the issuance of the Refunding Bonds under the Redevelopment Law, as amended and supplemented by the Dissolution Act, and the Refunding Law in an aggregate principal amount sufficient to refund the 2007A Bonds and not to exceed \$12,750,000,

and provided that the Refunding Bonds are in compliance with Section 34177.5 of the Redevelopment Law at the time of sale and delivery.

**Section 4. Approval of Indenture.** The Successor Agency hereby approves the Indenture prescribing the terms and provisions of the Refunding Bonds and the application of the proceeds of the Refunding Bonds. Each of the Mayor, the City Manager, the Administrative Services Director and the City Clerk of the City (each, an "Authorized Officer," acting for the Successor Agency) are each acting alone authorized and directed, for and in the name of and on behalf of the Successor Agency, to execute, acknowledge and deliver the Indenture in substantially the form presented at this meeting with such changes therein as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof. Such changes may include issuing the Bonds in two series (on a federally taxable or tax-exempt basis) and/or with either or both series being "bank qualified" purposes of paragraph (3) of section 265(b) of the Internal Revenue Code. The date, maturity date or dates, interest rate or rates, interest payment dates, terms of redemption and other terms of the Refunding Bonds shall be as provided in the Indenture as finally executed. The Successor Agency hereby authorizes the delivery and performance of the Indenture.

**Section 5. Oversight Board Approval of the Issuance of the Bonds.** The Successor Agency hereby requests that the Oversight Board, as authorized by Section 34177.5(f) and Section 34180 of the Dissolution Act, approve and direct the issuance of the Refunding Bonds pursuant to Section 34177.5(a)(1), this Resolution and the Indenture.

**Section 6. Determinations by the Oversight Board.** The Successor Agency requests that the Oversight Board make the following determinations upon which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds:

(a) The Successor Agency is authorized, as provided in Section 34177.5(f), to recover its costs related to the issuance of the Refunding Bonds from the proceeds of the Refunding Bonds, including the cost of reimbursing the City of San Carlos (the "City") for administrative staff time spent with respect to the authorization, issuance, sale and delivery of the Refunding Bonds;

(b) The application of proceeds of the Refunding Bonds by the Successor Agency to the refunding of all or a portion of the 2007A Bonds, as well as the payment by the Successor Agency of costs of issuance of the Refunding Bonds and the premium for any bond insurance policy or debt service reserve fund insurance policy, as provided in Section 34177.5(a), shall be implemented by the Successor Agency promptly upon sale and delivery of the Refunding Bonds, notwithstanding Section 34177.3 or any other provision of law to the contrary, without the approval of the Oversight Board, the California Department of Finance, the San Mateo County Auditor-Controller or any other person or entity;

(c) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34171(b) without any deductions with respect to continuing costs related to the Refunding Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183. In addition, and as provided by Section 34177.5(f), if the Successor Agency is unable to complete the issuance of the Refunding Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings from such property tax revenues pursuant to Section 34183 without reduction in its Administrative

Cost Allowance. Notwithstanding Section 34177.5(f), any administrative costs post-issuance of the Refunding Bonds shall be placed on a subsequent ROPS in accord with the Dissolution Act.

**Section 7. Filing of Debt Service Savings Analysis and Resolution.** The Secretary of the Successor Agency is hereby authorized and directed to file the Debt Service Savings Analysis, together with a certified copy of this Resolution, with the Oversight Board, and, as provided in Section 34180(j), with the San Mateo County Administrative Officer, the San Mateo County Auditor-Controller and the California Department of Finance.

**Section 8. Sale of Refunding Bonds.** The Successor Agency hereby approves the sale of the Refunding Bonds by the Successor Agency through a private placement or public offering. Following approval by the Oversight Board of the issuance of the Refunding Bonds by the Successor Agency and following submission of the Oversight Board Resolution to the California Department of Finance, the Successor Agency will, with the assistance of its Bond Counsel and the Municipal Advisor, determine which method of sale provides the greatest savings. If a private placement, staff will work with a placement agent to obtain a purchase proposal, which will be submitted to an Authorized Officer for approval, with no further approval by the Successor Agency needed so long as the requirements of this Resolution are met. If a public offering, Successor Agency staff will work with an underwriter and disclosure counsel to prepare an official statement and to cause preparation of a purchase agreement, both of which will be submitted to the Successor Agency for approval at a later meeting of the Successor Agency. In no event shall the terms of sale of the Refunding Bonds result in a failure to meet the requirements of Section 34177.5 of the Redevelopment Law.

**Section 9. Issuance of Refunding Bonds in Whole or in Part.** It is the intent of the Successor Agency to sell and deliver the Refunding Bonds in whole, provided that there is compliance with the Savings Parameters. However, the Successor Agency will initially authorize the sale and delivery of the Refunding Bonds in whole or, if such Savings Parameters cannot be met with respect to the whole, then in part; provided that the Refunding Bonds so sold and delivered in part are in compliance with the Savings Parameters. The sale and delivery of the Refunding Bonds in part will in each instance provide sufficient funds only for the refunding of that portion of the outstanding 2007A Bonds that meet the Savings Parameters. In the event the Refunding Bonds are initially sold in part, the Successor Agency intends to sell and deliver additional parts of the Refunding Bonds without the further approval of the Successor Agency or the Oversight Board, provided that in each such instance the Refunding Bonds so sold and delivered in part are in compliance with the Savings Parameters.

**Section 10. Professional Services.** The Authorized Officers are hereby authorized to retain, in connection with the issuance of the Refunding Bonds, NHA Advisors, as Municipal Advisor, the firm of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel (if required), RSG, as fiscal consultant, a national recognized trustee as trustee for the Refunding Bonds, and Hilltop Securities Inc., as placement agent (or underwriter, as described in the following sentence), and to execute a professional services agreement with each such firm. If the Refunding Bonds are to be publicly offered, Hilltop Securities Inc. is approved to be the underwriter, and compensation will be as set forth in the purchase agreement to be approved in the future, as referred to in Section 8.

**Section 11. Official Actions.** The Authorized Officers and any and all other officers of the Successor Agency and the City are hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in obtaining the requested approval by

the California Department of Finance, and in the issuance, sale and delivery of the Refunding Bonds and redemption of the 2007A Bonds, including the execution and delivery of refunding instructions and/or an escrow agreement. Whenever in this Resolution any officer of the Successor Agency is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

**Section 12. Effective Date.** This Resolution shall take effect from and after the date of approval and adoption thereof.

\*\*\*\*\*

I, Crystal Mui, hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the San Carlos Successor Agency Board at a scheduled meeting thereof held on the 8th day of January, 2018, by the following vote:

**AYES, AGENCY MEMBERS:** COLLINS, GROCOTT, JOHNSON, OLBERT, GRASSILLI  
**NOES, AGENCY MEMBERS:** NONE  
**ABSENT, AGENCY MEMBERS:** NONE

  
**SECRETARY** of the Successor Agency Board

APPROVED:

  
**CHAIR** of the Successor Agency Board

**Exhibit A**

**Government Code Section 5852.1 Disclosure**

The following information consists of estimates that have been provided by the Successor Agency's municipal advisor which has been represented by such party to have been provided in good faith:

- (A) True interest cost of the Refunding Bonds: 3.10%
- (B) Finance charge of the Refunding Bonds (sum of all fees and charges paid to third parties): \$315,000
- (C) Amount of proceeds of the Refunding Bonds received by the Successor Agency (net of finance charges, reserves and capitalized interest, if any): \$11,625,000
- (D) Total payment amount (sum total of all payments to pay debt service on the Refunding Bonds plus the finance charge not paid with proceeds of the Refunding Bonds) calculated to the final maturity of the Refunding Bonds: \$15,100,000

**Supporting Schedule for Bond Payments Reflected on the Last and Final ROPS**

ROPS Period	Debt Service Date Per Indenture	Principal	Interest	Total
18-19A	9/1/2018	\$ 300,000.00	\$ 122,797.76	\$ 422,797.76
18-19B	3/1/2019	-	164,454.75	164,454.75
19-20A	9/1/2019	628,632.00	164,454.75	793,086.75
19-20B	3/1/2020	-	155,496.74	155,496.74
20-21A	9/1/2020	643,860.00	155,496.74	799,356.74
20-21B	3/1/2021	331,492.50	146,321.74	477,814.24
21-22A	9/1/2021	331,492.50	146,321.74	477,814.24
21-22B	3/1/2022	340,796.50	136,874.20	477,670.70
22-23A	9/1/2022	340,796.50	136,874.20	477,670.70
22-23B	3/1/2023	351,559.00	127,161.50	478,720.50
23-24A	9/1/2023	351,559.00	127,161.50	478,720.50
23-24B	3/1/2024	361,953.50	117,142.07	479,095.57
24-25A	9/1/2024	361,953.50	117,142.07	479,095.57
24-25B	3/1/2025	371,969.00	106,826.39	478,795.39
25-26A	9/1/2025	371,969.00	106,826.39	478,795.39
25-26B	3/1/2026	381,595.50	96,225.28	477,820.78
26-27A	9/1/2026	381,595.50	96,225.28	477,820.78
26-27B	3/1/2027	393,320.50	85,349.81	478,670.31
27-28A	9/1/2027	393,320.50	85,349.81	478,670.31
27-28B	3/1/2028	404,593.00	74,140.17	478,733.17
28-29A	9/1/2028	404,593.00	74,140.17	478,733.17
28-29B	3/1/2029	415,399.00	62,609.27	478,008.27
29-30A	9/1/2029	415,399.00	62,609.27	478,008.27
29-30B	3/1/2030	426,112.50	50,770.40	476,882.90
30-31A	9/1/2030	426,112.50	50,770.40	476,882.90
30-31B	3/1/2031	438,632.00	38,626.19	477,258.19
31-32A	9/1/2031	438,632.00	38,626.19	477,258.19
31-32B	3/1/2032	452,883.00	26,125.18	479,008.18
32-33A	9/1/2032	452,883.00	26,125.18	479,008.18
32-33B	3/1/2033	463,790.00	13,218.02	477,008.02
33-34A	9/1/2033	463,790.00	13,218.02	477,008.02
<b>Total</b>		<b>\$ 11,840,684.00</b>	<b>\$ 2,925,481.18</b>	<b>\$ 14,766,165.18</b>



Corporate Trust Services  
EP-MN-WN3L  
100 Livingston Ave.  
St. Paul, MN 55107

Invoice Number: 5344336  
Account Number: 273047000  
Invoice Date: 04/25/2019  
Direct Inquiries To: SERENA GUTIERREZ  
Phone: 415-677-3699

SAN CARLOS REDEVELOPMENT AGENCY  
ATTN REBECCA MENDENHALL, FIN. OFF.  
600 ELM ST  
SAN CARLOS CA 94070-3018

SUCCESSOR AGENCY TO THE SAN CARLOS REDEVELOPMENT AGENCY 2018 TAX  
ALLOCATION REFUNDING BONDS

The following is a statement of transactions pertaining to your account. For further information, please review the attached.

STATEMENT SUMMARY

PLEASE REMIT BOTTOM COUPON PORTION OF THIS PAGE WITH CHECK PAYMENT OF INVOICE.

TOTAL AMOUNT DUE \$1,650.00

All invoices are due upon receipt.

Please detach at perforation and return bottom portion of the statement with your check, payable to U.S. Bank.

SUCCESSOR AGENCY TO THE SAN CARLOS  
REDEVELOPMENT AGENCY 2018 TAX  
ALLOCATION REFUNDING BONDS

Invoice Number: 5344336  
Account Number: 273047000  
Current Due: \$1,650.00  
Direct Inquiries To: SERENA GUTIERREZ  
Phone: 415-677-3699

Wire Instructions:  
U.S. Bank  
ABA # 091000022  
Acct # 1-801-5013-5135  
Trust Acct # 273047000  
Invoice # 5344336  
Attn: Fee Dept St. Paul

Please mail payments to:  
U.S. Bank  
CM-9690  
PO BOX 70870  
St. Paul, MN 55170-9690





Corporate Trust Services  
 EP-MN-WN3L  
 60 Livingston Ave.  
 St. Paul, MN 55107

Invoice Number: 5344336  
 Invoice Date: 04/25/2019  
 Account Number: 273047000  
 Direct Inquiries To: SERENA GUTIERREZ  
 Phone: 415-677-3699

SUCCESSOR AGENCY TO THE SAN CARLOS  
 REDEVELOPMENT AGENCY 2018 TAX  
 ALLOCATION REFUNDING BONDS

**Attachment 6 - Exhibit E - Page 2 of 2**

Accounts Included 273047000 273047001 273047002 273047003 273047005  
 In This Relationship:

**CURRENT CHARGES SUMMARIZED FOR ENTIRE RELATIONSHIP**

Detail of Current Charges	Volume	Rate	Portion of Year	Total Fees
04200 Trustee	1.00	1,500.00	100.00%	\$1,500.00
<b>Subtotal Administration Fees - In Advance 04/01/2019 - 03/31/2020</b>				<b>\$1,500.00</b>
04167 Incidental Expense 04/01/2019 to 03/31/2020	1.00	150.00	100.00%	\$150.00
<b>Subtotal Incidental Expenses</b>				<b>\$150.00</b>
<b>TOTAL AMOUNT DUE</b>				<b>\$1,650.00</b>

*A0016010  
520202*



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**INSTALLMENT SALE AGREEMENT**

**Dated as of October 1, 1994**

**by and between**

**BOREL BANK & TRUST COMPANY, TRUSTEE  
as Seller**

**and the**

**SAN CARLOS REDEVELOPMENT AGENCY  
as Purchaser**

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**INSTALLMENT SALE AGREEMENT**

THIS INSTALLMENT SALE AGREEMENT, dated as of October 1, 1994, by and between the BOREL BANK & TRUST COMPANY, Trustee under ARE Trust Agreement, dated October 7, 1994, as seller (the "Seller"), and the SAN CARLOS REDEVELOPMENT AGENCY, a redevelopment agency organized and existing under the laws of the State of California, as purchaser (the "Redevelopment Agency"),

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

**WHEREAS**, the Seller owns certain real property in the City of San Carlos, California (the "City"), that is suitable for multifamily rental housing,

**WHEREAS**, the San Carlos Development Corporation (the "Development Corporation") is a nonprofit public benefit corporation the purpose of which includes the sponsorship, establishment, ownership, maintenance and operation of residential care facilities in the City, primarily for the elderly,

**WHEREAS**, the Development Corporation desires to acquire the certain real property owned by the Seller as the site (the "Site") of multifamily rental housing that will be used as a residential care facility (the "Facility") but requires certain assistance in order to permit it to do so,

**WHEREAS**, the Redevelopment Agency is authorized to provide certain assistance for the purposes of increasing, improving and preserving the City's supply of low and moderate income housing and eliminating blight in the carrying out of its redevelopment project for the San Carlos Redevelopment Project Area, and is willing to acquire the Site and convey the same to the Development Corporation in furtherance of those purposes, and

**WHEREAS**, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Installment Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Seller and the Redevelopment Agency are now duly authorized to execute and deliver this Installment Agreement,

**NOW, THEREFORE**, in consideration of the premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS  
OF GENERAL APPLICATION

**SECTION 1 1 DEFINITIONS** For all purposes of the Installment Agreement, except as otherwise expressly provided or unless the context otherwise requires

(1) The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular

(2) All references in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed

(3) The words "herein", "hereof", and "hereunder" and other words of similar import refer to the Installment Agreement as a whole and not to any particular Article, Section or other subdivision

"Annual" means with respect to the Fiscal Year

"Assignment" means an assignment of all interest in this Installment Agreement and the moneys payable and to become payable under this Installment Agreement, substantially in the form of Schedule IV

"City" means the City of San Carlos, California, a municipal corporation and general law city duly organized and existing under the laws of the State

"Closing Date" means the day when the Installment Payment Obligation is issued by the Redevelopment Agency in return for the Site pursuant to Sections 3 2 and 3 3

"Community Redevelopment Law" means Division 24, Part 1 (commencing with Section 33000) of the Health and Safety Code of the State, as amended

"Default" means the occurrence and continuance of an Event of Default or an event which, after notice or lapse of time or both, would become an Event of Default

"Development Corporation" means the San Carlos Development Corporation, a public benefit corporation organized and existing under the Nonprofit Corporation Law of the State, and its successors and assigns

"Event of Default" means any of the events described as such in Section 6.1. An Event of Default shall "exist" if an Event of Default shall have occurred and be continuing.

"Executive Director" means the executive director of the Redevelopment Agency appointed pursuant to the Community Redevelopment Law, or other duly appointed officer of the Redevelopment Agency authorized by Redevelopment Agency Resolution to perform the functions of the executive director including, without limitation, any assistant executive director of the Redevelopment Agency.

"Facility" means the residential care facility and related and appurtenant facilities and property, inclusive of the Site thereof and including related equipment and improvements, as more particularly described by Schedule II(a), as supplemented from time to time.

"Federal Securities" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) United States Treasury notes, bonds, bills, or certificates of indebtedness, or obligations for which the faith and credit of the United States are pledged for the payment of principal and interest, including (if such faith and credit is so pledged) the guaranteed portions of Small Business Administration loans, or

(b) Obligations issued by the Central Bank for Cooperatives, banks for cooperatives, or federal land banks, or federal intermediate credit banks or in obligations of federal home loan banks or the Federal Home Loan Bank Board, or in obligations of, or issued by, the Federal National Mortgage Association, Student Loan Marketing Association, Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation, or

(c) Obligations issued by the Federal Financing Bank or the United States Postal Service, or obligations issued or assumed by the International Bank for Reconstruction and Development, the Tennessee Valley Authority, the Inter-American Development Bank, the Government Development Bank for Puerto Rico, the Asian Development Bank, the International Finance Corporation or the African Development Bank.

"Finance Officer" means the assistant executive director and finance director of the Redevelopment Agency, or other duly appointed officer of the Redevelopment Agency authorized by Redevelopment Agency Resolution or by-law to perform the functions of the assistant executive director and finance director in the event of the absence or disqualification of the

assistant executive director and finance director or vacancy of office

"Fiscal Year" means the twelve-month period commencing on July 1 of any year and ending on June 30 of the next succeeding year, both dates inclusive, which constitutes the Redevelopment Agency's fiscal year. The Fiscal Year may be changed by the Redevelopment Agency to any other 12-month period and a shortened intervening period by designating the same by a Redevelopment Agency Resolution.

"Installment Agreement" means this Installment Sale Agreement, dated as of October 1, 1994, by and between Borel Bank & Trust Company, Trustee, as seller, and the Redevelopment Agency, as purchaser, together with any duly authorized and executed amendments and supplements hereto.

"Installment Payment" means all payments required to be paid by the Redevelopment Agency on any date pursuant to Section 3 4, including any deposit therefor pursuant to Article VII, of this Installment Agreement.

"Installment Payment Obligation" means the obligation of the Redevelopment Agency to make Installment Payments pursuant to this Installment Agreement, and all other obligations of the Redevelopment Agency under this Installment Agreement.

"Installment Obligation Agent" means the person identified as such under Section 5 2 until a successor shall have become such pursuant hereto, and thereafter, such successor.

"Installment Payment Date" means the first (1st) day of each month in each year during the Term of this Installment Agreement, commencing December 1, 1994.

"Installment Register" means the records described by Section 5 2 for the registration and transfer of ownership of the Installment Payment Obligation.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended. Any reference to a provision of the Internal Revenue Code shall include all applicable regulations of the United States Department of the Treasury, whether temporary or final, promulgated with respect to such provision and all such applicable regulations promulgated under the Internal Revenue Code of 1954 that are not inconsistent therewith. "Reg " followed by a section number refers to a provision of the regulations. Any reference to a provision of the regulations shall include all applicable regulations of the United States Department of the Treasury, whether temporary or final, amendatory thereof except as otherwise stated.

"Nonprofit Corporation Law" means Division 2 (commencing with Section 5000) of the Corporations Code of the State.

"Official Action" means collective action by the members of the Redevelopment Agency upon a proposal, motion, order, resolution or ordinance that is not void by reason of a failure to comply with legal requirements

"Owner" or "Registered Owner", or any similar term, when used with respect to the Installment Payment Obligation means the person or persons in whose name or names the ownership of such Installment Payment Obligation is registered

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a governmental unit and use as a member of the general public

"Project" means the undertaking of the Redevelopment Agency pursuant to the Redevelopment Plan and the Community Redevelopment Law to increase, improve or preserve the supply of low and moderate income housing of benefit to the Project Area by assisting in the acquisition of the Site and the financing of the Facility

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

"Redevelopment Agency" means the San Carlos Redevelopment Agency, a public body corporate and politic organized and existing under the Community Redevelopment Law and its successors and assigns

"Redevelopment Agency Representative" means the Executive Director, or during such time as the position of Executive Director shall be vacant or the Executive Director shall be absent, any person designated by the Redevelopment Agency to act as the Executive Director, or any other person authorized by Redevelopment Agency Resolution to act as Redevelopment Agency Representative under or with respect to this Installment Agreement

"Redevelopment Plan" means the Final Redevelopment Plan for the San Carlos Redevelopment Project Area of the Redevelopment Agency, approved by Ordinance No 964, enacted by the City Council on July 7, 1986, together with any amendments thereof heretofore or hereafter duly authorized pursuant to the Community Redevelopment Law

"Resolution" means a form of Official Action that is sufficient to authorize the transaction that is its subject

"Secretary" means the secretary of the Redevelopment Agency or other duly appointed officer of the Redevelopment Agency authorized by Redevelopment Agency Resolution or by-law to perform the functions of the secretary in the event of the

absence or disqualification of the secretary or vacancy of office

"Seller" means Borel Bank & Trust Company, Trustee under the ARE Trust Agreement, dated October 20, 1994, including, without limitation, a person who has become Owner of the Installment Payment Obligation by an Assignment

"Seller Representative" or "Owner Representative" means, at the election of the Seller or the Owner as specified in a separate document, any person designated by the Seller or the Owner to act as the representative of the Seller or the Owner for the purposes of this Installment Agreement

"Site" means the land described by Schedule I attached hereto and by this reference incorporated herein and the improvements thereto now existing

"State" means the State of California

"Term of this Installment Agreement or "Term" means the time during which this Installment Agreement is in effect, as provided in Section 3 3

**SECTION 1 2 SCHEDULES** The following schedules are attached to, and by reference made a part of, the Installment Agreement

- |              |  |
|--------------|--|
| Schedule I   | (a) Form of grant deed by the Seller to the Redevelopment Agency   |
|              | (b) Description of the land constituting the Site  |
| Schedule II  | (a) Description of the Facility to be constructed on or with reference to the Site   |
|              | (b) Description of Hazardous Materials Reports and Studies   |
| Schedule III | The Schedule of Installment Payments to be paid by the Redevelopment Agency to the Seller, showing the date and amount of each Installment Payment |

Schedule IV Form of Assignment, attached to which as Exhibit A is form of notice of any assignment and attached to which as Exhibit B is a form of Registration Record

## ARTICLE II

### REPRESENTATIONS, COVENANTS AND WARRANTIES

**SECTION 2 1 REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE REDEVELOPMENT AGENCY** The Redevelopment Agency represents, covenants and warrants to the Seller as follows

(a) Due Organization and Existence The Redevelopment Agency is a redevelopment agency duly organized and existing under the laws of the State

(b) Authorization The laws of the State authorize the Redevelopment Agency to enter into this Installment Agreement and the transactions contemplated by and to carry out its obligations under this Installment Agreement, and the Redevelopment Agency has duly authorized the execution of, and has duly executed and delivered, this Installment Agreement

(c) No Violations Neither the execution and delivery of this Installment Agreement, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, violates or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Redevelopment Agency is now a party or by which the Redevelopment Agency is bound or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Redevelopment Agency except in accordance herewith

**SECTION 2 2 REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE SELLER** The Seller represents, covenants and warrants to the Redevelopment Agency as follows

(a) Due Organization and Existence, Authorization The Seller is appointed as trustee by that certain ARE Trust Agreement, dated October 20, 1994 executed by Gerald L Ernst, the Site will be conveyed to the Seller by Gerald L Ernst, in trust, and the Seller is authorized by the terms of the trust to own and hold real and personal property, to sell the same, and to enter into this Installment Agreement, and has duly executed and delivered the same

(b) No Encumbrances The Seller has not and will not pledge the Installment Payments or other amounts derived from its interest in the Site and from its other rights under this Installment Agreement, and has not and will not mortgage or encumber its interest in the Site or in this Installment Agreement, except as provided under the terms hereof

(c) No Violations Neither the execution and delivery of this Installment Agreement, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, by the Seller violates or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Seller is now a party or by which the Seller is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Seller except in accordance herewith

(d) No Assignments Except as provided herein the Seller will not assign this Installment Agreement, its right to receive Installment Payments from the Redevelopment Agency or its duties and obligations hereunder to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in this Section 2 2

### ARTICLE III

#### SALE OF SITE, TERM OF THIS INSTALLMENT AGREEMENT, INSTALLMENT PAYMENTS

**SECTION 3 1 SALE AND PURCHASE OF THE SITE** The Seller hereby sells, bargains and conveys to the Redevelopment Agency, upon the terms and conditions set forth in this Installment Agreement, all right, title and interest of the Seller in the Site, and in connection therewith warrants title to and the right to sell, bargain and convey the same and that the same are free of all claims, liens and encumbrances excepting only those to which the Redevelopment Agency consents, and the Redevelopment Agency hereby purchases the same from the Seller upon such terms and conditions

**SECTION 3 2 TITLE TO THE SITE** The Seller confirms to the Redevelopment Agency that title to the Site shall be deemed conveyed to, vested in and held by the Redevelopment Agency pursuant to this Installment Agreement upon the delivery by the Seller to the Redevelopment Agency and the acceptance thereof by the Redevelopment Agency of a grant deed substantially in the form of Schedule I(a) conveying the Site which is described by Schedule I(b), the date of which delivery and acceptance shall be the Closing Date Such delivery and acceptance shall occur contemporaneously with the recordation of the grant deed and

acceptance in the office of the County Recorder of San Mateo County, California, by means of an escrow established by joint escrow instructions of the Seller and the Redevelopment Agency with First American Title Insurance Company, Redwood City, California. The Seller will take all actions necessary to vest in the Redevelopment Agency all of the Seller's right, title and interest in the Site and the Redevelopment Agency will take all actions necessary to accept, hold and transfer the same in accordance herewith.

**SECTION 3 3 TERM OF THIS INSTALLMENT AGREEMENT** The Term of this Installment Agreement shall commence as of the Closing Date and shall end on June 1, 2035, unless such Term is extended or sooner terminated as hereinafter provided. If on June 1, 2035, the obligations of the Redevelopment Agency hereunder with respect to the making of Installment Payments shall not have ceased and terminated as provided hereby, then the Term of this Installment Sale Agreement shall be extended until such obligations shall have so ceased and terminated. If prior to June 1, 2035, such obligations shall have so ceased and terminated, the Term of this Installment Agreement shall end when such obligations shall have so ceased and terminated.

**SECTION 3 4 INSTALLMENT PAYMENTS**

(a) Obligation to Pay Subject to Article VII, the Redevelopment Agency will pay to the Seller, as the purchase price of the Site, the Installment Payments, consisting of components of principal and interest, on the Installment Payment Dates and in the amounts specified by Schedule III attached hereto.

(b) Effect of Security Deposit In the event that the Redevelopment Agency makes the security deposit pursuant to Article VII, the Redevelopment Agency's obligations under this Installment Agreement shall thereupon cease and terminate, including but not limited to the Redevelopment Agency's obligation to pay Installment Payments under this Section 3 4, subject, however, to the provisions of Section 7 2.

(c) Rate on Overdue Payments In the event the Redevelopment Agency should fail to make any of the Installment Payments required by this Section 3 4, the amount in Default shall continue as an obligation of the Redevelopment Agency until the amount in Default shall have been fully paid, and in the event the same is not paid for a period of ten (10) days after the Installment Payment Date, the Redevelopment Agency agrees to pay the same with interest thereon, to the extent permitted by law, from the date of Default to the date of payment at the rate of twelve percent (12%) per annum, said interest to be applied in accordance with Section 6 6.

(d) Budget and Appropriation The Installment Payments shall be paid solely from any legally available funds of the Redevelopment Agency that may be used for such purpose. The

Redevelopment Agency covenants to take such action as may be necessary to include and maintain all Installment Payments in each of its budgets during the Term of this Installment Agreement and to make the necessary Annual appropriations from such funds for all such Installment Payments. During the Term of this Installment Agreement, the Redevelopment Agency will furnish to the Owner of the Installment Payment Obligation, on or before 120 days after the commencement of each Fiscal Year, a certificate of a Redevelopment Agency Representative that the final budget of the Redevelopment Agency for the Fiscal Year includes an appropriation of sufficient moneys to make all Installment Payments and the additional payments described by Section 3 7 hereof that are or will become due during such Fiscal Year. The certificate will be mailed to such Owner as provided by Section 8 1

(e) Assignment In the event of the assignment by the Seller, pursuant to the Assignment, of Installment Payments and the receipt by the Redevelopment Agency of notice thereof as provided by Section 5 2, the Redevelopment Agency hereby agrees to pay to the assignee of the Seller, and such person's heirs, personal representatives, assignees or other successors, all payments payable by the Redevelopment Agency pursuant to this Section 3 4 and Section 3 7 and all amounts payable by the Redevelopment Agency pursuant to Article VII, as provided by the Assignment

**SECTION 3 5 UNCONDITIONAL OBLIGATION OF THE REDEVELOPMENT AGENCY** The obligations of the Redevelopment Agency to make the Installment Payments and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the Redevelopment Agency or of the Seller of any obligation to the Redevelopment Agency or otherwise with respect to the Project, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the Redevelopment Agency by the Seller. Until such time as all of the Installment Payments shall have been fully paid, the Redevelopment Agency (i) will not suspend or discontinue any payments provided for in Section 3 4 or Section 3 7, (ii) will perform and observe all other agreements contained in the Installment Agreement and (iii) will not terminate the Term of this Installment Agreement for any cause, including, without limiting the generality of the foregoing, failure of any person to complete the Facility, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Site or Facility, the taking by eminent domain of title to or temporary use of any or all of the Site or Facility, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Seller to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Installment Agreement or

any other agreement. Nothing contained in this Section 3.5 shall be construed to release the Seller from the performance of any of the agreements on its part herein contained, and in the event the Seller shall fail to perform any such agreements on its part, the Redevelopment Agency may institute such action against the Seller as the Redevelopment Agency may deem necessary to compel performance or recover damages so long as such action does not abrogate the obligations of the Redevelopment Agency contained in the first sentence of this Section. The Redevelopment Agency may, however, at the Redevelopment Agency's own cost and expense and in the Redevelopment Agency's own name or in the name of the Seller prosecute or defend any action or proceeding or take any other action involving third persons which the Redevelopment Agency deems reasonably necessary in order to secure or protect the Redevelopment Agency's title and right of possession, occupancy and use of the Site hereunder, and in such event the Seller hereby agrees to cooperate fully with the Redevelopment Agency and to take such action as shall be necessary to effect the substitution of the Redevelopment Agency for the Seller in such action or proceeding if the Redevelopment Agency shall so request. The covenants on the part of the Redevelopment Agency herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the Redevelopment Agency to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Redevelopment Agency to carry out and perform the covenants and agreements of the Installment Agreement agreed to be carried out and performed by the Redevelopment Agency.

### SECTION 3.6 TAX COVENANTS

(a) The covenants, representations and warranties of the Redevelopment Agency set forth in the tax compliance agreement described in subsection (b) of this Section are incorporated herein by this reference as fully as though set forth in full herein.

(b) Tax Compliance Agreement. The Executive Director or the Finance Officer is authorized on behalf of the Redevelopment Agency to enter into a tax compliance agreement with the City, the Development Corporation, and First Trust of California, National Association, as trustee under a trust indenture dated as of October 1, 1994 with respect to an issue of bonds entitled "City of San Carlos Mortgage Revenue Bonds, Series 1994 (FHA Insured Mortgage Loan - San Carlos Elms Project)", which elucidates in greater detail certain Internal Revenue Code restrictions and includes certifications, representations and covenants with respect thereto, as in the determination of the Executive Director or the Finance Officer may be necessary to establish and maintain the exclusion of the interest under the Installment Agreement from federal income taxation, and any such covenant shall be observed and as binding on the Redevelopment Agency as though set forth in this Installment Agreement.

**SECTION 3 7 ADDITIONAL PAYMENTS** In addition to the Installment Payments, the Redevelopment Agency will pay when due (1) all costs and expenses incurred by or otherwise due to the Seller or other Owner of the Installment Payment Obligation in connection with the execution, performance or enforcement of this Installment Agreement, (11) all taxes, assessments and governmental charges of any nature whatsoever levied or imposed by the City or the Redevelopment Agency upon the sale of the Site or upon the Installment Payments and these additional payments, or (111) any income taxes validly levied or imposed by the United States of America or any department or agency thereof against the Seller or other Owner of the Installment Payment Obligation by reason of the taking by the Redevelopment Agency, or the permitting by the Redevelopment Agency to be taken on its behalf, of any action which would affect adversely the exclusion from gross income for federal income tax purposes of the interest component of the Installment Payments received by the Seller or other Owner of the Installment Payment Obligation, under the law in existence on the Closing Date or thereafter and which action is expressly described in the tax compliance agreement described in Section 3 6(b) as such may be amended from time to time Such additional payments shall be billed to the Redevelopment Agency by the Seller or other Owner of the Installment Payment Obligation from time to time, and all amounts so billed shall be due and payable by the Redevelopment Agency within thirty (30) days after receipt of the bill by the Redevelopment Agency Each billing shall constitute a certificate (whether or not so-stated) that the amount so-billed has been paid or incurred or is then payable by the Seller or other Owner of the Installment Payment Obligation for one or more of the items above-mentioned

**SECTION 3 8 PRESERVATION OF SECURITY** The Redevelopment Agency will preserve and protect the security of the Installment Agreement and the rights of the Seller or other Owner of the Installment Payment Obligation, and will warrant and defend such rights against all claims and demands of all persons whomsoever

**SECTION 3 9 FAITHFUL PERFORMANCE** For the protection and security of the Installment Payments, the Redevelopment Agency will faithfully observe and perform all of the covenants as provided by this Article

#### ARTICLE IV

##### CONVEYANCE OF SITE AND OTHER MATTERS

**SECTION 4 1 CONVEYANCE OF SITE** The Redevelopment Agency by this Installment Agreement will incur the Installment Payment Obligation upon the conveyance by the Seller to the Redevelopment Agency of the Site as provided by Section 3 2

**SECTION 4 2 CONDITION OF SITE** In fulfillment of the purposes of Health and Safety Code Section 25359 7(a), the Seller hereby represents and warrants that it has no knowledge, and has

no reasonable cause to believe, that any release of hazardous substances has come to be located on or beneath the Site, except as disclosed in the documents described in the attached Schedule II(b), copies of which have been delivered to the Redevelopment Agency

The Seller and the Redevelopment Agency understand and agree that the Site shall be purchased "as is" by the Redevelopment Agency and that the Seller shall in no way be responsible for demolition, site preparation or any other removal or replacement of improvements thereon THE REDEVELOPMENT AGENCY AGREES TO ACCEPT CONVEYANCE OF THE SITE IN ITS PRESENT CONDITION, "AS IS" AND WITHOUT REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, FROM THE SELLER WITH RESPECT TO THE CONDITION OF THE SITE INCLUDING, BUT NOT LIMITED TO, THE CONDITION OF THE SOIL, PRESENCE OF HAZARDOUS MATERIALS OR CONTAMINANTS, AND ALL OTHER PHYSICAL CHARACTERISTICS The Redevelopment Agency has had the opportunity to perform and relies solely upon its own independent investigation or investigation by the Development Corporation, and not upon the Seller, concerning the physical condition of the Site or compliance of the Site with any statutes, ordinances, rules or regulations

If the conditions of the Site are not in all respects entirely suitable for the use or uses to which the Site will be put as described in this Installment Agreement, then it is the sole responsibility and obligation of the Redevelopment Agency, or the Development Corporation, to correct any soil conditions, correct any subsurface condition, correct any structural condition, demolish any improvements and otherwise put the Site in a condition suitable for construction of the Facility The Redevelopment Agency hereby waives any right to seek reimbursement or indemnification from the Seller of the Redevelopment Agency's costs related to correction of any physical conditions on the Site, including but not limited to the presence of hazardous materials

**SECTION 4 3 RELEASE AND INDEMNIFICATION COVENANTS** The Redevelopment Agency shall and hereby agrees to indemnify, defend and save the Seller or other Owner of the Installment Payment Obligation harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (1) the right of access and the entry by the Redevelopment Agency to the Site for performance of soils and geology tests, surveys, toxics tests and similar examinations whenever such right of access or entry shall have been exercised, and (11) the processing of zoning, use permits and subdivision and development agreement applications for the Site, construction plans for the Facility and an application for mortgage insurance for the Site and Facility

**SECTION 4 4 SELLER ACQUISITION** If the Seller does not own the Site at the time of the execution of this Installment Agreement, the Seller shall, following execution of this Installment Agreement, proceed diligently to acquire the Site

from its current owner, provided, however, that the Seller shall have no obligation to exercise any option to purchase or to otherwise acquire the Site until, the United States Department of Housing and Urban Development has issued an irrevocable commitment to insure a mortgage loan to the Development Corporation that is funded from the proceeds of mortgage revenue bonds issued by the City, and the City has entered into an agreement with the original purchaser of the mortgage revenue bonds irrevocably committing such purchaser to purchase the mortgage revenue bonds

**SECTION 4 5 RELOCATION** As between the Seller and the Redevelopment Agency only, the Redevelopment Agency shall be solely responsible for providing any relocation benefits and/or assistance to occupants of the Site who are required to relocate in connection with the Redevelopment Agency's acquisition of the Site

**SECTION 4 6 WARRANTIES** The Seller expresses no warranty or representation to the Redevelopment Agency as to the fitness or condition of the Site for the building or construction to be conducted thereon

## ARTICLE V

### ASSIGNMENT, SALE AND AMENDMENT

**SECTION 5 1 ASSIGNMENT OF THE SELLER'S INTERESTS** The Seller's rights under this Installment Agreement including the right to receive and enforce payment of the Installment Payments to be made by the Redevelopment Agency under this Installment Agreement may be assigned, from time to time, to a single identified entity if such entity is approved by the Redevelopment Agency. Such assignment shall be made by use of a form substantially similar to the form of Assignment, the provisions of which are hereby incorporated by reference, provided, however that such assignment include an assignment of Seller's interest in instruments securing or effectively guaranteeing payment or performance of the Installment Payment Obligation

### **SECTION 5 2 REGISTRATION AND ASSIGNMENT BY THE SELLER**

(a) Installment Register The Finance Officer is hereby appointed by the Redevelopment Agency as the Installment Obligation Agent for the Installment Agreement. The Redevelopment Agency may appoint any subsequent Finance Officer as successor Installment Obligation Agent, and shall be deemed to have done so unless another appointment shall be made. The Installment Obligation Agent shall cause to be kept at its principal office a register, which shall be known as the "Installment Register", in which, subject to such reasonable regulations as it may prescribe, the Redevelopment Agency shall provide for registration of this Installment Agreement and of the Assignment of this Installment Agreement and the moneys payable and to become payable under this Installment Agreement, entitled

to be registered as herein provided The Installment Obligation Agent will, for the Redevelopment Agency, keep and maintain the Installment Register and register the interest in this Installment Agreement, and moneys payable and to become payable under this Installment Agreement, and Assignments thereof, as hereby provided

(b) Assignment No assignment shall be made by the Seller except for the assignment, as provided by Section 5 1, and the Redevelopment Agency shall treat the assignor shown by the Installment Register as the owner of any interest attempted to be otherwise assigned for all purposes of this Installment Agreement In the event of an assignment as provided by Section 5 1, an Assignment substantially in the form of Schedule IV shall be surrendered to the Installment Obligation Agent for registration in the Installment Register Entry shall be made by the Installment Obligation Agent of the assignee and the date of such registration, and the name of the assignee in the registration schedule attached as Exhibit B to the Assignment and on a duplicate such schedule retained by the Redevelopment Agency which constitutes the Installment Register, and upon compliance with the other terms of this Section, the Installment Obligation Agent shall deliver the Assignment surrendered, to the assignee

(c) Administration No service charge shall be made for registration or registration of an Assignment, but the Redevelopment Agency may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any Assignment

(d) Ownership of Interests Assigned The Redevelopment Agency shall treat the assignee shown by the Installment Register as the absolute owner of the interest assigned for all purposes, whether or not Installment Payments shall be in default, and the Redevelopment Agency shall not be affected by any notice to the contrary

**SECTION 5 3 ASSIGNMENT, SALE AND DISPOSITION BY THE REDEVELOPMENT AGENCY** (a) The Installment Agreement may not be assigned by the Redevelopment Agency during the Term of this Installment Agreement

(b) The Redevelopment Agency will sell, assign and dispose of the Site, subject to each of the following conditions

(1) The Installment Agreement and the obligation of the Redevelopment Agency to make Installment Payments hereunder shall remain obligations of the Redevelopment Agency

(11) The Development Corporation shall be the purchaser from the Redevelopment Agency of the Site

**SECTION 5 4 AMENDMENT OF AGREEMENTS** Without the written consent of the Seller or other Owner of the Installment Payment

Obligation, the Redevelopment Agency will not alter, modify or cancel or agree or consent to the alteration, modification or cancellation of this Installment Agreement, excepting only as such alteration, modification or cancellation may be permitted by Article VIII hereof

**ARTICLE VI  
EVENTS OF DEFAULT AND REMEDIES**

**SECTION 6 1 EVENTS OF DEFAULT DEFINED** The following shall be "Events of Default" under the Installment Agreement

(a) Failure by the Redevelopment Agency to pay any of the Installment Payments or other payment required to be paid hereunder at the time specified herein (a "Default"), and continuation of such Default for a period of ten (10) days after the due date,

(b) Failure by the Redevelopment Agency to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Installment Agreement, other than as referred to in clause (a) of this Section 6 1, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the Redevelopment Agency by the Seller or other Owner of the Installment Payment Obligation, provided, however, that if in the reasonable opinion of the Redevelopment Agency the failure stated in the notice can be corrected, but not within the applicable period, the Seller or other Owner of the Installment Payment Obligation shall not unreasonably withhold consent to an extension of such time if corrective action is instituted by the Redevelopment Agency within the applicable period and diligently pursued until the Default is corrected or

(c) The filing by the Redevelopment Agency of a voluntary petition in bankruptcy, or failure by the Redevelopment Agency within 60 days to lift any execution, garnishment or attachment, or adjudication of the Redevelopment Agency as a bankrupt, or assignment by the Redevelopment Agency for the benefit of creditors, or the entry by the Redevelopment Agency into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Redevelopment Agency in any proceedings instituted under the provisions of the federal bankruptcy law, or under any similar acts which may hereafter be enacted

**SECTION 6 2 REMEDIES ON DEFAULT** Whenever any Event of Default referred to in Section 6 1 hereof shall have happened and be continuing, the Seller or other Owner of the Installment Payment Obligation shall have the right, at its option and without any further demand or notice, to

(a) declare all principal components of the unpaid Installment Payments, together with accrued interest at the rate or rates specified in this Installment Agreement from the last preceding Installment Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall become due and payable and

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of this Installment Agreement, or enforce performance and observance of any obligation, agreement or covenant of the Redevelopment Agency under the Installment Agreement

**SECTION 6 3 NO REMEDY EXCLUSIVE** No remedy herein conferred upon or reserved to the Seller or other Owner of the Installment Payment Obligation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Installment Agreement or now or hereafter existing at law or in equity No delay or omission 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 thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient In order to entitle the Seller or other Owner of the Installment Payment Obligation to exercise any remedy reserved in this Article VI it shall not be necessary to give any notice, other than such notice as may be required by this Article VI or by law

**SECTION 6 4 PROSECUTION AND DEFENSE OF SUITS**

The Redevelopment Agency shall defend, or cause to be defended, against every suit, action or proceeding at any time brought against the Seller or other Owner of the Installment Payment Obligation upon any claim arising out of the receipt, application or disbursement by the Redevelopment Agency of any proceeds or other moneys, or involving the rights of the Seller or other Owner of the Installment Payment Obligation under the Installment Agreement, provided, that the Seller or other Owner of the Installment Payment Obligation at its election may appear in and defend any such suit, action or proceeding The Redevelopment Agency shall indemnify or cause to be indemnified the Seller or other Owner of the Installment Payment Obligation against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement by the Redevelopment Agency Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect, even though all Installment Payments shall have been fully paid and satisfied, until a date which is three (3) years following the payment of the last of said Installment Payments

**SECTION 6 5 NO ADDITIONAL WAIVER IMPLIED BY ONE WAIVER**  
In the event any agreement contained in this Installment Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the

particular breach so waived and shall not be deemed to waive any other breach hereunder

**SECTION 6 6 APPLICATION OF THE PROCEEDS** All amounts received by the Seller by exercise of remedies under this Article VI and all other amounts derived as a result of an Event of Default hereunder shall be applied as follows

First, to the payment of the fees, costs and expenses of the Seller or other Owner of the Installment Payment Obligation in declaring such Event of Default, including reasonable compensation to its agents, attorneys and counsel, and

Second, to the payment of the whole amount then owing and unpaid for principal or other payment and interest, if any, and interest on the overdue principal or other payment and installments of interest of the Installment Payment Obligation at the rate of twelve percent (12%) per annum, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid, then to the payment of such principal and interest, without preference or priority, ratably to the aggregate of such moneys

## ARTICLE VII

### SECURITY OF INSTALLMENT PAYMENTS

**SECTION 7 1 PREPAYMENT** The Redevelopment Agency shall have no right to prepay the Installment Payments

**SECTION 7 2 SECURITY DEPOSIT** Notwithstanding any other provision of this Installment Agreement, the Redevelopment Agency may on any date secure the payment of Installment Payments by a deposit with an escrow holder under an escrow deposit and trust agreement of either (1) an amount which is sufficient to pay all unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Schedule "III" attached hereto, or (11) non-callable Federal Securities, together with cash, if required (which, if invested, shall be invested solely in non-callable Federal Securities), in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon, be fully sufficient to pay all unpaid Installment Payments on the Installment Payment Dates As a condition precedent to the making of any such deposit, the Redevelopment Agency shall furnish the Owner of the Installment Payment Obligation with a written opinion of an attorney or firm of attorneys experienced in the issuance of obligations described by section 103 of the Internal Revenue Code or certified as a tax law specialist by an agency of the State, stating that such deposit does not affect the validity of this Installment Agreement or cause the interest components of the Installment

Payments to become includable in gross income for federal income tax purposes or subject to State personal income taxes, and is not deemed to result in an exchange of the Installment Agreement for a modified instrument that differs materially either in kind or extent for purposes of section 1001 of the Internal Revenue Code, or in the alternative, is not deemed to result in a change that would affect installment sale treatment of the Installment Payment Obligation for the purposes of section 453 of the Internal Revenue Code. In the event of a deposit pursuant to this Section 7 2, all obligations of the Redevelopment Agency under the Installment Agreement shall cease and terminate, excepting only the obligation of the Redevelopment Agency to make, or cause to be made, all Installment Payments from the deposit made by the Redevelopment Agency pursuant to this Section 7 2. Said deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of the Installment Agreement, and further provided that any security deposit shall not affect the covenant of the Redevelopment Agency contained in Section 3 5 hereof in the event such security deposit is insufficient to pay all Installment Payments when and as the same become due and payable. Upon said deposit, the Owner of the Installment Payment Obligation will execute or cause to be executed any and all documents as may be necessary to release the security provided hereby to the extent of such deposit.

**ARTICLE VIII**

**MISCELLANEOUS**

**SECTION 8 1 NOTICES** All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received forty-eight (48) hours after deposit in the United States mail in first class form with postage fully prepaid.

If to the Redevelopment Agency

San Carlos Redevelopment Agency  
666 Elm Street  
San Carlos,  
California 94070  
Attention Executive Director

If to the Seller

Borel Bank & Trust Company, Trustee  
160 Bovet Road  
San Mateo, California 94402  
Attention Executive Vice President  
and Senior Trust Officer

The Seller and the Redevelopment Agency, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications shall be sent. Upon Assignment by the Seller, the assignee as Owner of the Installment Payment Obligation shall be substituted for the Seller for all purposes of the interest of the Seller assigned.

**SECTION 8 2 BINDING EFFECT** This Installment Agreement shall inure to the benefit of and shall be binding upon the Seller and the Redevelopment Agency

**SECTION 8 3 SEPARABILITY OF INVALID PROVISIONS** In case any one or more of the provisions contained in this Installment Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Installment Agreement, and this Installment Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Installment Agreement and each and every other Section, subdivision, paragraph, sentence, clause, phrase or term hereof irrespective of the fact that any one or more Sections, subdivisions, paragraphs, sentences, clauses, phrases or terms of this Installment Agreement may be held illegal, invalid or unenforceable

**SECTION 8 4 AMENDMENTS, CHANGES AND MODIFICATIONS** The Installment Agreement may be amended or any of its terms modified with the written consent of the Redevelopment Agency and the Seller or other Owner of the Installment Payment Obligation

**SECTION 8 5 NET CONTRACT** This Installment Agreement shall be deemed and construed to be a "net contract" and the Redevelopment Agency hereby agrees that the Installment Payments and all other payments hereunder shall be an absolute net return to the Seller or other Owner of the Installment Payment Obligation, free and clear of any expenses, charges or set-offs whatsoever of the Redevelopment Agency or the City

**SECTION 8 6 GENERAL INDEMNIFICATION** The Redevelopment Agency agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Seller) the Seller from all suits, actions, claims, causes of action, costs, demands, judgments and liens arising out of the Redevelopment Agency's performance or non-performance under this Installment Agreement or any other agreement executed pursuant thereto, or arising out of acts or omissions of the Development Corporation or any of the Development Corporation's contractors, subcontractors, or persons claiming under any of the aforesaid, except as directly caused by the Seller's negligence. The provisions of this section shall survive expiration or termination of this Installment Agreement, and shall remain in full force and effect

**SECTION 8 7 NO BROKERS** Each party represents to the other that it has not had any contact or dealings regarding the Site, or any communication in connection with the subject matter of this transaction, through any real estate broker or other person who can claim a right to a commission or finder's fee. If any broker or finder makes claim for a commission or finder's fee based upon a contact, dealings, or communications, the party through whom the broker or finder makes this claim shall

indemnify, defend with counsel of the indemnified party's choice, and hold the indemnified party harmless from all expense, loss, damage and claims, including the indemnified party's attorney's fees, if necessary, arising out of the broker's or finder's claim. The provisions of this section shall survive termination of this Installment Agreement, and shall remain in full force and effect.

**SECTION 8 8 FURTHER ASSURANCES AND CORRECTIVE INSTRUMENTS**

The Seller and the Redevelopment Agency agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Site hereby sold or intended so to be or for otherwise carrying out the express intention of this Installment Agreement.

**SECTION 8 9 EXECUTION IN COUNTERPARTS**

This Installment 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.

**SECTION 8 10 APPLICABLE LAW**

THIS INSTALLMENT AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE.

**SECTION 8 11 SELLER AND REDEVELOPMENT AGENCY**

**REPRESENTATIVES** Whenever under the provisions of this Installment Agreement the approval of the Seller or other Owner of the Installment Payment Obligation or the Redevelopment Agency is required, or the Seller or other Owner of the Installment Payment Obligation or the Redevelopment Agency is required to take some other action, such approval or such other action shall be given or taken for the Seller or other Owner of the Installment Payment Obligation by a Seller or Owner Representative and for the Redevelopment Agency by a Redevelopment Agency Representative, and each shall be authorized to rely upon any such approval or other action.

**SECTION 8 12 CAPTIONS**

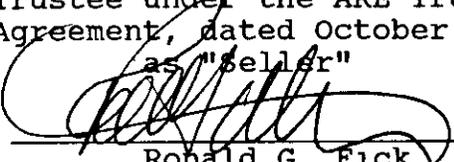
The captions or headings in this Installment Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision, Article or Section of this Installment Agreement.

**SECTION 8 13 WAIVER OF PERSONAL LIABILITY**

No member of the Redevelopment Agency or officer or employee of the Redevelopment Agency shall be individually or personally liable for the payment of Installment Payments, but nothing herein shall relieve any member of the Redevelopment Agency or officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or by the Installment Agreement.

IN WITNESS WHEREOF, the Seller has caused this Installment Agreement to be executed in its name as trustee by a signing by its authorized officer, and the Redevelopment Agency has caused this Installment Agreement to be executed in its name by a signing by its Executive Director and the affixation of its official seal and attestation by the Secretary, as of the date first above written

BOREL BANK & TRUST COMPANY, as  
Trustee under the ARE Trust  
Agreement, dated October 20, 1994  
as "Seller"

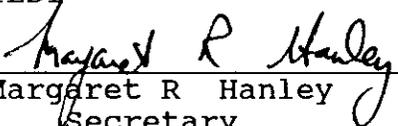
By   
\_\_\_\_\_  
Ronald G Fick  
Executive Vice President and  
Senior Trust Officer

SAN CARLOS REDEVELOPMENT AGENCY  
as "Purchaser"

By   
\_\_\_\_\_  
Michael P Garvey  
Executive Director

[SEAL]

ATTEST

  
\_\_\_\_\_  
Margaret R Hanley  
Secretary

SCHEDULE I(a)

[FORM OF GRANT DEED]

RECORDING REQUESTED BY AND  
WHEN RECORDED RETURN TO

Law Office  
G A Laster  
630 North San Mateo Drive  
San Mateo, Ca 94401

Fee \$

Space above for Recorders use only

Exempt from Documentary Transfer  
Tax pursuant to Section 11922  
California Revenue and Taxation Code  
San Carlos Redevelopment Agency  
By \_\_\_\_\_  
Executive Director

GRANT DEED

For valuable consideration, receipt of which is hereby  
acknowledged, BOREL BANK & TRUST COMPANY, as Trustee, grants to  
SAN CARLOS REDEVELOPMENT AGENCY, a California public body,  
corporate and politic, all that real property situated in the  
City of San Carlos, San Mateo County, California, described as  
follows

[SITE DESCRIPTION]

Executed on \_\_\_\_\_, 1994, at San Carlos, California

BOREL BANK & TRUST COMPANY, Trustee

By \_\_\_\_\_

State of California  
County of San Mateo

On \_\_\_\_\_, 1994, before me \_\_\_\_\_,  
personally appeared \_\_\_\_\_, [personally  
known to me or proved to me on the basis of satisfactory  
evidence] to be person[s] whose name[s] \_\_\_\_\_ [is or are]  
subscribed to the within instrument and acknowledged to me that  
\_\_\_\_\_ [he or she or they] executed the same in  
\_\_\_\_\_ [his or her or their] authorized  
\_\_\_\_\_ [capacity or capacities], and that by \_\_\_\_\_  
[his or her or their] signature[s] on the instrument the  
person[s], or the entity upon behalf of which the person[s]  
acted, executed the instrument

WITNESS my hand and official seal

Signature \_\_\_\_\_

[SEAL]

SCHEDULE I(b)

[Site Description]

The land referred to is situated in the State of California, County of San Mateo, City of San Carlos and is described as follows

Lots 23, 24, 25, 26, 27, 28 and 29 in Block 25, as shown on that certain map entitled "AMENDED MAP OF THE TOWN OF SAN CARLOS, SAN MATEO COUNTY CAL" filed in the office of the County Recorder of San Mateo County, State of California on San Carlos in Book 8 of Maps at page(s) 25 and 26

A P No	050 152 280	JPN 050 015 152 28 A
	050 152 290	050 015 152 29 A
	050 152-010	050 015 152 01 A
	050 152 020	050 015 152 02 A
	050 152-030	050 015 152 03 A
	050 152-040	050 015 152 04 A

FC(2)Sched1b

SCHEDULE II

(a) DESCRIPTION OF THE FACILITY

An 85-unit residential care facility, inclusive of enclosed parking spaces, to be constructed on or with reference to and inclusive of the Site, a more particular description of which is contained in the documentation identifying the same as Federal Housing Administration Project No 121-43127-NP

(b) DESCRIPTION OF HAZARDOUS MATERIALS  
REPORTS AND STUDIES

Phase 1 Environmental Site Assessment, 703 Elm, 721/725 Elm, 729/731 Elm, 1315 Cherry, 1325 Cherry and 1341 Cherry Streets, San Carlos, California prepared by CERTIFIED/Earth Metrics and submitted under cover of letter of October 13, 1993

Asbestos Survey of 703, 721/725, 729/731 Elm Street and 1315, 1325, 1341 Cherry Street, San Carlos, California prepared by Certified Engineering & Testing Company, Inc , and submitted under cover of letter of July 19, 1994

Geotechnical Investigation, San Carlos Residential Care Facility, Southeast Corner of Elm and Cherry Streets, San Carlos, California, prepared by Baldwin-Wright, Inc , and submitted under cover of letter of September 30, 1993

SCHEDULE IV

[FORM OF ASSIGNMENT]

IRREVOCABLE ASSIGNMENT OF INSTALLMENT SALE AGREEMENT

THIS ASSIGNMENT (the "Assignment") dated as of \_\_\_\_\_, \_\_\_\_\_, by and between \_\_\_\_\_ as assignor (the "Assignor"), and \_\_\_\_\_, which together with its successors and assigns hereunder is assignee (the "Assignee"),

W I T N E S S E T H

WHEREAS, the Assignor is Registered Owner of the Installment Payment Obligation of the San Carlos Redevelopment Agency (the "Redevelopment Agency") under an Installment Sale Agreement (the "Installment Agreement"), dated as of October 1, 1994, between the Redevelopment Agency and Borel Bank & Trust Company, as Trustee, pursuant to which the Redevelopment Agency has purchased certain property in return for installment payments and other amounts to be paid by the Redevelopment Agency, and pursuant to which the Redevelopment Agency has been conveyed title to the property,

NOW, THEREFORE, THE PARTIES hereto agree as follows

1 Assignment The Assignor hereby irrevocably assigns to the Assignee and the Assignee hereby accepts from the Assignor the whole of the Assignor's right, title and interest in

(a) The Installment Agreement, and

(b) All moneys payable or to become payable by the Redevelopment Agency, (i) commencing with the Installment Payment Date immediately following the date as of which this Assignment is dated, unless this Assignment is dated as of an Installment Payment Date in which case commencing with such Installment Payment Date, on the condition that notice of assignment, in the form attached hereto as Exhibit "A", is given by the Assignor to the Redevelopment Agency and is received by the Redevelopment Agency no later than the close of the business office of the Redevelopment Agency on the business day immediately preceding such Installment Payment Date, and (ii) ending with (but inclusive of the payment that becomes due on) the following Installment Payment Date \_\_\_\_\_

2 Registration of Assignment The Assignor shall give notice of assignment to the Redevelopment Agency in the form attached hereto as Exhibit "A" and shall cause this Assignment to

be registered in the Installment Register maintained by the Installment Obligation Agent and the completion of the registration schedule attached to this Assignment as Exhibit "B" with the name of the Assignee, and the date of registration of this Assignment in the Installment Register Under the Installment Agreement, the Installment Obligation Agent shall complete the registration schedule and cause the Assignment to be delivered to the Assignee

3 Definitions The terms used in this Assignment shall have the same meanings as the same terms used in the Installment Agreement

"Assignor"

\_\_\_\_\_

By \_\_\_\_\_

Registered Owner

"Assignee"

\_\_\_\_\_

EXHIBIT A TO SCHEDULE IV

NOTICE OF ASSIGNMENT OF INSTALLMENT SALE AGREEMENT

San Carlos Redevelopment Agency  
666 Elm Street  
San Carlos, Ca 94070  
Attention Installment Obligation Agent

Ladies and Gentlemen

Pursuant to the Installment Sale Agreement dated as of October 1, 1994, between Borel Bank & Trust Company, as Trustee, and San Carlos Redevelopment Agency (the "Redevelopment Agency"), you are hereby notified that the undersigned as Registered Owner of the Installment Payment Obligation has irrevocably assigned to \_\_\_\_\_, pursuant to the Irrevocable Assignment of Installment Sale Agreement, dated as of \_\_\_\_\_, \_\_\_\_\_ by and between the undersigned, as Assignor, and \_\_\_\_\_, as Assignee (the "Assignment"), a copy of which is attached to this notice of assignment, the Assignor's interest as stated in the Assignment

The address and tax identification number of the Assignee is as follows

Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Tax identification number \_\_\_\_\_

You are hereby directed to make all Installment Payments and other related amounts assigned to the Assignee at such address

Very truly yours,

"Assignor"

\_\_\_\_\_

By \_\_\_\_\_  
Registered Owner

EXHIBIT B TO SCHEDULE IV

REGISTRATION SCHEDULE FOR INSTALLMENT SALE AGREEMENT

Pursuant to the Irrevocable Assignment of Installment Sale Agreement, dated as of \_\_\_\_ \_\_, \_\_\_\_, by and between \_\_\_\_\_, as assignor (the "Assignor") and \_\_\_\_\_, as assignee (the "Assignee"), the Assignee has acquired certain of the Assignor's interest in the matters described in the Installment Sale Agreement dated as of October 1, 1994 by and between Borel Bank & Trust Company, as Trustee, and the San Carlos Redevelopment Agency

Attached to the Installment Sale Agreement is a Schedule of Installment Payments which states the amount of each succeeding monthly payment of the principal component and of the interest component of the interest of the Assignee in Installment Payments. The Assignment provides that the moneys payable or to become payable by the Redevelopment Agency commencing with the following Installment Payment Date \_\_\_\_\_, and ending with the following Installment Payment Date \_\_\_\_\_, are assigned to the Assignee. Following is the address of the Assignee as shown by the Installment Register maintained by the Installment Obligation Agent

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

The tax identification number of the Assignee as shown by the Installment Register is \_\_\_\_\_

Dated \_\_\_\_ \_\_, \_\_\_\_

SAN CARLOS REDEVELOPMENT AGENCY

By \_\_\_\_\_  
Installment Obligation Agent

**SCHEDULE III**

**INSTALLMENT OBLIGATION PAYMENTS**

Payment Date	Interest	Principal	Payment
10/25/94	\$0 00	\$0 00	\$0 00
12/01/94	10 000 00	0 00	10 000 00
01/01/95	10 000 00	0 00	10 000 00
02/01/95	10 000 00	0 00	10 000 00
03/01/95	10 000 00	0 00	10 000 00
04/01/95	10 000 00	0 00	10 000 00
05/01/95	10 000 00	0 00	10 000 00
06/01/95	10 000 00	0 00	10 000 00
07/01/95	10 000 00	0 00	10 000 00
08/01/95	10 000 00	0 00	10 000 00
09/01/95	10 000 00	0 00	10 000 00
10/01/95	10 000 00	0 00	10 000 00
11/01/95	10 000 00	0 00	10 000 00
12/01/95	16 666 67	0 00	16 666 67
01/01/96	16 666 67	0 00	16 666 67
02/01/96	16 666 67	0 00	16 666 67
03/01/96	16 666 67	0 00	16 666 67
04/01/96	16 666 67	0 00	16 666 67
05/01/96	16 666 67	0 00	16 666 67
06/01/96	16 666 67	0 00	16 666 67
07/01/96	16 666 67	0 00	16 666 67
08/01/96	16 666 67	0 00	16 666 67
09/01/96	16 666 67	0 00	16 666 67
10/01/96	16 666 67	0 00	16 666 67
11/01/96	16 666 67	0 00	16 666 67
12/01/96	25 450 00	0 00	25 450 00
01/01/97	25 450 00	0 00	25 450 00
02/01/97	25 450 00	0 00	25 450 00
03/01/97	25 450 00	0 00	25 450 00
04/01/97	25 450 00	0 00	25 450 00
05/01/97	25 450 00	0 00	25 450 00
06/01/97	25 450 00	0 00	25 450 00
07/01/97	25 450 00	0 00	25 450 00
08/01/97	25 450 00	0 00	25 450 00
09/01/97	25 450 00	0 00	25 450 00
10/01/97	25 450 00	0 00	25 450 00
11/01/97	25 450 00	0 00	25 450 00
12/01/97	25 450 00	0 00	25 450 00
01/01/98	25 450 00	0 00	25 450 00
02/01/98	25 450 00	0 00	25 450 00
03/01/98	25 450 00	0 00	25 450 00
04/01/98	25 450 00	0 00	25 450 00
05/01/98	25 450 00	0 00	25 450 00
06/01/98	25 450 00	0 00	25 450 00
07/01/98	25 450 00	0 00	25 450 00
08/01/98	25 450 00	0 00	25 450 00
09/01/98	25 450 00	0 00	25 450 00
10/01/98	25 450 00	0 00	25 450 00
11/01/98	25 450 00	0 00	25 450 00
12/01/98	25 450 00	0 00	25 450 00
01/01/99	25 450 00	0 00	25 450 00
02/01/99	25 450 00	0 00	25 450 00
03/01/99	25 450 00	0 00	25 450 00
04/01/99	25 450 00	0 00	25 450 00
05/01/99	25 450 00	0 00	25 450 00
06/01/99	25 450 00	0 00	25 450 00

## INSTALLMENT OBLIGATION PAYMENTS

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Payment Date	Interest	Principal	Payment
07/01/99	25 450 00	0 00	25 450 00
08/01/99	25 450 00	0 00	25 450 00
09/01/99	25 450 00	0 00	25 450 00
10/01/99	25 450 00	0 00	25 450 00
11/01/99	25 450 00	0 00	25 450 00
12/01/99	25 450 00	0 00	25 450 00
01/01/00	25 450 00	0 00	25 450 00
02/01/00	25 450 00	0 00	25 450 00
03/01/00	25 450 00	0 00	25 450 00
04/01/00	25 450 00	0 00	25 450 00
05/01/00	25 450 00	0 00	25 450 00
06/01/00	25 450 00	0 00	25 450 00
07/01/00	25 450 00	0 00	25 450 00
08/01/00	25 450 00	0 00	25 450 00
09/01/00	25 450 00	0 00	25 450 00
10/01/00	25 450 00	0 00	25 450 00
11/01/00	25 450 00	0 00	25 450 00
12/01/00	25 450 00	0 00	25 450 00
01/01/01	25 450 00	0 00	25 450 00
02/01/01	25 450 00	0 00	25 450 00
03/01/01	25 450 00	0 00	25 450 00
04/01/01	25 450 00	0 00	25 450 00
05/01/01	25 450 00	0 00	25 450 00
06/01/01	25 450 00	0 00	25 450 00
07/01/01	25 450 00	0 00	25 450 00
08/01/01	25 450 00	0 00	25 450 00
09/01/01	25 450 00	0 00	25 450 00
10/01/01	25 450 00	0 00	25 450 00
11/01/01	25 450 00	0 00	25 450 00
12/01/01	25 450 00	0 00	25 450 00
01/01/02	25 450 00	0 00	25 450 00
02/01/02	25 450 00	0 00	25 450 00
03/01/02	25 450 00	0 00	25 450 00
04/01/02	25 450 00	0 00	25 450 00
05/01/02	25 450 00	0 00	25 450 00
06/01/02	25 450 00	0 00	25 450 00
07/01/02	25 450 00	0 00	25 450 00
08/01/02	25 450 00	0 00	25 450 00
09/01/02	25 450 00	0 00	25 450 00
10/01/02	25 450 00	0 00	25 450 00
11/01/02	25 450 00	0 00	25 450 00
12/01/02	25 450 00	0 00	25 450 00
01/01/03	25 450 00	0 00	25 450 00
02/01/03	25 450 00	0 00	25 450 00
03/01/03	25 450 00	0 00	25 450 00
04/01/03	25 450 00	0 00	25 450 00
05/01/03	25 450 00	0 00	25 450 00
06/01/03	25 450 00	0 00	25 450 00
07/01/03	25 450 00	0 00	25 450 00
08/01/03	25 450 00	0 00	25 450 00
09/01/03	25 450 00	0 00	25 450 00
10/01/03	25 450 00	0 00	25 450 00
11/01/03	25 450 00	0 00	25 450 00
12/01/03	25 450 00	0 00	25 450 00
01/01/04	25 450 00	0 00	25 450 00
02/01/04	25 450 00	0 00	25 450 00

INSTALLMENT OBLIGATION PAYMENTS

Payment Date	Interest	Principal	Payment
03/01/04	25 450 00	0 00	25 450 00
04/01/04	25 450 00	0 00	25 450 00
05/01/04	25 450 00	0 00	25 450 00
06/01/04	25 450 00	0 00	25 450 00
07/01/04	25 450 00	0 00	25 450 00
08/01/04	25 450 00	0 00	25 450 00
09/01/04	25 450 00	0 00	25 450 00
10/01/04	25 450 00	0 00	25 450 00
11/01/04	25 450 00	0 00	25 450 00
12/01/04	25 450 00	0 00	25 450 00
01/01/05	25 450 00	0 00	25 450 00
02/01/05	25 450 00	0 00	25 450 00
03/01/05	25 450 00	0 00	25 450 00
04/01/05	25 450 00	0 00	25 450 00
05/01/05	25 450 00	0 00	25 450 00
06/01/05	25 450 00	0 00	25 450 00
07/01/05	25 450 00	0 00	25 450 00
08/01/05	25 450 00	0 00	25 450 00
09/01/05	25 450 00	0 00	25 450 00
10/01/05	25 450 00	0 00	25 450 00
11/01/05	25 450 00	0 00	25 450 00
12/01/05	25 450 00	0 00	25 450 00
01/01/06	25 450 00	0 00	25 450 00
02/01/06	25 450 00	0 00	25 450 00
03/01/06	25 450 00	0 00	25 450 00
04/01/06	25 450 00	0 00	25 450 00
05/01/06	25 450 00	0 00	25 450 00
06/01/06	25 450 00	0 00	25 450 00
07/01/06	25 450 00	0 00	25 450 00
08/01/06	25 450 00	0 00	25 450 00
09/01/06	25 450 00	0 00	25 450 00
10/01/06	25 450 00	0 00	25 450 00
11/01/06	25 450 00	0 00	25 450 00
12/01/06	25 450 00	0 00	25 450 00
01/01/07	25 450 00	0 00	25 450 00
02/01/07	25 450 00	0 00	25 450 00
03/01/07	25 450 00	0 00	25 450 00
04/01/07	25 450 00	0 00	25 450 00
05/01/07	25 450 00	0 00	25 450 00
06/01/07	25 450 00	0 00	25 450 00
07/01/07	25 450 00	0 00	25 450 00
08/01/07	25 450 00	0 00	25 450 00
09/01/07	25 450 00	0 00	25 450 00
10/01/07	25 450 00	0 00	25 450 00
11/01/07	25 450 00	0 00	25 450 00
12/01/07	25 450 00	0 00	25 450 00
01/01/08	25 450 00	0 00	25 450 00
02/01/08	25 450 00	0 00	25 450 00
03/01/08	25 450 00	0 00	25 450 00
04/01/08	25 450 00	0 00	25 450 00
05/01/08	25 450 00	0 00	25 450 00
06/01/08	25 450 00	0 00	25 450 00
07/01/08	25 450 00	0 00	25 450 00
08/01/08	25 450 00	0 00	25 450 00
09/01/08	25 450 00	0 00	25 450 00
10/01/08	25 450 00	0 00	25 450 00

## INSTALLMENT OBLIGATION PAYMENTS

Payment Date	Interest	Principal	Payment
11/01/08	25 450 00	0 00	25 450 00
12/01/08	25 450 00	0 00	25 450 00
01/01/09	25 450 00	0 00	25 450 00
02/01/09	25 450 00	0 00	25 450 00
03/01/09	25 450 00	0 00	25 450 00
04/01/09	25 450 00	0 00	25 450 00
05/01/09	25 450 00	0 00	25 450 00
06/01/09	25 450 00	0 00	25 450 00
07/01/09	25 450 00	0 00	25 450 00
08/01/09	25 450 00	0 00	25 450 00
09/01/09	25 450 00	0 00	25 450 00
10/01/09	25 450 00	0 00	25 450 00
11/01/09	25 450 00	0 00	25 450 00
12/01/09	25 450 00	0 00	25 450 00
01/01/10	25 450 00	0 00	25 450 00
02/01/10	25 450 00	0 00	25 450 00
03/01/10	25 450 00	0 00	25 450 00
04/01/10	25 450 00	0 00	25 450 00
05/01/10	25 450 00	0 00	25 450 00
06/01/10	25 450 00	0 00	25 450 00
07/01/10	25 450 00	0 00	25 450 00
08/01/10	25 450 00	0 00	25 450 00
09/01/10	25 450 00	0 00	25 450 00
10/01/10	25 450 00	0 00	25 450 00
11/01/10	25 450 00	0 00	25 450 00
12/01/10	25 450 00	0 00	25 450 00
01/01/11	25 450 00	0 00	25 450 00
02/01/11	25 450 00	0 00	25 450 00
03/01/11	25 450 00	0 00	25 450 00
04/01/11	25 450 00	0 00	25 450 00
05/01/11	25 450 00	0 00	25 450 00
06/01/11	25 450 00	0 00	25 450 00
07/01/11	25 450 00	0 00	25 450 00
08/01/11	25 450 00	0 00	25 450 00
09/01/11	25 450 00	0 00	25 450 00
10/01/11	25 450 00	0 00	25 450 00
11/01/11	25 450 00	0 00	25 450 00
12/01/11	25 450 00	0 00	25 450 00
01/01/12	25 450 00	0 00	25 450 00
02/01/12	25 450 00	0 00	25 450 00
03/01/12	25 450 00	0 00	25 450 00
04/01/12	25 450 00	0 00	25 450 00
05/01/12	23 816 66	1 633 34	25 450 00
06/01/12	22 736 73	2 713 27	25 450 00
07/01/12	22 714 68	2 735 32	25 450 00
08/01/12	22 692 46	2 757 54	25 450 00
09/01/12	22 670 05	2 779 95	25 450 00
10/01/12	22 647 47	2 802 53	25 450 00
11/01/12	22 624 70	2 825 30	25 450 00
12/01/12	22 601 74	2 848 26	25 450 00
01/01/13	22 578 60	2 871 40	25 450 00
02/01/13	22 555 27	2 894 73	25 450 00
03/01/13	22 531 75	2 918 25	25 450 00
04/01/13	22 508 04	2 941 96	25 450 00
05/01/13	22 484 13	2 965 87	25 450 00
06/01/13	22 460 04	2 989 96	25 450 00

## INSTALLMENT OBLIGATION PAYMENTS

Payment Date	Interest	Principal	Payment
07/01/13	22 435 74	3 014 26	25 450 00
08/01/13	22 411 25	3 038 75	25 450 00
09/01/13	22 386 56	3 063 44	25 450 00
10/01/13	22 361 67	3 088 33	25 450 00
11/01/13	22 336 58	3 113 42	25 450 00
12/01/13	22 311 28	3 138 72	25 450 00
01/01/14	22 285 78	3 164 22	25 450 00
02/01/14	22 260 07	3 189 93	25 450 00
03/01/14	22 234 15	3 215 85	25 450 00
04/01/14	22 208 03	3 241 97	25 450 00
05/01/14	22 181 68	3 268 32	25 450 00
06/01/14	22 155 13	3 294 87	25 450 00
07/01/14	22 128 36	3 321 64	25 450 00
08/01/14	22 101 37	3 348 63	25 450 00
09/01/14	22 074 16	3 375 84	25 450 00
10/01/14	22 046 73	3 403 27	25 450 00
11/01/14	22 019 08	3 430 92	25 450 00
12/01/14	21 991 21	3 458 79	25 450 00
01/01/15	21 963 10	3 486 90	25 450 00
02/01/15	21 934 77	3 515 23	25 450 00
03/01/15	21 906 21	3 543 79	25 450 00
04/01/15	21 877 42	3 572 58	25 450 00
05/01/15	21 848 39	3 601 61	25 450 00
06/01/15	21 819 13	3 630 87	25 450 00
07/01/15	21 789 63	3 660 37	25 450 00
08/01/15	21 759 89	3 690 11	25 450 00
09/01/15	21 729 90	3 720 10	25 450 00
10/01/15	21 699 68	3 750 32	25 450 00
11/01/15	21 669 21	3 780 79	25 450 00
12/01/15	21 638 49	3 811 51	25 450 00
01/01/16	21 607 52	3 842 48	25 450 00
02/01/16	21 576 30	3 873 70	25 450 00
03/01/16	21 544 83	3 905 17	25 450 00
04/01/16	21 513 10	3 936 90	25 450 00
05/01/16	21 481 11	3 968 89	25 450 00
06/01/16	21 448 86	4 001 14	25 450 00
07/01/16	21 416 35	4 033 65	25 450 00
08/01/16	21 383 58	4 066 42	25 450 00
09/01/16	21 350 54	4 099 46	25 450 00
10/01/16	21 317 23	4 132 77	25 450 00
11/01/16	21 283 65	4 166 35	25 450 00
12/01/16	21 249 80	4 200 20	25 450 00
01/01/17	21 215 67	4 234 33	25 450 00
02/01/17	21 181 27	4 268 73	25 450 00
03/01/17	21 146 59	4 303 41	25 450 00
04/01/17	21 111 62	4 338 38	25 450 00
05/01/17	21 076 37	4 373 63	25 450 00
06/01/17	21 040 84	4 409 16	25 450 00
07/01/17	21 005 01	4 444 99	25 450 00
08/01/17	20 968 90	4 481 10	25 450 00
09/01/17	20 932 49	4 517 51	25 450 00
10/01/17	20 895 78	4 554 22	25 450 00
11/01/17	20 858 78	4 591 22	25 450 00
12/01/17	20 821 48	4 628 52	25 450 00
01/01/18	20 783 87	4 666 13	25 450 00
02/01/18	20 745 96	4 704 04	25 450 00

INSTALLMENT OBLIGATION PAYMENTS

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Payment Date	Interest	Principal	Payment	
03/01/18	20 707 74	4 742 26	25 450 00	
04/01/18	20 669 21	4 780 79	25 450 00	
05/01/18	20 630 36	4 819 64	25 450 00	
06/01/18	20 591 20	4 858 80	25 450 00	
07/01/18	20 551 72	4 898 28	25 450 00	
08/01/18	20 511 93	4 938 07	25 450 00	
09/01/18	20 471 80	4 978 20	25 450 00	
10/01/18	20 431 36	5 018 64	25 450 00	
11/01/18	20 390 58	5 059 42	25 450 00	
12/01/18	20 349 47	5 100 53	25 450 00	
01/01/19	20 308 03	5 141 97	25 450 00	
02/01/19	20 266 25	5 183 75	25 450 00	
03/01/19	20 224 13	5 225 87	25 450 00	
04/01/19	20 181 67	5 268 33	25 450 00	
05/01/19	20 138 87	5 311 13	25 450 00	
06/01/19	20 095 72	5 354 28	25 450 00	
07/01/19	20 052 21	5 397 79	25 450 00	
08/01/19	20 008 35	5 441 65	25 450 00	
09/01/19	19 964 14	5 485 86	25 450 00	
10/01/19	19 919 57	5 530 43	25 450 00	
11/01/19	19 874 63	5 575 37	25 450 00	
12/01/19	19 829 33	5 620 67	25 450 00	
01/01/20	19 783 67	5 666 33	25 450 00	
02/01/20	19 737 63	5 712 37	25 450 00	
03/01/20	19 691 21	5 758 79	25 450 00	
04/01/20	19 644 42	5 805 58	25 450 00	
05/01/20	19 597 25	5 852 75	25 450 00	
06/01/20	19 549 70	5 900 30	25 450 00	
07/01/20	19 501 76	5 948 24	25 450 00	20-21A \$25,450 x 6 mos. = \$152,700
08/01/20	19 453 43	5 996 57	25 450 00	
09/01/20	19 404 71	6 045 29	25 450 00	
10/01/20	19 355 59	6 094 41	25 450 00	
11/01/20	19 306 07	6 143 93	25 450 00	
12/01/20	19 256 15	6 193 85	25 450 00	
01/01/21	19 205 83	6 244 17	25 450 00	20-21B \$25,450 x 6 mos. = \$152,700
02/01/21	19 155 10	6 294 90	25 450 00	
03/01/21	19 103 95	6 346 05	25 450 00	
04/01/21	19 052 39	6 397 61	25 450 00	
05/01/21	19 000 41	6 449 59	25 450 00	
06/01/21	18 948 00	6 501 00	25 450 00	
07/01/21	18 895 18	6 554 82	25 450 00	21-22A \$25,450 x 6 mos. = \$152,700
08/01/21	18 841 92	6 608 08	25 450 00	
09/01/21	18 788 23	6 661 77	25 450 00	
10/01/21	18 734 10	6 715 90	25 450 00	
11/01/21	18 679 53	6 770 47	25 450 00	
12/01/21	18 624 52	6 825 48	25 450 00	
01/01/22	18 569 07	6 880 93	25 450 00	21-22B \$25,450 x 6 mos. = \$152,700
02/01/22	18 513 16	6 936 84	25 450 00	
03/01/22	18 456 80	6 993 20	25 450 00	
04/01/22	18 399 98	7 050 02	25 450 00	
05/01/22	18 342 70	7 107 30	25 450 00	
06/01/22	18 284 95	7 165 05	25 450 00	
07/01/22	18 226 73	7 223 27	25 450 00	22-23A \$25,450 x 6 mos. = \$152,700
08/01/22	18 168 04	7 281 96	25 450 00	
09/01/22	18 108 88	7 341 12	25 450 00	
10/01/22	18 049 23	7 400 77	25 450 00	

INSTALLMENT OBLIGATION PAYMENTS

Payment Date	Interest	Principal	Payment
11/01/22	17 989 10	7 460 90	25 450 00
12/01/22	17 978 48	7 521 52	25 450 00
01/01/23	17 867 37	7 587 63	25 450 00
02/01/23	17 805 76	7 644 24	25 450 00
03/01/23	17 743 65	7 706 35	25 450 00
04/01/23	17 681 04	7 768 96	25 450 00
05/01/23	17 617 91	7 832 09	25 450 00
06/01/23	17 554 28	7 895 72	25 450 00
07/01/23	17 490 12	7 959 88	25 450 00
08/01/23	17 425 45	8 024 55	25 450 00
09/01/23	17 360 25	8 089 75	25 450 00
10/01/23	17 294 57	8 155 48	25 450 00
11/01/23	17 228 26	8 221 74	25 450 00
12/01/23	17 161 46	8 288 54	25 450 00
01/01/24	17 094 11	8 355 89	25 450 00
02/01/24	17 026 22	8 423 78	25 450 00
03/01/24	16 957 78	8 492 22	25 450 00
04/01/24	16 888 78	8 561 22	25 450 00
05/01/24	16 819 22	8 630 78	25 450 00
06/01/24	16 749 09	8 700 91	25 450 00
07/01/24	16 678 40	8 771 60	25 450 00
08/01/24	16 607 13	8 842 87	25 450 00
09/01/24	16 535 28	8 914 72	25 450 00
10/01/24	16 462 85	8 987 15	25 450 00
11/01/24	16 389 83	9 060 17	25 450 00
12/01/24	16 316 21	9 133 79	25 450 00
01/01/25	16 242 00	9 208 00	25 450 00
02/01/25	16 167 19	9 282 81	25 450 00
03/01/25	16 091 76	9 358 74	25 450 00
04/01/25	16 015 73	9 434 27	25 450 00
05/01/25	15 939 07	9 510 93	25 450 00
06/01/25	15 861 80	9 588 20	25 450 00
07/01/25	15 783 89	9 666 11	25 450 00
08/01/25	15 705 36	9 744 64	25 450 00
09/01/25	15 626 18	9 823 82	25 450 00
10/01/25	15 546 36	9 903 64	25 450 00
11/01/25	15 465 90	9 984 10	25 450 00
12/01/25	15 384 78	10 065 22	25 450 00
01/01/26	15 303 00	10 147 00	25 450 00
02/01/26	15 220 55	10 229 45	25 450 00
03/01/26	15 137 44	10 312 56	25 450 00
04/01/26	15 053 65	10 396 35	25 450 00
05/01/26	14 969 18	10 480 82	25 450 00
06/01/26	14 884 02	10 565 98	25 450 00
07/01/26	14 798 17	10 651 83	25 450 00
08/01/26	14 711 63	10 738 37	25 450 00
09/01/26	14 624 38	10 825 62	25 450 00
10/01/26	14 536 42	10 913 58	25 450 00
11/01/26	14 447 75	11 002 75	25 450 00
12/01/26	14 358 35	11 091 65	25 450 00
01/01/27	14 268 23	11 181 77	25 450 00
02/01/27	14 177 38	11 272 62	25 450 00
03/01/27	14 085 79	11 364 21	25 450 00
04/01/27	13 993 46	11 456 54	25 450 00
05/01/27	13 900 37	11 549 63	25 450 00
06/01/27	13 806 53	11 643 47	25 450 00

22-23B \$25,450 x 6 mos. = \$152,700

23-24A \$25,450 x 6 mos. = \$152,700

23-24B \$25,450 x 6 mos. = \$152,700

24-25A \$25,450 x 6 mos. = \$152,700

24-25B \$25,450 x 6 mos. = \$152,700

25-26A \$25,450 x 6 mos. = \$152,700

25-26B \$25,450 x 6 mos. = \$152,700

26-27A \$25,450 x 6 mos. = \$152,700

26-27B \$25,450 x 6 mos. = \$152,700

INSTALLMENT OBLIGATION PAYMENTS

Payment Date	Interest	Principal	Payment	
07/01/27	13 711 93	11 738 07	25 450 00	27-28A \$25,450 x 6 mos. = \$152,700
08/01/27	13 616 56	11 833 44	25 450 00	
09/01/27	13 520 41	11 929 59	25 450 00	
10/01/27	13 423 48	12 026 52	25 450 00	
11/01/27	13 325 77	12 124 23	25 450 00	
12/01/27	13 227 26	12 222 74	25 450 00	
01/01/28	13 127 95	12 322 05	25 450 00	27-28B \$25,450 x 6 mos. = \$152,700
02/01/28	13 027 83	12 422 17	25 450 00	
03/01/28	12 926 90	12 523 10	25 450 00	
04/01/28	12 825 15	12 624 85	25 450 00	
05/01/28	12 722 57	12 727 43	25 450 00	
06/01/28	12 619 16	12 830 84	25 450 00	28-29A \$25,450 x 6 mos. = \$152,700
07/01/28	12 514 91	12 935 09	25 450 00	
08/01/28	12 409 81	13 040 19	25 450 00	
09/01/28	12 303 86	13 146 14	25 450 00	
10/01/28	12 197 05	13 252 95	25 450 00	
11/01/28	12 089 37	13 360 63	25 450 00	
12/01/28	11 980 82	13 469 18	25 450 00	
01/01/29	11 871 38	13 578 62	25 450 00	28-29B \$25,450 x 6 mos. = \$152,700
02/01/29	11 761 05	13 688 95	25 450 00	
03/01/29	11 649 83	13 800 17	25 450 00	
04/01/29	11 537 70	13 912 30	25 450 00	
05/01/29	11 424 67	14 025 33	25 450 00	
06/01/29	11 310 71	14 139 29	25 450 00	29-30A \$25,450 x 6 mos. = \$152,700
07/01/29	11 195 83	14 254 17	25 450 00	
08/01/29	11 080 01	14 369 99	25 450 00	
09/01/29	10 963 26	14 486 74	25 450 00	
10/01/29	10 845 55	14 604 45	25 450 00	
11/01/29	10 726 89	14 723 11	25 450 00	
12/01/29	10 607 27	14 842 73	25 450 00	
01/01/30	10 486 67	14 963 33	25 450 00	29-30B \$25,450 x 6 mos. = \$152,700
02/01/30	10 365 09	15 084 91	25 450 00	
03/01/30	10 242 53	15 207 47	25 450 00	
04/01/30	10 118 97	15 331 03	25 450 00	
05/01/30	9 994 40	15 455 60	25 450 00	
06/01/30	9 868 82	15 581 18	25 450 00	
07/01/30	9 742 23	15 707 77	25 450 00	30-31A \$25,450 x 6 mos. = \$152,700
08/01/30	9 614 60	15 835 40	25 450 00	
09/01/30	9 485 94	15 964 06	25 450 00	
10/01/30	9 356 23	16 093 77	25 450 00	
11/01/30	9 225 47	16 224 51	25 450 00	
12/01/30	9 093 64	16 356 36	25 450 00	
01/01/31	8 960 75	16 489 25	25 450 00	30-31B \$25,450 x 6 mos. = \$152,700
02/01/31	8 826 77	16 623 23	25 450 00	
03/01/31	8 691 71	16 758 29	25 450 00	
04/01/31	8 555 55	16 894 45	25 450 00	
05/01/31	8 418 28	17 031 72	25 450 00	
06/01/31	8 279 90	17 170 10	25 450 00	
07/01/31	8 140 39	17 309 61	25 450 00	31-32A \$25,450 x 6 mos. = \$152,700
08/01/31	7 999 75	17 450 25	25 450 00	
09/01/31	7 857 97	17 592 03	25 450 00	
10/01/31	7 715 03	17 734 97	25 450 00	
11/01/31	7 570 94	17 879 06	25 450 00	
12/01/31	7 425 67	18 024 33	25 450 00	
01/01/32	7 279 22	18 170 78	25 450 00	31-32B \$25,450 x 6 mos. = \$152,700
02/01/32	7 131 58	18 318 47	25 450 00	

INSTALLMENT OBLIGATION PAYMENTS

Payment Date	Interest	Principal	Payment	
03/01/32	6 982 75	18 467 25	25 450 00	
04/01/32	6 832 70	18 617 30	25 450 00	
05/01/32	6 681 43	18 768 57	25 450 00	
06/01/32	6 528 94	18 921 06	25 450 00	
07/01/32	6 375 21	19 074 79	25 450 00	32-33A \$25,450 x 6 mos. = \$152,700
08/01/32	6 220 22	19 229 78	25 450 00	
09/01/32	6 063 98	19 386 02	25 450 00	
10/01/32	5 906 47	19 543 53	25 450 00	
11/01/32	5 747 68	19 702 32	25 450 00	
12/01/32	5 587 60	19 862 40	25 450 00	
01/01/33	5 426 22	20 023 78	25 450 00	32-33B \$25,450 x 6 mos. = \$152,700
02/01/33	5 263 52	20 186 48	25 450 00	
03/01/33	5 099 51	20 350 49	25 450 00	
04/01/33	4 934 16	20 515 84	25 450 00	
05/01/33	4 767 47	20 682 53	25 450 00	
06/01/33	4 599 42	20 850 58	25 450 00	
07/01/33	4 430 01	21 019 99	25 450 00	33-34A \$25,450 x 6 mos. = \$152,700
08/01/33	4 259 22	21 190 78	25 450 00	
09/01/33	4 087 05	21 367 95	25 450 00	
10/01/33	3 913 48	21 536 52	25 450 00	
11/01/33	3 738 49	21 711 51	25 450 00	
12/01/33	3 562 09	21 887 91	25 450 00	
01/01/34	3 384 25	22 065 75	25 450 00	33-34B \$25,450 x 6 mos. = \$152,700
02/01/34	3 204 96	22 245 04	25 450 00	
03/01/34	3 024 22	22 425 78	25 450 00	
04/01/34	2 842 01	22 607 99	25 450 00	
05/01/34	2 658 32	22 791 68	25 450 00	
06/01/34	2 473 14	22 976 86	25 450 00	
07/01/34	2 286 45	23 163 55	25 450 00	34-35A \$25,450 x 6 mos. = \$152,700
08/01/34	2 098 25	23 351 75	25 450 00	
09/01/34	1 908 52	23 541 48	25 450 00	
10/01/34	1 717 24	23 732 76	25 450 00	
11/01/34	1 524 41	23 925 59	25 450 00	
12/01/34	1 330 02	24 119 98	25 450 00	
01/01/35	1 134 04	24 315 96	25 450 00	34-35B \$25,450 x 5 mos. = \$127,250
02/01/35	936 47	24 513 53	25 450 00	last month = \$16,132.78
03/01/35	737 10	24 717 70	25 450 00	Total \$143,383
04/01/35	536 51	24 913 49	25 450 00	
05/01/35	334 09	25 115 91	25 450 00	
06/01/35	130 02	16 007 76	16 132 78	
07/01/35		0 00		
	9 294 032 82	2 800 000 00	12 094 032 82	

**RECORDING REQUESTED BY AND  
WHEN RECORDED MAIL TO:**

City Clerk  
City of San Carlos  
600 Elm Street  
San Carlos, California 94070

**NO FEE DOCUMENT:**

Exempt from recording fees pursuant  
to Government Code Section 27383

**2012-166075**

County  
1:09 pm 11/08/12 AG Fee: NO FEE  
Count of Pages 13  
Recorded in Official Records  
County of San Mateo  
Mark Church  
Assessor-County Clerk-Recorder



SPACE ABOVE THIS LINE FOR RECORDER'S USE

BP

**LONG-TERM OPTION TO PURCHASE AGREEMENT**

**Dated as of October 1, 1994**

**by and between**

**SAN CARLOS DEVELOPMENT CORPORATION**

**and the**

**CITY OF SAN CARLOS, SUCCESSOR-IN-INTEREST OF  
THE SAN CARLOS REDEVELOPMENT AGENCY**

LONG-TERM OPTION TO PURCHASE AGREEMENT

THIS OPTION AGREEMENT, dated as of the first day of October, 1994, by and between SAN CARLOS DEVELOPMENT CORPORATION, a public benefit corporation organized and existing under the Nonprofit Corporation Law of the State of California (the "Development Corporation"), and SAN CARLOS REDEVELOPMENT AGENCY, a redevelopment agency organized and existing under the Community Redevelopment Law of the State of California (the "Redevelopment Agency"),

W I T N E S S E T H:

WHEREAS, the Redevelopment Agency has acquired certain real property (the "Site"), more particularly described by Exhibit "A" hereto incorporated by this reference herein:, pursuant to an Installment Sale Agreement, dated as of October 1, 1994 (the "Installment Agreement");

WHEREAS, the Development Corporation proposes to purchase the Site from the Redevelopment Agency and develop, acquire, demolish, clear, construct, improve, equip, maintain, operate, administer and finance multifamily rental housing that is a residential care facility on the Site (inclusive of the Site, the "Facility");

WHEREAS, the Development Corporation proposes to finance the Facility (1) by borrowing money from the City of San Carlos (the "City") that the City obtains as proceeds of the issuance of long term revenue bonds, which borrowing will be a mortgage loan (the "Mortgage Loan"), amortizable during a period expiring October 1, 2036, insured by the Federal Housing Administration of the United States Department of Housing and Urban Development ("HUD") secured by a deed of trust on the Facility and (2) by means of issuance to the Redevelopment Agency of the Development Corporation's Residual Receipts Note (the "Residual Note");

WHEREAS, the Development Corporation also proposes that should supplemental money be required for the Facility in addition to that just described, the Redevelopment Agency make such available as a grant or loan from the proceeds of the issuance by the Redevelopment Agency of tax allocation bonds payable from the Redevelopment Agency's low and moderate income housing fund that is funded by the share of tax increment revenues allocated thereto by law; and

WHEREAS, because of the significant assistance to be provided the Development Corporation for the Facility by the Redevelopment Agency and the City, the Redevelopment Agency, in connection with the sale of the Site, desires to retain or

SC(4)LOption

acquire the exclusive right to purchase, without becoming obligated to purchase, the Facility at an agreed price and under specified terms and conditions;

NOW, THEREFORE, the parties agree as follows:

1. Grant of Option. The Development Corporation hereby grants to the Redevelopment Agency the exclusive right to purchase the Facility subject to HUD approval at a price and under the terms and conditions set forth in Exhibit "B" hereto, incorporated by this reference herein.

2. Option Period. This option shall commence on the day that title to the Site is conveyed by the Redevelopment Agency to the Development Corporation (the "Closing Date") and shall remain in effect until 12:00 M., October 1, 2046.

3. Consideration. This option is granted in partial consideration of the significant public assistance provided to the Development Corporation for the Facility. The price to be paid by the Redevelopment Agency upon exercise of the option is based in part upon the significant assistance so provided.

4. Exercise of Option. The Redevelopment Agency may exercise this option commencing with, but not prior to, the sixth (6th) 12 month period from the Completion Date (as defined in the Installment Agreement) and at any time thereafter so long as this option remains in effect, by executing and delivering to the Development Corporation written notice of such exercise, together with proposed escrow instructions which provide the procedures and times of accomplishment pending delivery of the deed, and the form of grant deed by which title will be conveyed. The Development Corporation will cooperate in the accomplishment of all procedures in a timely manner, and will execute, acknowledge and deliver to the Redevelopment Agency the grant deed.

5. Assignability of Option. The Redevelopment Agency may assign this option to the City or to another public agency or to another organization that is qualified under Section 501(c)(3) of the Internal Revenue Code that undertakes the ownership, operation, maintenance and administration of multifamily rental housing, without the consent of the Development Corporation, and may assign this option to another organization on condition that the written consent of the Development Corporation is first obtained, which consent shall not be unreasonably refused. The Redevelopment Agency will give written notice of the assignment of this option, identifying the assignee and attaching an execution copy of the assignment that includes the terms, to the Development Corporation within 30 days of the assignment.

6. Notices. Unless otherwise provided herein, any notice, tender or delivery to be given hereunder by either party to the other may be effected by personal delivery in writing or by registered or certified mail, postage prepaid, return receipt requested, and shall be deemed communicated as of the third day from mailing. Mailed notices shall be addressed as set forth below, but each party may change its address by written notice in accordance with this paragraph.

To the Development Corporation:

San Carlos Development Corporation  
P.O. Box 3009  
San Carlos, Ca 94070  
Attention: President

To the Redevelopment Agency:

San Carlos Redevelopment Agency  
666 Elm Street  
San Carlos, Ca 94070  
Attention: Executive Director

7. Entire Agreement. This instrument, including the attached Exhibits "A" and "B", constitute the entire agreement between the parties relating to this option. Any prior agreements, promises, negotiations, or representations not expressly set forth in this instrument are of no force or effect. Any amendment to this instrument shall be of no force or effect unless it is in writing and signed by the Development Corporation and the Redevelopment Agency.

8. Attorneys' Fees. If any legal action or proceeding arising out of or relating to this instrument is brought by either party, the prevailing party shall be entitled to receive from the other party, in addition to any other relief that may be granted, the reasonable attorneys' fees, costs and expenses incurred in the action or proceeding by the prevailing party.

9. Binding Effect. This instrument shall be binding and inure to the benefit of the parties and their successors and assigns, except as otherwise provided in this instrument.

10. Terms. Undefined terms used herein shall have the meaning assigned to such terms in the documentation respecting the Mortgage Loan and the Installment Agreement.

IN WITNESS WHEREOF, the parties have executed this instrument as of the day and year first above written, at San Carlos, San Mateo County, California.

SAN CARLOS REDEVELOPMENT AGENCY

By Michael P. Garvey  
Michael P. Garvey  
Executive Director

SAN CARLOS DEVELOPMENT CORPORATION

By Irwin T. Quinn  
Irwin T. Quinn  
President

ATTEST:

Margaret R. Hanley  
Margaret R. Hanley  
Secretary

ATTEST:

Don L. Ralya  
Don L. Ralya  
Secretary





CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

No. 5907

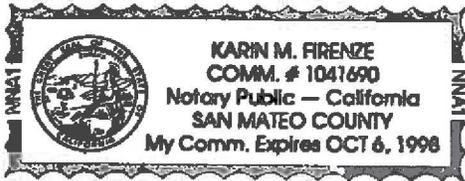
State of California

County of San Mateo

On Nov. 14, 1994 before me, Karin M. Firenze, Notary Public  
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared Irwin T. Quinn  
NAME(S) OF SIGNER(S)

personally known to me - OR -  proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Karin M. Firenze  
SIGNATURE OF NOTARY

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- INDIVIDUAL
- CORPORATE OFFICER

TITLE(S)

- PARTNER(S)  LIMITED
- ATTORNEY-IN-FACT  GENERAL
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: \_\_\_\_\_

DESCRIPTION OF ATTACHED DOCUMENT

TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES

DATE OF DOCUMENT

SIGNER IS REPRESENTING:  
NAME OF PERSON(S) OR ENTITY(IES)

SIGNER(S) OTHER THAN NAMED ABOVE

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Mateo

On March 20, 1995 before me, Karin M. Firenze, Notary Public

DATE

NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared Don. L. Ralya

NAME(S) OF SIGNER(S)

personally known to me - OR -  proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Karin M. Firenze  
SIGNATURE OF NOTARY

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

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- CORPORATE OFFICER

TITLE(S)

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- GENERAL

- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: \_\_\_\_\_

SIGNER IS REPRESENTING:  
NAME OF PERSON(S) OR ENTITY(IES)

DESCRIPTION OF ATTACHED DOCUMENT

TITLE OR TYPE OF DOCUMENT

NUMBER OF PAGES

DATE OF DOCUMENT

SIGNER(S) OTHER THAN NAMED ABOVE

**EXHIBIT "A"**

**"SITE"**

The real property is situated in the State of California, County of San Mateo, City of San Carlos and is described as follows:

Lots 23, 24, 25, 26, 27, 28 and 29 in Block 25, as shown on that certain map entitled "AMENDED MAP OF THE TOWN OF SAN CARLOS, SAN MATEO COUNTY, CAL.", filed in the office of the County Recorder of San Mateo County, State of California, on San Carlos in Book 8 of Maps at page(s) 25 and 26.

A.P. No.: 050-152-280  
050-152-290  
050-152-010  
050-152-020  
050-152-030  
050-152-040

SC(4)Exh.A.

EXHIBIT "B"

PRICE, TERMS AND CONDITIONS

The Redevelopment Agency may exercise this option and purchase the Facility at the price, and on the additional terms and conditions, as follows:

1. Purchase Price. The Purchase Price of the Facility shall be the aggregate of the following:

(a) The aggregate outstanding principal amount of the Residual Note as approved by the Federal Housing Commissioner which evidences advances actually made to or on behalf of the Development Corporation within the period ending with the end of the fifth (5th) 12 month period from the Completion Date (as defined in the Installment Agreement);

(b) the outstanding principal amount of the Mortgage Loan finally endorsed for Federal Housing Administration insurance securing the revenue bonds ; and

(c) the outstanding principal amount of any tax allocation bonds in proportion to the amount of proceeds of such bonds loaned, and not granted, to the Development Corporation for the Facility;

provided, however, that in the event the conditions to exercise stated in paragraph 9 of this Exhibit "B" cannot be met, the Purchase Price of the Facility shall be the aggregate of the following:

I. (a) The aggregate principal amount of the Residual Note as approved by the Federal Housing Commissioner which evidences advances actually made to or on behalf of the Development Corporation within the period ending with the end of the fifth (5th) 12 month period from the Completion Date (as defined in the Installment Agreement);

(b) the principal amount of the Mortgage Loan finally endorsed for Federal Housing Administration insurance securing the revenue bonds; and

(c) the principal amount of any tax allocation bonds in proportion to the amount of proceeds of such bonds loaned, and not granted, to the Development Corporation for the Facility;

reduced by two percent (2%) of such aggregate amount for each 12 month period, commencing with the sixth (6th) such period from the Completion Date (as defined in the Installment Agreement), proportioned monthly during each such 12 month period; and

II. The aggregate capital expenditures made from sources other than (i) the Residual Note, the revenue bonds, and the tax allocation bonds (whether the proceeds are loaned or granted to the Development Corporation), or (ii) other amounts loaned or granted by the Redevelopment Agency or the City to the Development Corporation, except those amounts loaned, and not granted, which the Redevelopment Agency or the City identifies as sources the capital expenditures from which may be aggregated, for the purposes of the Purchase Price; depreciated or amortized in accordance with generally accepted accounting principles, not including, however, any such expenditures made from the proceeds of insurance or eminent domain.

2. Form of Payment. At the election of the Redevelopment Agency and consent of all persons having consent rights, the Purchase Price may be paid in cash or by assumption of indebtedness or with respect to the Residual Note if owned by the Redevelopment Agency by the cancellation thereof, or by any combination of any of these forms of payment.

3. Liens and Encumbrances. Title to the Facility shall be conveyed subject only to such liens and encumbrances as shall be permitted under the FHA Documents and FHA Regulations, or in the event the revenue bonds are no longer outstanding, such as shall be or have been consented to by the Redevelopment Agency.

4. Condition of Facility. To the extent of cash proceeds payable by the Redevelopment Agency to the Development Corporation upon the Purchase Price, the Development Corporation shall convey the Facility in good condition and repair, reasonable use, wear and tear and casualty or condemnation alone excepted.

5. Title Insurance. Title shall be insurable by a title insurance company selected and with insurance premiums paid by Redevelopment Agency.

6. Rents and Taxes. Rents and taxes shall be prorated at close of escrow.

7. Escrow Costs. All costs of escrow shall be paid by Redevelopment Agency.

8. Possession. Possession of the Facility shall be delivered to the Redevelopment Agency at close of escrow.

9. Condition to Exercise of Option. At the time of exercise of the option the Redevelopment Agency shall have the power to acquire the Facility, shall be acting in exercise of the power in conformity with the constitution and other laws of the State of California and such exercise is a legal and valid exercise of the power, and shall at the time of and as a

condition to the effective exercise of the option, deliver to the Development Corporation a written opinion of counsel to the Redevelopment Agency to such effect and a written opinion of an attorney or firm of attorneys experienced in the issuance of obligations described by section 103 of the Internal Revenue Code stating that such exercise does not affect the validity of the Installment Agreement or cause the interest components of the installment obligation thereunder, and further that such exercise does not affect the validity of the Mortgage Loan or the long term revenue bonds secured thereby, or cause the interest thereunder, to become includable in gross income for federal income tax purposes or subject to State personal income taxes, and is not deemed to result in an exchange of the Installment Agreement, the Mortgage Loan or such revenue bonds for a modified instrument that differs materially either in kind or extent for purposes of section 1001 of the Internal Revenue Code, or in the alternative as respects the Installment Agreement; is not deemed to result in a change that would affect installment sale treatment of the installment obligation for the purposes of section 453 of the Internal Revenue Code.

10. Close of Escrow. Upon exercise of the option, the parties shall agree upon the date of close of escrow, which date shall be within a reasonable time of the exercise, not less than 45 days and not greater than 180 days from such time.

11. Termination. If the Redevelopment Agency fails to exercise this option during the period that the option remains in effect, and in accordance with the terms of the option, the option shall immediately terminate without notice. Thereafter, the Redevelopment Agency shall execute, acknowledge and deliver to the Development Corporation, within forty-five (45) days of request therefor a release, quitclaim or other instrument sufficient to verify termination of the option.

12. Memorandum of Option. The parties may execute, acknowledge and record a memorandum hereof.

/ San Mateo (CA)

<i>Owner</i> : San Carlos Development Corp	<i>Parcel</i> : 050 152 320
<i>CoOwner</i> : Pacific Commonwealth	<i>Land</i> : \$4,052,472
<i>Site</i> : 707 Elm St San Carlos 94070	<i>Struct</i> : \$18,512,849
<i>Mail</i> : 1100 Mar West St #E Tiburon Ca 94920	<i>Other</i> : \$1,216,012
<i>Xfered</i> : 01/24/1995 <i>Doc #</i> : 7623	<i>Total</i> : \$23,781,333
<i>Price</i> :	<i>Exempt</i> : \$23,781,333
<i>LoanAmt</i> :	<i>Type</i> :
<i>VestTyp</i> :	<i>% Imprv</i> : 82
<i>Lender</i> :	<i>% Owned</i> :
<i>LandUse</i> : 75      Ins,Nursing Homes,Rest Homes	<i>TaxArea</i> : 011001
<i>Zoning</i> :	<i>18-19 Tax</i> : \$273.04
<i>Legal</i> : LOTS 23 24 25 26 27 28 29 BLK 25	

<i>Bedrms</i> :	<i>Garage Sp</i> :	<i>Stories</i> :	<i>Acres</i> : .95
<i>Bathrms</i> :	<i>Patio</i> :	<i>LotSqFt</i> : 41,162	<i>Appliances</i> :
<i>Dining</i> :	<i>Pool</i> :	<i>Bldg SF</i> :	<i>Foundation</i> :
<i>Family</i> :	<i>Spa/HtTub</i> :	<i>Addition SF</i> :	<i>Solar Heat</i> :
<i>Utility</i> :	<i>Fireplace</i> :	<i>GarSqFt</i> :	<i>Year Built</i> :
<i>TotalRm</i> :	<i>CntlHt/AC</i> :	<i>Bsmt SF</i> :	<i>1stFlr SF</i> :
<i>Units</i> : 98	<i>Roof Type</i> :		<i>2ndFlrSF</i> :



January 22, 2018

Rebecca Mendenhall  
Administration Services Director  
City of San Carlos  
600 Elm Street  
San Carlos, CA 94070

Dear Rebecca:

Our firm is interested in extending our audit contract with the City to include the fiscal years 2018, 2019 and 2020. I have analyzed our cost history and am pleased to offer a \$5,000 fee one time reduction for a three year extension, which is being reflected in the FY2018 fee schedule.

We are pleased to offer to extend our audit contract to include the fiscal years ending June 30, 2018, 2019 and 2020 at the following prices:

Service	FY2018	FY2019	FY2020
City Audit and related Reports	\$41,710	\$41,710	\$41,710
GANN Limit Review Report	520	520	520
City Single Audit (1 program) <b>OR Measure A if no SA</b>	3,260	3,260	3,260
<b>City</b> -Annual State Controllers Report	1,930	1,930	1,930
Transportation Development Act (TDA) Article 3 fiscal audit	2,730	2,730	2,730
C/CAG Audit and Related Reports	7,900	7,900	7,900
C/CAG Single Audit (1 program)	3,260	3,260	3,260
C/CAG Program Audits ( <b>up to 3 programs</b> )	6,775	6,775	6,775
SBWMA Audit and Related Reports	5,175	5,175	5,175
SBWMA - Compliance of Table 4 and Table 5 for SBWMA Bond Compliance	2,960	2,960	2,960
<b>One time discount for 3-years extensions</b>	<b>(5,000)</b>		
<b>Sub-total for City Fiscal Year (not-to-exceed)</b>	<b>\$71,220</b>	<b>\$76,220</b>	<b>\$76,220</b>
Successor Agency Audit and related disclosure in City CAFR	\$6,775	\$6,775	\$6,775
<b>Commute.org Related Items:</b>			
Audit and Related Reports	\$2,500	\$4,876	\$4,876
Commute.org Measure A	1,305	1,305	1,305
Annual State Controllers Report	1,305		
<b>Sub-total for Commute.org Fiscal Year</b>	<b>\$5,110</b>	<b>\$6,181</b>	<b>\$6,181</b>
<b>Total for City Fiscal Year (not-to-exceed)</b>	<b>\$83,105</b>	<b>\$89,176</b>	<b>\$89,176</b>

We look forward to continuing to provide outstanding audit services to City.

Yours very truly,

*Maze & Associates*

Grace Zhang, CPA  
Shareholder  
Maze & Associates

RESPONSE:

If you agree with the terms of this contract modification, please sign below and return a copy in the enclosed envelope.

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

April 17, 2018

Rebecca Mendenhall  
Administrative Services Director  
City of San Carlos  
600 Elm Street  
San Carlos, CA 94070

New



We are pleased to confirm our understanding of the services we are to provide for the City of San Carlos for the year ended June 30, 2018. The services we have been engaged to provide are outlined below, but we are also available to provide additional services at your request:

1. City audit and related reports (CAFR and Memorandum on Internal Control/Management Letter).
2. Perform procedures and issue agreed upon procedures report to comply with City Proposition 111 Appropriation Limit increment requirements (Gann Limit Report).
3. City - Testing of one major program for compliance with the Single Audit Act and applicable laws and regulations and issuance of our report thereon.
4. Audit of the Successor Agency to the Redevelopment Agency footnote disclosures included in the City's basic financial statements.
5. Preparation of the City's Annual Report of Financial Transactions (Controller's Report) and issuance of a compilation report. (See Compilation Attachment for Our Responsibilities and Your Responsibilities related to the compilation report)
6. Testing of compliance for the Transportation Development Act Programs and preparation of required reports.
7. C/CAG audit of the basic financial statement and Memorandum on Internal Control/Management Letter.
8. C/CAG testing of one major program for compliance with the Single Audit Act and applicable laws and regulations and issuance of our report thereon.
9. C/CAG Program Audits (up to 3 programs)
10. SBWMA Audit of the basic financial statements and issuance of our report thereon.
11. SBWMA Bond Compliance for Table 4 and Table 5
12. City Measure A audit
13. Services performed for the Peninsula Traffic Congestions Relief Alliance (**Commute.org**):
  - a. Audit of the PTCRA Basic Financial Statements and review of Management's Discussion and Analysis.
  - b. Testing for compliance with the Distribution of Measure A Funds and issuance of our report thereon.
  - c. Preparation of the PTCRA's Annual Report of Financial Transactions (Controller's Report) and issuance of a compilation report (**FY2018 Only**). (See Compilation Attachment for Our Responsibilities and Your Responsibilities related to the compilation report).

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis, to supplement the City's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

If the City's financial statements are accompanied by supplementary information other than RSI, we will subject the supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and will provide an opinion on it in relation to the financial statements as a whole.

Other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that information.

#### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the accompanying supplementary information when considered in relation to the financial statements as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control or on compliance, and the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with generally accepted auditing standards in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provision of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon the completion of our Single Audit. Our reports will be addressed to the Council of the City. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with City management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

### **Audit Procedures - General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City. Because the determination of abuse is subjective, *Governmental Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of physical existence of inventories, and direct confirmation of cash, investments and certain other assets and liabilities by correspondence with selected customers, creditors and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill the City for responding to this inquiry. At the conclusion of our audit we will also require certain written representations from management about management's responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts and grant agreements; and other responsibilities required by generally accepted auditing standards.

### **Audit Procedures - Internal Control**

Our audit will include obtaining an understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls, and accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and the Council internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

### **Audit Procedures - Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the City has complied with federal statutes, regulations and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and the applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each major program. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

### **Agreed-Upon Procedures**

Our services to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the report either for the purpose for which the report had been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement. Because agreed-upon procedures do not constitute an examination, we will not express an opinion. In addition, we have no obligation to perform any procedures beyond those agreed to.

### **Other Services**

We will also assist in preparing the financial statements, schedule of expenditures of federal awards and related notes in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and the related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management's responsibilities.

### **Management Responsibilities**

Management is responsible for establishing and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. Management is also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Management's responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management is also responsible for providing us with access to all information of which management is aware is relevant to the preparation and fair presentation of the financial statements; access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance; additional information that we may request for the purpose of the audit; and unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. We understand that the City will provide us with the Closing Checklist information required for our audit and that the City is responsible for the accuracy and completeness of that information.

Management's responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud or illegal acts affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, management is responsible for identifying and ensuring that it complies with applicable laws, regulations, contracts, agreements and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings must be made available for our review.

Management is also responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. Management agrees to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. Management also agrees to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. Management's responsibilities include acknowledging to us in the written representation letter that: you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; that you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

Management is also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. Management agrees to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Management also agrees to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Management's responsibilities include acknowledging to us in the representation letter that: management is responsible for presentation of supplementary information in accordance with GAAP; that management believes the supplementary information, including its form and content, is fairly presented in accordance with GAAP; that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and management has disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objective section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits or studies. Management is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Management agrees to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, related notes, and any other nonaudit services we provide. Management will be required to acknowledge in the management representation letter our assistance with the preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, management agrees to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accepting responsibility for them.

### **Engagement Administration, Fees, and Other**

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report to you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

We will provide copies of our reports to the City; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is our property and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request in a timely manner to a federal agency providing oversight of direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Maze & Associates personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

We will retain audit documentation for seven years after the report release date pursuant to state regulations. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

We are scheduled to begin our audit in March 2018 and to issue our reports no later than December 31, 2018. Grace Zhang is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fees for these services are billed based on our contract with the City. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if the City's account becomes thirty days or more overdue and may not be resumed until the City's account is paid in full.

These fees are based on anticipated cooperation from City personnel, the completion of schedules and data requested on our Checklists, and the assumption that there will be no unexpected increases in work scope, such as new Single Audit Act programs, new debt issues, etc., or delays which are beyond our control, as discussed on the Fees Attachment to this letter. If significant additional time is necessary, we will discuss it with City management and arrive at a new fee before we incur any additional costs.

We understand you will provide us with basic workspace sufficient to accommodate the audit team assigned to your audit. We understand the basic workspace will be equipped with a telephone and direct Internet access, preferably a temporary network outside of your network, a public IP address and a wired connection. We understand you will also provide us with access to a fax machine and read only access to your general ledger system.

*Government Auditing Standards* require that we provide the City with a copy of our most recent external peer review report and any subsequent peer review reports received during the period of the contract. Our most recent peer review report accompanies this letter.

We appreciate the opportunity to be of service to the City and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return the entire copy to us.

*Maze & Associates*

Maze & Associates

RESPONSE:

This letter correctly sets forth the understanding of the City.

By: \_\_\_\_\_ *CY*  
Title: \_\_\_\_\_ *Financial Services Manager*  
Date: \_\_\_\_\_ *4/30/18*

City of San Carlos Engagement Letter  
Fees Attachment  
June 30, 2018

Our fees for the work described in the attached engagement letter will be as follows, unless they are adjusted for one or more of the items below.

Service	FY2018
City Audit and related Reports	\$41,710
GANN Limit Review Report	520
City Single Audit (1 program) <b>OR Measure A if no SA</b>	3,260
<b>City</b> -Annual State Controllers Report	1,930
Transportation Development Act (TDA) Article 3 fiscal audit	2,730
C/CAG Audit and Related Reports	7,900
C/CAG Single Audit (1 program)	3,260
C/CAG Program Audits ( <b>up to 3 programs</b> )	6,775
SBWMA Audit and Related Reports	5,175
SBWMA - Compliance of Table 4 and Table 5 for SBWMA Bond Compliance	2,960
<b>One time discount for 3-years extensions</b>	<b>(5,000)</b>
<b>Sub-total for City Fiscal Year (not-to-exceed)</b>	<b>\$71,220</b>
Successor Agency Audit and related disclosure in City CAFR	\$6,775
<b>Commute.org Related Items:</b>	
Audit and Related Reports	\$2,500
Commute.org Measure A	1,305
Annual State Controllers Report	1,305
<b>Sub-total for Commute.org Fiscal Year</b>	<b>\$5,110</b>
<b>Total for City Fiscal Year (not-to-exceed)</b>	<b>\$83,105</b>

**2018 Fees** – Our fees are based on our 3 year extension letter with the City dated January 22, 2018.

**Additional Services** - The above fees are for audit and assurance services described in the accompanying engagement letter. They do not include fees for assisting with closing the books nor providing other accounting services. Should the City require assistance beyond audit services we will provide a cost estimate before proceeding. **We understand that according to the “do not exceed” term on the contract, the total Audit engagement fee for fiscal year 2018 is not to exceed \$83,105.**

**Report Finalization** - Our fee is based on our understanding that all information and materials necessary to finalize all our reports will be provided to us before we complete our year-end fieldwork in your offices. In the case of CAFRs, this includes all the materials and information required to print the CAFR. As in the past, we will provide final drafts of all our reports before we leave your offices. We will schedule a Final Changes Meeting with you for a date no more than two weeks after we complete our fieldwork. At that meeting, we will finalize all reports for printing. After that date, report changes you make and changes required because information was not received timely will be billed at our normal hourly rates.

**Post-Closing Client Adjusting Entries** - The first step in our year-end audit is the preparation of financial statement drafts from your final closing trial balance. That means any entries you make after handing us your closing trial balance must be handled as audit adjustments, or in extreme cases, by re-inputting the entire trial balance, even if the amounts are immaterial.

**Single Audit Act - Additional programs will each cost \$3,260 in 2018**, unless there are other factors which add to that program's cost; in that case, we will provide a cost estimate before proceeding.

**Grant Programs Requiring Separate Audit** - Grant programs requiring separate audits represent a significant increase in work scope, and fees for these audits vary based on the grant requirements. If you wish us to determine and identify which programs are subject to audit, we will bill you for that time at our normal hourly rates.

**Changes in City Personnel** - Our experience is that changes and /or reductions in Finance Department staff can have a pronounced impact on costs of performing the audit. If such changes occur, we will meet with you to assess their impact and arrive at a new fee before we begin the next phase of our work. However, we reserve the right to revisit this subject at the conclusion of the audit, based on your actual performance and our actual costs.

City of San Carlos Engagement Letter  
Compilation Attachment  
June 30, 2018

The services we have been engaged to provide are outlined below.

- Prepare and Electronically File the following reports for the City:
  - o Annual Report of Financial Transactions for the City
  - o Annual Report of Financial Transactions for Commute.org (FY2018 ONLY)

We will prepare and electronically file the Annual Financial Transactions Report(s) for the year ended June 30, 2018 in accordance with the requirements of Government Code Section 53891 and the California State Controller's Office's Cities Financial Transactions Report Instructions dated 10/2017 and perform a compilation engagement with respect to the Financial Transactions Report. City staff will provide us with a detailed trial balance and any supporting general ledger reports or schedules required to prepare the Report(s).

The supplementary information accompanying the Report(s), including the U.S. Bureau of the Census Survey and any others required by the California State Controller's Office, will be presented for purposes of additional analysis. We will not compile the supplementary information. We will not express an opinion, a conclusion, or provide any assurance on such supplementary information.

### Our Responsibilities

The objective of our engagement is to-

1. prepare the Report(s) in accordance with the format prescribed by the California State Controller's Office based on information provided by you and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America, and
2. Apply accounting and financial reporting expertise to assist you in the presentation of the Report(s) without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the Report(s) in order for them to be in accordance with the format prescribed by the California State Controller's Office.

We will conduct our compilation engagement in accordance with Statements on Standards for Accounting and Review Services (SSARS) promulgated by the Accounting and Review Services Committee of the AICPA and comply with applicable professional standards, including the AICPA's *Code of Professional Conduct* and its ethical principles of integrity, objectivity, professional competence, and due care, when performing the preparation and electronic filing of the Report(s), and performing the compilation engagement.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion nor provide any assurance on the Report(s).

Our engagement cannot be relied upon to identify or disclose any Report misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

## Your Responsibilities

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare the Report(s) in accordance with the format prescribed by the California State Controller's Office and assist you in the presentation of the Report(s) in accordance with the format prescribed by the California State Controller's Office. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARS:

1. The selection of the format prescribed by the California State Controller's Office as the financial reporting framework to be applied in the preparation of the Report(s).
2. The preparation and fair presentation of the Report(s) in accordance with the format prescribed by the California State Controller's Office.
3. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Report(s).
4. The prevention and detection of fraud.
5. To ensure that the City complies with the laws and regulations applicable to its activities.
6. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.
7. To provide us with-
  - a. access to all information of which you are aware that is relevant to the fair presentation of the Report(s), such as records, documentation, and other matters.
  - b. additional information that we may request from you for the purpose of the compilation engagement.
  - c. unrestricted access to persons within the entity of whom we determine it necessary to make inquiries.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation and electronic filing of your Report(s). You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

## Our Report

As part of our engagement, we will issue a report that will state that we did not audit or review the Report(s) and that, accordingly, we do not express an opinion, a conclusion, or provide any assurance on it(them). If, for any reason, we are unable to complete the compilation of your Report(s), we will not issue a report on such Report(s) as a result of this engagement.

Our report will disclose that the Report(s) are presented in a prescribed form in accordance with the requirements of the California State Controller's Office and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

You agree to include our accountant's compilation report in any document containing the Report(s) that indicates we have performed a compilation engagement on such Report(s) and, prior to inclusion of the report, to ask our permission to do so.

Timothy J. Krisch is the engagement partner and is responsible for supervising the compilation portion of the engagement and signing the report or authorizing another individual to sign it.



**POWELL & SPAFFORD, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA (Ret.)  
Patrick D. Spafford, CPA

Licensed by the California Board of Accountancy  
Member: American Institute of Certified Public Accountants

## SYSTEM REVIEW REPORT

To the Shareholders of  
Maze & Associates Accountancy Corporation  
and the Peer Review Committee of the CalCPA Peer Review Program

We have reviewed the system of quality control for the accounting and auditing practice of Maze & Associates Accountancy Corporation (the firm) in effect for the year ended May 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Maze & Associates Accountancy Corporation in effect for the year ended May 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Maze & Associates Accountancy Corporation has received a peer review rating of *pass*.

August 27, 2014