

IRREVOCABLE REFUNDING INSTRUCTIONS

Relating to:

\$2,285,000

City of Desert Hot Springs

Community Facilities District No. 2006-1 Improvement Area 1

Special Tax Refunding Bonds Series 2010

These IRREVOCABLE REFUNDING INSTRUCTIONS (these "Instructions"), are dated _____, 2020 (the "Closing Date"), and are given by the CITY OF DESERT HOT SPRINGS COMMUNITY FACILITIES DISTRICT NO. 2006-1, a community facilities district duly organized and existing under the laws of the State of California (the "District"), to WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, acting as fiscal agent (the "2010 Trustee") for the 2010 Bonds described below.

BACKGROUND:

1. To finance eligible improvements authorized for the District, the City previously issued its \$2,285,000 City of Desert Hot Springs Community Facilities District No. 2006-1 Improvement Area 1 Special Tax Refunding Bonds Series 2010 (the "2010 Bonds").
2. The 2010 Bonds are subject to optional redemption on March 1, 2020 (the "Redemption Date") at a redemption price equal to 100% of the principal amount of the 2010 Bonds to be redeemed, plus accrued interest thereon to the Redemption Date.
3. To take advantage of current interest rates, the City is issuing its \$_____ City of Desert Hot Springs Community Facilities District No. 1 Special Tax Refunding Bonds, Series 2020 (the "2020 Bonds") to provide funds to defease and refund the 2010 Bonds, in full.
4. The City wishes to give these Instructions to the 2010 Trustee for the purpose of establishing an irrevocable Refunding Fund to be funded, invested, held and administered for the purpose of providing for the payment in full of the principal of and interest and redemption price on the 2010 Bonds on the Redemption Date.

INSTRUCTIONS:

In order to provide for the payment and redemption of the 2010 Bonds, the City hereby irrevocably directs the 2010 Trustee as follows:

SECTION 1. *Establishment of Redemption Fund.* In connection with the issuance of the 2010 Bonds, the Trustee has established a Redemption Fund under the Indenture. All cash in the Redemption Fund pursuant to Section 2 hereof is hereby irrevocably pledged as a special fund for the payment of the principal of and interest on the 2010 Bonds in accordance with the Indenture dated August 1, 2010 by and between the District and the 2010 Trustee (the "2010 Indenture"). If at any time the 2010 Trustee receives actual knowledge that the cash and securities in the Redemption Fund will not be sufficient to make any payment required by

Section 3 in respect of the 2010 Bonds, the 2010 Trustee shall notify the City of that fact and the City shall immediately cure the deficiency from any source of legally available funds. The 2010 Trustee shall not be responsible for any such deficiency in the Redemption Fund.

SECTION 2. *Deposit into Redemption Fund.* The 2010 Trustee shall deposit the amount of \$_____ in the Redemption Fund, to be derived from the following sources:

- (a) \$_____ from the reserve fund established and held by the 2010 Trustee under the 2010 Indenture;
- (b) \$_____ from bond fund established and held by the 2010 Trustee under the 2010 Indenture and
- (c) \$_____ from the proceeds of the 2020 Bonds caused to be delivered to the 2010 Trustee on the date of issuance of the 2020 Bonds.

SECTION 3. *Investment of Amounts.* The moneys in the Redemption Fund shall be held in cash, uninvested. The 2010 Trustee has no lien upon or right of set off against the cash at any time on deposit in the Redemption Fund. The 2010 Trustee is not liable for the accuracy of any calculations provided as to the sufficiency of the moneys deposited with it to pay the principal or interest on the 2010 Bonds.

SECTION 4. *Instructions as to Application of Deposit.* The 2010 Trustee shall apply the cash held in the Redemption Fund for the sole purpose of paying the principal of and interest on the 2010 Bonds to and including the Redemption Date, as set forth in Appendix A. The deposit made into the Redemption Fund under this Agreement constitutes an irrevocable deposit for the payment and redemption of the 2010 Bonds in accordance with the optional redemption and defeasance provisions set forth in the 2010 Indenture.

SECTION 5. *Disposition of Excess Funds.* Following payment and redemption in full of all of the 2010 Bonds on the Redemption Date, the 2010 Trustee shall transfer any amounts remaining on deposit in the Redemption Fund to the City.

SECTION 6. *Prior Redemption Notice; Defeasance Notice.* The 2010 Trustee and City hereby confirm that the 2010 Trustee has previously provided a notice of optional redemption of all of the outstanding 2010 Bonds maturing on and after September 1, 2020 on the Redemption Date, in accordance with the 2010 Indenture.

On the date hereof, the 2010 Trustee shall also provide a notice of defeasance of all of the 2010 Bonds, substantially in the form of Appendix B.

SECTION 7. *Application of Certain Terms of 2010 Indenture.* All of the terms of the 2010 Indenture relating to the payment and redemption of principal of and interest on the 2010 Bonds, and the protections, rights, indemnities, immunities and limitations from liability afforded the 2010 Trustee as fiscal agent for the 2010 Bonds, are incorporated in these Instructions as if set forth in full herein.

SECTION 8. *Compensation to 2010 Trustee.* The City shall pay the 2010 Trustee full compensation for its services under these Instructions, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or

withdrawal of any securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Redemption Fund be deemed to be available for said purposes. The 2010 Trustee has no lien upon or right of set off against the cash at any time on deposit in the Redemption Fund.

SECTION 9. *Governing Law.* These Irrevocable Refunding Instructions shall be governed by the laws of the state of California.

[Signature Page Follows]

These Irrevocable Refunding Instructions may be executed in counterparts, each of which shall be deemed an original.

CITY OF DESERT HOT SPRINGS

By: _____
Finance Director

ACCEPTED:

**WELLS FAGO BANK, NATIONAL
ASSOCIATION,**
as 2010 Trustee

By: _____
Authorized Officer

APPENDIX A
PAYMENT AND REDEMPTION
OF 2010 BONDS

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal Redeemed</u>	<u>Total</u>
March 1, 2020				

APPENDIX B

NOTICE OF DEFEASANCE

\$2,285,000

City of Desert Hot Springs

Community Facilities District No. 2006-1 Improvement Area 1

Special Tax Refunding Bonds Series 2010

NOTICE IS HEREBY GIVEN, by the City of Desert Hot Springs (the "City") with respect to the captioned bonds (the "Bonds"), that it has defeased all of the outstanding Bonds as of _____, 2020. Amounts sufficient for such redemption have been deposited into an Refunding Fund held by Wells Fargo Bank, National Association, as Refunding agent, for such purpose. *This notice is not a notice of redemption of any of the Bonds.*

The Bonds that have been defeased consist of the following:

Maturity Date (Sept. 1)	Principal Amount	Interest Rate	CUSIP* (25041U)
2020 ^T	430,000	5.000	AS0
2038 ^T	1,855,000	6.375	AT8

* CUSIP data are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Capital IQ. The City and the Fiscal Agent shall not be responsible for the selection or use of the CUSIP numbers listed above, nor is any representation made as to the accuracy of the CUSIP numbers listed above or as printed on any Bond; the CUSIP numbers are included solely for the convenience of the owners of the Bonds.

T Term Bond

Dated: _____, 2020

**WELLS FARGO BANK NATIONAL
ASSOCIATION, as Trustee**

for the 2010 Bonds and as Refunding Agent