

2020 INSTALLMENT SALE AGREEMENT

by and between the

**CITY OF DESERT HOT SPRINGS
as Purchaser**

and the

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY,
as Seller**

for the

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
TRANSPORTATION REVENUE (INSTALLMENT SALE)
CERTIFICATES OF PARTICIPATION, SERIES 2020__ (FEDERALLY TAXABLE)
(T.R.I.P. – TOTAL ROAD IMPROVEMENT PROGRAM)**

Dated as of ____ 1, 2020

TABLE OF CONTENTS

	Page
ARTICLE I	DEFINITIONS2
ARTICLE II	THE PROJECT9
ARTICLE III	2020 INSTALLMENT SALE PAYMENTS; ADMINISTRATION FEE10
ARTICLE IV	ADDITIONAL CONTRACTS14
ARTICLE V	REPRESENTATIONS AND COVENANTS OF THE LOCAL AGENCY AND THE AUTHORITY15
ARTICLE VI	EVENTS OF DEFAULT AND REMEDIES17
ARTICLE VII	DISCHARGE OF OBLIGATIONS19
ARTICLE VIII	MISCELLANEOUS.....20
EXHIBIT A	2020 INSTALLMENT SALE PAYMENTS SCHEDULEA-1
EXHIBIT B	DESCRIPTION OF PROJECTB-1

2020 INSTALLMENT SALE AGREEMENT

This **2020 INSTALLMENT SALE AGREEMENT** (the “**2020 Installment Sale Agreement**”), dated as of ____ 1, 2020, by and between the CITY OF DESERT HOT SPRINGS, a municipal corporation duly organized and existing under its charter and the laws of the State of California (the “**Local Agency**”), and the CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the “**Authority**”),

W I T N E S S E T H:

WHEREAS, the Authority is a joint exercise of powers authority duly organized and operating pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California;

WHEREAS, Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California authorizes and empowers the Authority to cause certificates of participation to be executed and delivered to assist local agencies in financing and refinancing projects and programs consisting of certain public improvements or working capital or liability and other insurance needs whenever a local agency determines that there are significant public benefits from so doing;

WHEREAS, the Local Agency has heretofore entered into a 2012 Installment Sale Agreement, dated as of February 1, 2012 (the “**2012 Installment Sale Agreement**”) with the Authority and a Trust Agreement, dated as of February 1, 2012 (the “**2012 Trust Agreement**”) by and among the Authority, Wells Fargo Bank, National Association, as trustee (the “**2012 Trustee**”) and the Local Agency, in order to participate with certain other local agencies in the California Statewide Communities Development Authority T.R.I.P. – Total Road Improvement Program (the “**Program**”) established by the Authority, to finance among other things the construction of streets and roadways within the corporate limits of the Local Agency as described in Exhibit B to the 2012 Installment Sale Agreement and Exhibit B, attached hereto and incorporated herein (the “**Project**”);

WHEREAS, the 2012 Installment Sale Agreement provides for the Authority to acquire and construct the Project for, and sell the Project to, the Local Agency and permits the Local Agency to prepay all or any part of the principal amount of the unpaid 2012 Installment Sale Payments (as defined therein) becoming due on or after June 1, 2022 upon written direction to the Authority and the Trustee;

WHEREAS, pursuant to the 2012 Trust Agreement, the Authority caused the execution and delivery of those California Communities Transportation Revenue (Installment Sale) Certificates of Participation, Series 2012A (T.R.I.P. – Total Road Improvement Program) evidencing principal in \$5,925,000 aggregate principal amount, of which \$4,955,000 principal amount is currently outstanding (the “**2012 Certificates**”) a portion of the proceeds of which were used to finance the Project;

WHEREAS, the Local Agency has determined to refinance the Project and to prepay the principal amount of the unpaid 2012 Installment Sale Payments (as defined in and pursuant to Section 3.03 of the 2012 Installment Sale Agreement) coming due on or after June 1, 2022 at a prepayment price equal to the principal amount plus accrued interest to the date of prepayment, and thereby prepay that portion of the outstanding 2012 Certificates coming due on or after June 1, 2022, evidencing and representing proportionate and undivided interests in 2012 Installment Sale Payments to be made by the Local Agency under the 2012 Installment Sale Agreement from Revenues consisting of Gas Tax Revenues and Measure A Receipts (each as defined therein and herein);

WHEREAS, the Local Agency has determined to make installment sale payments as hereinafter described to the Authority to refinance the purchase of the Project and the incidental costs and expenses related thereto paid by the Authority;

WHEREAS, the Local Agency and the Authority have determined that it would be in the best interests of the Local Agency for interest rate savings, a lower net interest cost and lower costs of issuance to provide the funds necessary to refinance the Project through the execution and delivery of certificates of participation designated “California Statewide Communities Development Authority Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020__ (Federally Taxable) (T.R.I.P. – Total Road Improvement Program)” (the “**Series 2020 Certificates**”) payable from installment payments received from the Local Agency pursuant to this 2020 Installment Sale Agreement; 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 the 2020 Installment Sale Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the 2020 Installment Sale Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any opinion or report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accountant’s Report

“Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

Administration Fee

“Administration Fee” means an amount equal to the sum of the Trustee Fee, the Rebate Analyst Fee if any with respect to the 2012 Certificates, and any other similar fee payable in connection with the administration of the Program, payable on the 15th day of the month preceding each June 1, commencing June 1, 20__, for the administrative costs of the Project and the Program.

Authority

“Authority” means the California Statewide Communities Development Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California and an Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988, among a number of California cities, counties and special districts, including the Local Agency, as amended.

Authorized Authority Representative

“Authorized Authority Representative” means any member of the Commission of the Authority and any other person as may be designated and authorized to sign on behalf of the Authority pursuant to a resolution adopted thereby.

Authorized Local Agency Representative

“Authorized Local Agency Representative” means the person or persons designated in Section 8.12 hereof or any other person at the time designated to act on behalf of such Local Agency by written certificate furnished to the Trustee, containing the specimen signature of such person and signed on behalf of such Local Agency by an Authorized Local Agency Representative.

Business Day

“Business Day” means any day on which the Trustee is open for business at its corporate trust office in Costa Mesa, California.

Certificates

“Certificates” means the California Statewide Communities Development Authority Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020__ (Federally Taxable) (T.R.I.P. – Total Road Improvement Program), executed and delivered in accordance with the Trust Agreement and, unless the context suggests otherwise, the term Certificates means such portion of the certificates of participation evidencing and representing proportionate and undivided interests in 2020 Installment Sale Payments to be made by the Local Agency under the 2020 Installment Sale Agreement.

Code

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

Continuing Disclosure Agreement

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated _____, 2020, executed and delivered by and between the Local Agency and Urban Futures, Inc., as dissemination agent, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Contracts

“Contracts” means all installment sale contracts, capital leases or similar obligations of the Local Agency authorized and executed by the Local Agency under and pursuant to applicable law, the interest and principal and prepayment premium, if any, payments under and pursuant to which are payable from Revenues on a parity with the payment of the 2020 Installment Sale Payments.

Debt Service

“Debt Service” means, for any Fiscal Year, the sum of that portion of the Installment Sale Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year if such Installment Sale Payments were deemed to accrue daily in equal amounts from, in

each case, the next preceding Installment Sale Payment Date of interest or principal or the date of the pertinent Contract, as the case may be; provided, that (a) if any of the Installment Sale Payments due under any such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Contracts for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (i) the actual rate on the date of calculation, or if such Contracts are not yet outstanding, the initial rate (if then established and binding), (ii) if the Contracts have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii)(1) if interest on such Contracts is excludable from gross income under the applicable provisions of the Code, the most recently published “Bond Buyer 25 Bond Revenue Index” (or comparable index if no longer published), or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities; (b) if any of the Contracts is secured by an irrevocable letter of credit issued by a bank having a combined capital and surplus of at least \$75,000,000, the principal payments or deposits with respect to such Contracts nominally due in the last Fiscal Year in which such Contracts mature may, at the option of the Local Agency, be treated as if they were due as specified in any loan agreement or reimbursement agreement issued in connection with such letter of credit or pursuant to the repayment provisions of such letter of credit and interest on such Contracts after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan agreement or reimbursement agreement or repayment provisions and (c) if any of such Contracts is not secured by a letter of credit as described in clause (b) of this definition and 20% or more of the original principal of the Installment Sale Payments due under such Contracts is not due until the final stated maturity of the Installment Sale Payments due under such Contracts, such principal may, at the option of the Local Agency, be treated as if it were due based upon a level amortization of such principal over the term of such Installment Sale Payments or 30 years, whichever is greater.

Escrow Agent

“Escrow Agent” means Wells Fargo Bank, National Association, as escrow agent under the Escrow Agreement, or any successor thereto appointed pursuant to the Escrow Agreement

Escrow Agreement

“Escrow Agreement” means that Escrow Agreement, dated as of _____ 1, 2020, between the Local Agency and Wells Fargo Bank, National Association, as Trustee and acting in its capacity as escrow agent thereunder.

Escrow Fund

“Escrow Fund” means the Escrow Fund established pursuant to the Escrow Agreement.

Event of Default

“Event of Default” means an event described in Section 6.01.

Federal Securities

“Federal Securities” means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal and interest strips of the Resolution Funding Corporation for which separation of principal and interest is maintained in book-entry form.

Fiscal Year

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the governing body of the Local Agency as the Fiscal Year of the Local Agency.

Gas Tax Account

“Gas Tax Account” means the account established pursuant to State law by ordinance adopted by the governing body of the Local Agency and pursuant to Section 3.02 hereof.

Gas Tax Revenues

“Gas Tax Revenues” means all amounts received by the Local Agency from the State in accordance with Streets and Highways Code Sections 2103, 2104(d), (e) and (f), 2105, 2106 and 2107, as such provisions may be amended, and all other revenues (except revenues received by the Local Agency in accordance with Streets and Highways Code Section 2107.5), if any, received by the Local Agency from taxes imposed on the purchase of motor vehicle fuels and any payments, subventions or reimbursements received by the Local Agency from the State in lieu of such revenues.

Independent Certified Public Accountant

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the Local Agency which is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Installment Sale Payments; 2020 Installment Sale Payments

“Installment Sale Payments” means the installment sale, rental or other periodic payments scheduled to be paid by the Local Agency under and pursuant to the Contracts.

“2020 Installment Sale Payments” means the Installment Sale Payments scheduled to be paid by the Local Agency under and pursuant to the 2020 Installment Sale Agreement.

Installment Sale Payment Date; 2020 Installment Sale Payment Date

“Installment Sale Payment Date” means any date on which Installment Sale Payments are scheduled to be paid by the Local Agency under and pursuant to any Contract.

“2020 Installment Sale Payment Date” means any date on which 2020 Installment Sale Payments are scheduled to be paid by the Local Agency under and pursuant to the 2020 Installment Sale Agreement.

Insurance Agreement

“Insurance Agreement” means the insurance agreement, dated _____, 2020, by and among the Authority, the Local Agency and the Insurer.

Insurer

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

Interest Payment Date

“Interest Payment Date” means a date on which interest evidenced and represented by the Certificates is due and payable, being June 1 and December 1 of each year, commencing _____ 1, 20__.

Local Agency; Local Agencies

“Local Agency” means the City of Desert Hot Springs, a municipal corporation organized and existing under the Constitution of the State of California. The plural term “Local Agencies” refers to the Local Agencies listed in Schedule I to the Trust Agreement.

Maximum Annual Debt Service

“Maximum Annual Debt Service” means the greatest total Debt Service payable in any Fiscal Year during the period commencing with the then current Fiscal Year and terminating with the Fiscal Year in which payments are due under the last Contract.

Measure A Ordinance

“Measure A Ordinance” means Ordinance No. 02-001, the Transportation Expenditure Plan and Retail Transaction and Use Tax Ordinance, adopted by the Riverside County Transportation Commission on May 8, 2002, and approved by at least two-thirds of electors voting on such proposition in the November 5, 2002 election, as supplemented and amended.

Measure A Project

“Measure A Project” means a capital project for which Measure A Receipts may be expended.

Measure A Receipts

“Measure A Receipts” means Measure A Revenues allocated by the Riverside County Transportation Commission to the Local Agency pursuant to the Measure A Ordinance, to the extent the Project constitutes a Measure A Project, in an amount not greater than the Installment Sale Payments related to such Measure A Project.

Measure A Receipts Account

“Measure A Receipts Account” means the account by that name established pursuant to Section 3.02 hereof.

Measure A Receipts Coverage Amount

“Measure A Receipts Coverage Amount” means an amount in any Fiscal Year equal to Measure A Revenues allocated to the Local Agency in excess of Measure A Receipts but not more than 50% of Measure A Receipts for such Fiscal Year.

Measure A Revenues

“Measure A Revenues” means revenues of the Riverside County Transportation Commission derived from a retail transactions and use tax (Measure A funds) imposed in the County of Riverside pursuant to the Riverside County Transportation Sales Tax Act, Division 25 (Section 240000 *et seq.*) of

the Public Utilities Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented, and the Measure A Ordinance

Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel of national reputation generally recognized to be well qualified in the field of law relating to municipal obligations such as the Certificates, retained by the Local Agency and satisfactory to the Trustee (who shall be under no liability by reason of such approval).

Other Available Revenues

“Other Available Revenues” means revenues, other than Revenues as herein defined, legally available to the Local Agency to make Installment Sale Payments, if any.

Policy Costs

“Policy Costs” has the meaning set forth in the Insurance Agreement.

Pro Rata Share of Principal

“Pro Rata Share of Principal” means, during any month, an amount of principal becoming due and payable hereunder on the next succeeding Certificate Payment Date that would have accrued if such principal were deemed to accrue monthly in equal amounts from the preceding Certificate Payment Date.

Project

“Project” means the design, engineering, permitting and construction by the Authority, for sale to the Local Agency, of certain street and roadway improvements and resurfacing, all as described more particularly in Exhibit B to the 2012 Installment Sale Agreement and in Exhibit B, attached hereto and incorporated herein.

Purchase Price

“Purchase Price” means the total of all 2020 Installment Sale Payments owed by the Local Agency to the Authority under the conditions and terms hereof for the repayment of the costs of the refunding of the design, acquisition and construction of the Project and the incidental costs and expenses related thereto paid by the Authority (including amounts owed to the Insurer in connection with the Insurance Policy and the Reserve Policy).

Rebate Amount

“Rebate Amount” means, for any given period, the amount determined by the Rebate Analyst as required to be rebated or paid as a yield reduction payment to the United States of America with respect to the final rebate calculation for the Series 2012 Certificates.

Rebate Analyst

“Rebate Analyst” means [BLX Group].

Reserve Fund

“Reserve Fund” means the fund by that name established pursuant to Section 3.03 of the Trust Agreement.

Reserve Fund Requirement

“Reserve Fund Requirement” means, as of any date of calculation, an amount equal to the least of (i) 10% of the initial stated principal amount (within the meaning of Section 148 of the Code) of the 2020 Installment Sale Payments; (ii) 125% of the average annual 2020 Installment Sale Payments, or (iii) the Maximum Annual Debt Service under the 2020 Installment Sale Agreement.

Reserve Policy

“Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Insurer, dated _____, 2020, and credited to the Local Agency’s Reserve Subaccount.

Reserve Subaccount

“Reserve Subaccount” means the subaccount by that name established pursuant to Section 3.03 of the Trust Agreement.

Revenues

“Revenues” means all Gas Tax Revenues and Measure A Receipts; [provided, that Gas Tax Revenues may or may not be pledged to the payment of any Additional Contract; but if Gas Tax Revenues are pledged and payable as Revenues in connection with any Additional Contract on a parity with the payment by the Local Agency of the 2020 Installment Sale Payments, as provided in Section 4.01 hereof, then such Gas Tax Revenues will constitute Revenues payable on a parity basis.]

2012 Certificates

“2012 Certificates” means the California Communities Transportation Revenue (Installment Sale) Certificates of Participation, Series 2012A (T.R.I.P. – Total Road Improvement Program).

2012 Installment Sale Agreement

“2012 Installment Sale Agreement” means the 2012 Installment Sale Agreement by and between the Local Agency and the Authority, dated as of February 1, 2012, as originally executed and as it may from time to time be amended or supplemented in accordance therewith and with the terms of the 2012 Trust Agreement.

2012 Trust Agreement

“2012 Trust Agreement” means the Trust Agreement, dated as of February 1, 2012, between the Authority and the 2012 Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions thereof.

2012 Trustee

“2012 Trustee” means Wells Fargo Bank, National Association, or any successor thereto appointed pursuant to the 2012 Trust Agreement.

2020 Installment Sale Agreement

“2020 Installment Sale Agreement” means this installment sale agreement by and between the Local Agency and the Authority, dated as of _____ 1, 2020, as originally executed and as it may from time to time be amended or supplemented in accordance herewith and with the terms of the Trust Agreement.

Tax Certificate

“Tax Certificate” means the Tax Certificate dated the date of initial execution and delivery of the Certificates and executed and delivered by the Local Agency.

Trust Agreement

“Trust Agreement” means that certain Trust Agreement dated as of _____ 1, 2020, by and among the Trustee, the Local Agencies and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Trustee

“Trustee” means Wilmington Trust, National Association, or any successor thereto appointed pursuant to the Trust Agreement.

Trustee Fee

“Trustee’s Fee” means the annual administration fee of the Trustee, in the amount of \$1,500.00 payable in advance on _____, 2020 and thereafter on each June 1, commencing June 1, 20__.

Section 1.02 Terms defined in the Trust Agreement. Capitalized terms not otherwise defined herein have the meanings set forth in the Trust Agreement.

ARTICLE II

THE PROJECT

Section 2.01 Sale of the Project. The Local Agency hereby certifies that the design, acquisition and construction of the Project is complete and in accordance with plans, entitlements and code requirements. The Authority hereby agrees to sell, and hereby sells, the Project to the Local Agency. The Local Agency hereby agrees to purchase, and hereby purchases, the Project from the Authority. Notwithstanding the foregoing, it is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the Local Agency (whether as agent for the Authority or otherwise) for the maintenance and operation of the Project and that all such costs and expenses shall be paid by the Local Agency.

ARTICLE III

2020 INSTALLMENT SALE PAYMENTS; ADMINISTRATION FEE

Section 3.01 Purchase Price and Administration Fee.

(a) The Purchase Price to be paid by the Local Agency to the Authority hereunder is the sum of the principal amount of the Local Agency's obligation hereunder plus the interest to accrue on the unpaid balance of such principal amount from the date hereof over the term hereof, subject to prepayment as provided in Section 3.03.

(b) The principal amount of the Purchase Price to be paid by the Local Agency to the Authority hereunder is \$_____.

(c) The interest to accrue on the unpaid balance of such principal amount shall be paid by the Local Agency as and shall constitute interest paid on the principal amount of the Local Agency's Purchase Price obligation hereunder.

(d) Interest on the unpaid balance of the principal amount of the Purchase Price shall accrue, from the date of the initial execution and delivery of the Certificates, on the principal component of each 2020 Installment Sale Payment at the following rates calculated on the basis of a 360-day year comprised of twelve 30-day months:

<u>Principal Component Due Date (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021		

2042

(e) In addition, the Local Agency shall pay the Administration Fee for the administrative cost of the Project and the Program.

(f) Upon calculation by the Rebate Analyst of a Rebate Amount with respect to the final computation date for the 2012 Installment Sale Payments relating to the 2012 Certificates, the Local Agency shall, from any source of available funds, immediately transfer an amount of money equal to the Rebate Amount in accordance with the Tax Certificate as defined in the 2012 Installment Sale Agreement.

Section 3.02 Payment of 2020 Installment Sale Payments and Administration Fee. The Local Agency shall, subject to prepayment as provided in Section 3.03, pay the Authority or the Trustee, as appropriate, the Purchase Price, without offset or deduction of any kind, by paying (i) the principal installments of the 2020 Installment Sale Payments, which principal installments shall be due annually on each Certificate Payment Date, (ii) the interest installments of the 2020 Installment Sale Payments, which interest installments shall be due semiannually on each Interest Payment Date and (iii) the Administration Fee which shall be due annually on each Certificate Payment Date. The 2020 Installment Sale Payments Schedule is set forth in Exhibit A attached hereto. Each 2020 Installment Sale Payment and the Administration Fee shall be payable on and shall be required to be deposited with the Trustee on or before the fifteenth day of the calendar month immediately preceding its due date.

The obligation of the Local Agency to pay the Purchase Price by paying the 2020 Installment Sale Payments including the Administration Fee is, subject to Section 8.01, absolute and unconditional, and until such time as the 2020 Installment Sale Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Section 7.01), the Local Agency will not discontinue or suspend any 2020 Installment Sale Payments or Administration Fee required to be paid by it under this Section when due, whether or not the Project or any part thereof is complete, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

The Local Agency shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Trust Agreement, allocable to the Local Agency, and the 2020 Installment Sale Agreement (each a “**Related Document**”); (ii) the pursuit of any remedies under the any Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to any Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy, in each case above properly allocable to the Local Agency. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of any Related Document.

In order to carry out and effectuate the obligation of the Local Agency contained herein to pay the Purchase Price by paying the 2020 Installment Sale Payments and the Administration Fee, the Local Agency has established the “Special Gas Tax Special Revenue Fund” and the “Measure A Special Revenue Fund” (herein referred to respectively as the “**Gas Tax Account**” and the “**Measure A Receipts Account**”) and agrees to establish the “City of Desert Hot Springs Pledged Tax Fund” (the “**Pledged Tax Fund**”) into which , which fund and accounts therein] each of which the Local Agency agrees and covenants to maintain so long as any 2020 Installment Sale Payments remain unpaid, and all money on deposit therein shall be applied and used only as provided herein. The Local Agency agrees and covenants that (i) all Gas Tax Revenues received by it shall be deposited when and as received in the

Local Agency's Gas Tax Account, and (ii) all Measure A Receipts received by it shall be deposited when and as received in the Measure A Receipts Account.

[The Local Agency covenants and agrees to apply Measure A Revenues constituting Measure A Receipts as received on an annual basis to the payment of 2020 Installment Sale Payments prior to any other expenditure of such funds, subject to the release for expenditure as provided in this section below and only in an amount not exceeding the Measure A Receipts.]

The Local Agency covenants and agrees to include all Insurer Reimbursement Amounts (as more fully described in the Trust Agreement) and Policy Costs (as more fully described in the Trust Agreement and the Insurance Agreement), each to the extent properly allocable to the Local Agency, in its calculation of 2020 Installment Sale Payments and shall pay all such payments from the Revenues.

All of the Revenues and all money in the Pledged Tax Fund and in the funds or accounts so specified and provided for in the 2020 Installment Sale Agreement, are hereby irrevocably pledged to the punctual payment of the 2020 Installment Sale Payments and the Administration Fee, and the Revenues shall not be used for any other purpose while any of the 2020 Installment Sale Payments remain outstanding; subject to the provisions of the 2020 Installment Sale Agreement permitting application thereof for the purposes and on the terms and conditions set forth herein. This pledge shall constitute a first lien on the Revenues for the payment of the 2020 Installment Sale Payments and the Administration Fee in accordance with the terms thereof.

Notwithstanding the foregoing, the Local Agency may satisfy its obligation to deposit 2020 Installment Sale Payments with the Trustee by depositing Other Available Revenues with the Trustee, and if and when so deposited, shall be irrevocably pledged to the payment of 2020 Installment Sale Payments.

All Revenues on deposit in the Pledged Tax Fund shall be set aside and deposited by the Local Agency in the various funds and accounts within the Revenue Fund at the following times in the following order of priority:

(a) Interest and Principal Fund Deposits. On or before the 15th day preceding each Interest Payment Date, the Local Agency shall, from the Revenues in the Pledged Tax Fund, transfer to the Trustee for deposit in the Local Agency's Interest Payment Account in the Interest Fund within the Revenue Fund established under the Trust Agreement (the "**Interest Payment Account**"), a sum equal to the interest becoming due and payable hereunder on the next succeeding Interest Payment Date, except that no such deposit need be made if the Trustee then holds money in the Interest Payment Account equal to the amount of interest becoming due and payable hereunder on the next succeeding Interest Payment Date; and on or before the 15th day preceding each Certificate Payment Date, the Local Agency shall, from the Revenues in the Pledged Tax Fund, transfer to the Trustee for deposit in the Principal Payment Account in the Principal Fund within the Revenue Fund established under the Trust Agreement (the "**Principal Payment Account**"), a sum equal to the principal becoming due and payable hereunder on the next succeeding 2020 Installment Sale Payment Date, except that no such deposit need be made if the Trustee then holds money in the Principal Payment Account equal to the amount of Principal becoming due and payable hereunder on the next succeeding 2020 Installment Sale Payment Date; and all money on deposit in the Interest Payment Account and the Principal Payment Account shall be used to make and satisfy the 2020 Installment Sale Payments due on each date and such payments shall be deposited by the Trustee to the Interest Account or the Principal Account, as the case may be, as defined in, created under and in accordance with the terms of, the Trust Agreement.

(b) Reserve Fund Deposit. On or before the 15th day of each month, the Local Agency shall, from the Revenues in the Pledged Tax Fund, transfer to the Trustee for deposit in the Local Agency's Subaccount in the Reserve Fund (the "**Reserve Subaccount**") within the Revenue Fund that sum, if any, necessary to restore the Reserve Subaccount to an amount equal to the Reserve Fund Requirement, all in accordance with and subject to the terms and conditions of Section 3.03 of the Trust Agreement. All money in the Reserve Subaccount shall be used and withdrawn by the Trustee for the purposes specified in Section 3.03 of the Trust Agreement. The Local Agency further agrees to pay to the Insurer all amounts owed to it under the Insurance Agreement in connection with any draw on the Reserve Policy, and all related reasonable expenses incurred by the Insurer and shall pay interest thereon from the date of payment by the Insurer at the Late Payment Rate, in each case solely from available Revenues and subject to the first pledge of and lien upon the Revenues for the payment of the Certificates.

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

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

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

If the Local Agency shall fail to pay any Policy Costs in accordance with the requirements above, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Trust Agreement and the 2020 Installment Sale Agreement other than (i) acceleration of the maturity of the Certificates or (ii) remedies which would adversely affect owners of the Certificates.

Neither the Trust Agreement nor the 2020 Installment Sale Agreement shall be discharged until all Policy Costs owing to the Insurer and attributable to the Local Agency shall have been paid in full. The Local Agency's obligation to pay such amounts shall expressly survive payment in full of the Certificates.]

(c) Administration Fund Deposit. On or before the 15th day preceding each Certificate Payment Date, the Local Agency shall, from the remaining Revenues on deposit in the Pledged Tax Fund, transfer to the Trustee for deposit in the Local Agency's Administration Subaccount in the Administration Fund within the Revenue Fund established under the Trust Agreement (the "**Administration Subaccount**"), a sum equal to the Administration Fee becoming due and payable hereunder on the next Certificate Payment Date, and all money on deposit in the Administration Subaccount shall be used to pay the Administration Fee due on such Certificate Payment Date, in accordance with the terms of the Trust Agreement.

Notwithstanding the foregoing, provided all transfers required by subparagraphs (b) and (c) above have been made, on any Business Day moneys on deposit in the Pledged Tax Fund in excess of the sum of (i) interest becoming due and payable hereunder on the next succeeding Interest Payment Date (less amounts then held by the Trustee in the Interest Payment Account) and (ii) the Pro Rata Share of Principal (less amounts then held by the Trustee in the Principal Payment Account) may be expended by the Local Agency at any time for any purpose permitted by law.

Section 3.03 Prepayment of 2020 Installment Sale Payments. The Local Agency may prepay from any source of available funds as a whole or in part on any date, on or after June 1, 20__, all or any part of the principal amount of the unpaid 2020 Installment Sale Payments becoming due on or after June 1, 20__, in such order of prepayment as the Local Agency may determine upon written direction to the Authority and the Trustee (or, if the Local Agency fails to designate the order of prepayment, on a proportionate basis among the 2020 Installment Sale Payments and by lot within an Installment Sale Payment Date), at a Prepayment Price equal to the principal amount prepaid, plus accrued interest to the date of prepayment. Before making any prepayment pursuant to this section, the Local Agency shall give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid and the order thereof, which date shall be not less than thirty (30) days nor more than sixty (60) days from the date such notice is given.

ARTICLE IV

ADDITIONAL CONTRACTS

Section 4.01 Additional Contracts. [So long as the Local Agency is not in default hereunder, the Local Agency may at any time execute any Contract, the Installment Sale Payments under and pursuant to which, as the case may be, are payable from the Revenues on a parity with the payment by the Local Agency of the 2020 Installment Sale Payments as provided herein; provided, that the audited Revenues plus the Measure A Receipts Coverage Amount for the Fiscal Year next preceding the date of the adoption by the governing body of the Local Agency of the resolution authorizing the execution of such Contract, as evidenced by both a calculation prepared by the Local Agency and a special report prepared by an Independent Certified Public Accountant on such calculation on file with the Local Agency shall have produced a sum equal to at least 150% of the Maximum Annual Debt Service on all Contracts outstanding after the execution of such amendment or Contract. Policy Costs due and owing to the Insurer shall be included in the Maximum Annual Debt Service requirement for purposes of the foregoing calculation and the calculation of Maintenance of Revenues in Section 5.04 of the 2020 Installment Sale Agreement.]

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the Local Agency to execute any Contract at any time to refund any outstanding Contract.

ARTICLE V

REPRESENTATIONS AND COVENANTS OF THE LOCAL AGENCY AND THE AUTHORITY

Section 5.01 Authority; Compliance with 2020 Installment Sale Agreement and Trust Agreement. The Local Agency is a municipal corporation organized and existing under the Constitution of the State of California, with full legal right, power and authority to execute, deliver and perform its obligations under the 2020 Installment Sale Agreement, and compliance with the provision hereof will not materially conflict with or constitute a material breach of or default under any applicable provision of law, or any applicable regulation or agreement to which the Local Agency is a party or may be subject.

The Local Agency will punctually pay the 2020 Installment Sale Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate the 2020 Installment Sale Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including Acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The Authority will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to the 2020 Installment Sale Agreement and the Trust Agreement that each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the obligation of the Local Agency to repay the refinanced costs of the acquisition and construction of the Project and the costs and expenses incidental thereto paid by the Authority pursuant to, and in accordance with, and as authorized under law and the 2020 Installment Sale Agreement.

Section 5.02 Use of Proceeds of Certificates. The Authority and the Local Agency agree that the proceeds of the Certificates to be transferred to the Escrow Agent for deposit in the Escrow Fund established under the Escrow Agreement to be applied to refund that portion of the outstanding 2012 Certificates which financed or refinanced a portion of the costs of the construction of streets and roadways within the corporate limits of the Local Agency as described in Exhibit B to the 2012 Installment Sale Agreement and to pay the incidental costs and expenses related thereto as provided herein and in the Trust Agreement.

Section 5.03 Against Encumbrances. The Local Agency will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the Local Agency payable from the Revenues or which may impair the security for the 2020 Installment Sale Payments and will keep the Revenues free of any and all liens against any portion of the Revenues. In the event any such lien attaches to or is filed against any portion of the Revenues, the Local Agency will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the Local Agency desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the Local Agency will forthwith pay or cause to be paid and discharged such judgment. The Local Agency will, to the maximum extent permitted by law, indemnify and hold the Authority and the Trustee harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Revenues.

The Local Agency may pledge, encumber or otherwise secure its obligations with the Revenues, provided, that except as permitted by Section 4.01 hereof, in all instances any such pledge, lien or security is wholly subordinate and junior to the obligations of the Local Agency contained herein.

Section 5.04 Maintenance of Revenues. The Local Agency will use its best efforts to comply with all provisions of law and any regulations issued thereunder relating to the Revenues, including, but not limited to, the Measure A Ordinance, Sections 2119 and 2151 through 2155 of the California Streets and Highways Code and Sections 65089.3 and 65089.4 of the California Government Code relating to conformance with the congestion management program relating to the Local Agency, and will take any and all reasonable actions required in order to maintain the Local Agency's ability to receive the Revenues and apply the same as provided herein including, without limitation, to oppose any action by the Riverside County Transportation Commission to impair the timely receipt of Measure A Receipts and any proposed amendment of the Measure A Ordinance, the Measure A Expenditure Plan [and the Growth Management Program described therein], and the Policies and Project Descriptions which would (i) reduce the amount of Measure A Receipts that may be received by the Local Agency or (ii) reduce the period during which the Local Agency may collect Measure A Receipts; provided, that nothing herein shall require the Local Agency to take any action or expend any Local Agency funds to comply with any such requirements deemed unreasonable in the sole discretion of the Local Agency, so long as failure to take such action or expend such funds will not cause the amount of estimated Revenues to be received by the Local Agency in the next Fiscal Year to be less than 150% of the Maximum Annual Debt Service as of the date of calculation.

Section 5.05 Accounting Records and Financial Statements.

(a) The Local Agency will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Revenues and the Project, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions.

(b) [The Local Agency will prepare and file with the Trustee annually within six months after the close of each Fiscal Year or, if not then available, as soon thereafter as possible, audited financial statements of the Local Agency for the preceding Fiscal Year.]

Section 5.06 Protection of Security and Rights of the Authority and the Trustee. The Local Agency will preserve and protect the security hereof and the rights of the Authority and the Trustee to the 2020 Installment Sale Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 5.07 Further Assurances. The Local Agency will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority of the rights and benefits provided to it herein.

Section 5.08 Continuing Disclosure. The Local Agency hereby covenants and agrees that it will enter into and comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the 2020 Installment Sale Agreement, failure of the Local Agency to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default hereunder; however, the Trustee shall at the written request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Owner of at least 25% aggregate principal amount in Outstanding Certificates, or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Local Agency to comply with its obligations under this Section. For purposes of this Section, “**Beneficial Owner**” means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries).

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.01 Events of Default and Acceleration of Principal. If one or more of the following “**Events of Default**” shall happen, that is to say --

- (1) if default shall be made in the due and punctual payment of any 2020 Installment Sale Payment when and as the same shall become due and payable;
- (2) if default shall be made by the Local Agency in the performance of any of the agreements or covenants contained herein required to be performed by it, and such default shall have continued for a period of 30 days after the Local Agency shall have been given notice in writing of such default by the Authority or the Trustee; or
- (3) if the Local Agency shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Local Agency seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Local Agency or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Trustee shall, and for any other such Event of Default the Trustee may (with the prior written consent of the Insurer), by notice in writing to the Local Agency and the Insurer, declare the entire principal amount of the unpaid 2020 Installment Sale Payments and the accrued interest thereon to

be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This subsection is subject to the condition, however, that if at any time after the entire principal amount of the unpaid 2020 Installment Sale Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Local Agency shall deposit with the Trustee a sum sufficient to pay the unpaid principal amount of the 2020 Installment Sale Payments due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the 2020 Installment Sale Payments if paid in accordance with their terms, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of the entire principal amount of the unpaid 2020 Installment Sale Payments and the accrued interest thereon 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, by written notice to the Local Agency, may rescind and annul such declaration and its consequences; but 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 6.02 Application of Revenues Upon Acceleration. All Revenues upon the date of the declaration of acceleration by the Trustee as provided in Section 6.01 and all Revenues thereafter received shall be applied in the following order --

First, to the payment of the costs and expenses of the Trustee and the Authority, if any, in carrying out the provisions of this article, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses;

Second, to the payment of the interest then due and payable on the entire principal amount of the unpaid 2020 Installment Sale Payments, and, if the amount available shall not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference;

Third, to the payment of the unpaid principal amount of the 2020 Installment Sale Payments which has become due and payable, whether on the original due date or upon acceleration, with interest on the overdue principal and interest amounts of the unpaid 2020 Installment Sale Payments at the rate or rates of interest then applicable to such 2020 Installment Sale Payments if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the 2020 Installment Sale Payments on any date, together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference; and

Fourth, to the payment of amounts due to the Insurer not paid pursuant to Second and Third above.

Section 6.03 Other Remedies. The Trustee shall have the right --

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Local Agency or any councilmember, officer or employee thereof, and to compel the Local Agency or any such councilmember, officer or employee to perform and carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority or the Trustee; or

(c) by suit in equity upon the happening of an Event of Default to require the Local Agency and its council members, officers and employees to account as the trustee of an express trust.

Section 6.04 Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the Local Agency, which is absolute and unconditional, to pay the 2020 Installment Sale Payments from the Revenues to the Trustee at the respective due dates or upon prepayment, or shall affect or impair the right of the Trustee, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

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

Section 6.05 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law. The exercise of remedies hereunder shall be subject to the provisions of the Trust Agreement, including Articles VII and IX thereof.

ARTICLE VII

DISCHARGE OF OBLIGATIONS

Section 7.01 Discharge of Obligations.

(a) If the Local Agency shall pay or cause to be paid all the 2020 Installment Sale Payments at the times and in the manner provided herein, and all amounts owed the Insurer shall have been paid in full, the right, title and interest of the Authority herein and the obligations of the Local Agency hereunder shall thereupon cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of the 2020 Installment Sale Payments shall on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if the Local Agency makes payment of such 2020 Installment Sale Payments and the prepayment premium, if applicable, in the manner provided herein.

(c) All or any portion of unpaid principal installments of the 2020 Installment Sale Payments shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (i) notice is provided by the Local Agency to the Trustee as required by the Trust Agreement, and (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Obligations (as that term is defined in the Trust Agreement) which, together with money, if any, deposited with the Trustee, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due with respect to the principal installments of such 2020 Installment Sale Payments and the principal installments of such 2020 Installment Sale Payments or such portions thereof on and prior to their payment dates or their dates of prepayment, as the case may be, and the prepayment premiums, if any, applicable thereto.

(d) After the payment of all 2020 Installment Sale Payments and prepayment premiums, if any, as provided in this section, and payment of all fees and expenses of the Trustee, the Trustee, upon request of the Local Agency, shall cause an accounting for such period or periods as may be requested by the Local Agency to be prepared and filed with the Local Agency and the Authority and shall execute and deliver to the Local Agency and the Authority all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the 2020 Installment Sale Agreement, and the Trustee shall pay over and deliver to the Local Agency, as an overpayment of 2020 Installment Sale Payments, all such money or investments held by it pursuant hereto other than such money and such investments as are required for the payment or prepayment of the 2020 Installment Sale Payments, which money and investments shall continue to be held uninvested by the Trustee in trust for the payment of the 2020 Installment Sale Payments and shall be applied by the Trustee pursuant to the Trust Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Liability of Local Agency Limited to Revenues. Notwithstanding anything contained herein, the Local Agency shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the 2020 Installment Sale Payments or for the performance of any agreements or covenants required to be performed by it contained herein.

The obligation of the Local Agency to make the 2020 Installment Sale Payments is a special obligation of the Local Agency payable solely from the Revenues as provided herein, and does not constitute a debt of the Local Agency or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 8.02 Benefits of 2020 Installment Sale Agreement. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Local Agency, the Insurer or the Trustee any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the Authority, the Local Agency or the Trustee shall be for the sole and exclusive benefit of the other parties. The Insurer is a third party beneficiary of the 2020 Installment Sale Agreement.

Section 8.03 Successor Is Deemed Included in all References to Predecessor. Whenever either the Authority or the Local Agency or the Trustee is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or the Local Agency or the Trustee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or the Local Agency or the Trustee shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 8.04 Waiver of Personal Liability. No councilmember, officer or employee of the Local Agency shall be individually or personally liable for the payment of the 2020 Installment Sale Payment, but nothing contained herein shall relieve any councilmember, officer or employee of the Local Agency from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 8.05 Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections,” “Exhibits” and other subdivisions or clauses are to the corresponding articles, sections, exhibits, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to the 2020 Installment Sale Agreement as a whole and not to any particular article, section, exhibit, subdivision or clause hereof.

Section 8.06 Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the Local Agency shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Authority and the Local Agency hereby declare that they would have executed the 2020 Installment Sale Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 8.07 Assignment. The 2020 Installment Sale Agreement and any rights hereunder shall be assigned by the Authority to the Trustee as provided in the Trust Agreement; to which assignment the Local Agency hereby expressly acknowledges and consents. Any other assignment without the consent of the Trustee and the Insurer shall be void.

Section 8.08 Net Contract. The 2020 Installment Sale Agreement shall be deemed and construed to be a net contract, and the Local Agency shall pay absolutely net during the term hereof the 2020 Installment Sale Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 8.09 California Law. The 2020 Installment Sale Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 8.10 Indemnification. The Local Agency shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and its directors, officers and employees and the Trustee and its directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, reasonable counsel fees and expenses, penalties and interest arising out of or as the result of the acquisition, construction, and installation of the Project or any accident in connection with the operation, use, condition or possession of the Project or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the Local Agency or the Authority; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The Local Agency agrees not to withhold or abate any portion of the payments required pursuant hereto by reason of any defects, malfunctions, breakdowns or infirmities of the Project or other facilities financed or refinanced with proceeds of the 2012 Certificates. The Local Agency and the Authority mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof.

Section 8.11 Funds. Any fund required to be established and maintained herein by the Local Agency may be established and maintained in the accounting records of the Local Agency either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to any such fund shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights of the owners of such Certificates.

Section 8.12 Notices; Authorized Local Agency Representative. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the Local Agency: City of Desert Hot Springs
65950 Pierson Boulevard
Desert Hot Springs, California 92240
Phone: (925) 973-2500
Fax: (925) 866-1436
Attention: _____

If to the Authority: California Statewide Communities Development Authority
1700 North Broadway, Suite 405
Walnut Creek, California 94596
Attention: Managing Director

If to the Insurer: [Insurer]

Attention: _____
Re: Policy No. _____ (Insurance Policy)
Policy No. _____ (Reserve Policy)

Telephone: _____

Telecopier: ____

Local Agency Authorized Representatives:

TITLE

- (1) Mayor
- (2) City Manager
- (3) Chief Financial Officer
- (4) Financial and Administrative Services Director
- (5) Director of Public Works

Section 8.13 Notices to Insurer; Miscellaneous Insurer Provisions. [The Insurer shall be provided with the following information by the Local Agency:

(a) Annual audited financial statements within 180 days after the end of the Local Agency's fiscal year (together with a certification of the Local Agency that it is not aware of any default or Event of Default under the Installment Sale Agreement), and the Local Agency's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(b) [All Measure A Receipts received for each fiscal year;

(c) Notice of the adoption of the annual resolution approving the five year plan for the expenditure of Measure A Receipts;

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

(e) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal or interest evidenced and represented by the Certificates;

(f) All reports, notices and correspondence to be delivered to Owners under the terms of the Related Documents.]

(g) All information furnished pursuant to the Continuing Disclosure Agreement entered into in connection with the Certificates shall also be provided to the Insurer, simultaneously with the furnishing of such information; provided that the posting of such information to EMMA shall be sufficient for this requirement.

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

The Local Agency will permit the Insurer to discuss the affairs, finances and accounts of the Local Agency or any information the Insurer may reasonably request regarding the security for the Certificates with appropriate officers of the Local Agency and will use commercially reasonable efforts to

enable the Insurer to have access to the facilities, books and records of the Local Agency on any Business Day upon reasonable prior notice.

Any interest rate exchange agreement (“**Swap Agreement**”) entered into by the Local Agency secured by and payable from Revenues shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (ii) debt reasonably expected to be issued within the next twelve (12) months, and (iii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Insurer, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to payment by the Local Agency of the 2020 Installment Sale Payments and on any debt on parity with such payments. The Local Agency shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Insurer prior to the payment of any such termination amount that such payment will not cause the Local Agency to be in default under the Related Documents, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least “A-” and “A3” by Standard & Poor’s (“**S&P**”) and Moody’s Investors Service (“**Moody’s**”). If the counterparty or guarantor’s rating falls below “A-” or “A3” by either S&P or Moody’s, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Insurer. If the counterparty or the guarantor’s long term unsecured rating falls below “Baa1” or “BBB+” by either Moody’s or S&P, a replacement counterparty or guarantor, acceptable to the Insurer, shall be required.]

Section 8.14 Agreement Represents Complete Agreement; Amendments. The 2020 Installment Sale Agreement (together with the Trust Agreement) represents the entire contract between the parties. The 2020 Installment Sale Agreement may not be effectively amended, changed, modified, altered or terminated except by the written agreement of the Local Agency and the Authority, given in accordance with the provisions of the Trust Agreement. Any amendment, supplement, modification to, or waiver of, the 2020 Installment Sale Agreement that requires the consent of holders of the Certificates or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

Section 8.15 Effective Date. The 2020 Installment Sale Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made pursuant to Article VII).

Section 8.16 Execution in Counterparts. The 2020 Installment Sale Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed the 2020 Installment Sale Agreement by their officers thereunto duly authorized as of the day and year first written above.

CITY OF DESERT HOT SPRINGS

By: _____
[Mayor]

**CALIFORNIA STATEWIDE
COMMUNITIES DEVELOPMENT
AUTHORITY**

By: _____
Authorized Signatory

EXHIBIT A

2020 INSTALLMENT SALE PAYMENTS SCHEDULE

Payment Date[*]	Interest Installment	Principal Installment	Total
12/01/2020			
06/01/2021			
12/01/2021			
06/01/2022			
12/01/2022			
06/01/2023			
12/01/2023			
06/01/2024			
12/01/2024			
06/01/2025			
12/01/2025			
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12/01/2035			
06/01/2036			
12/01/2036			
06/01/2037			
12/01/2037			
06/01/2038			
12/01/2038			
06/01/2039			
12/01/2039			
Payment Date[*]	Interest Installment	Principal Installment	Total

* Each 2020 Installment Sale Payment shall be payable on and shall be required to be deposited with the Trustee on or before the fifteenth day of the calendar month immediately preceding the respective June 1 and December 1 payment dates as provided in Section 3.02.

06/01/2040
12/01/2040
06/01/2041
12/01/2041
06/01/2042

* Each 2020 Installment Sale Payment shall be payable on and shall be required to be deposited with the Trustee on or before the fifteenth day of the calendar month immediately preceding the respective June 1 and December 1 payment dates as provided in Section 3.02.

EXHIBIT B

DESCRIPTION OF PROJECT

The construction of streets and roadways within the corporate limits of the Local Agency, which improvements are eligible costs payable from Revenues pursuant to (i) the terms of Article XIX of the California Constitution and related provisions of the California Streets and Highways Code, and (ii) Measure A Receipts, including [engineering, inspection, contract administration and other incidental costs. The designation of which particular streets and roadways to be improved shall be made by the City Manager of the Local Agency].

2012 Project Description: The construction of streets and roadways within the corporate limits of the City of Desert Hot Springs, which improvements are eligible costs payable from Revenues pursuant to the terms of Article XIX of the California Constitution and related provisions of the California Streets and Highways Code, including engineering, inspection, contract administration and other incidental costs, as follows: [detail of expenditures to come].