

LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement") is dated as of this 26th day of July, 2012 by and between the CITY OF REDLANDS, AS SUCCESSOR AGENCY TO THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF REDLANDS, a public body corporate and politic ("Agency"), and the CITY OF REDLANDS, a California municipal corporation ("City"). Agency and City are sometimes referred to in this Agreement individually as a "Party" and collectively as the "Parties." This Agreement is entered into with reference to the following recitals of fact ("Recitals") that Agency and City believe to be true, as of the date each Party executes this Agreement:

RECITALS

A. Pursuant to the Community Redevelopment Law (Health and Safety Code section 33000 *et seq.*), the City Council of the City created the Redevelopment Agency of the City of Redlands.

B. On June 28, 2011, the State of California enacted Health and Safety Code section 34161 *et seq.* as part of the State's enactment of Assembly Bill 1X 26 ("AB 1X 26"), immediately prohibiting further redevelopment activity by redevelopment agencies and dissolving all redevelopment agencies in the State of California on October 1, 2011.

C. On July 18, 2011, a Petition for Writ of Mandate was filed in the Supreme Court of the State of California in the matter of *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861 which, among other things, challenged the constitutionality of AB 1X 26, on behalf of cities, counties and redevelopment agencies and requested a stay of enforcement of AB 1X 26, pending the Supreme Court's determination of the constitutionality of AB 1X 26.

D. On December 29, 2011, the Supreme Court issued its opinion in the above referenced case which, among other things, upheld AB 1X 26 and dissolved all redevelopment agencies throughout the State of California, effective February 1, 2012.

E. Pursuant to Health and Safety Code section 34173(d), the City of Redlands elected to become the successor agency to the dissolved Redevelopment Agency of the City of Redlands, confirmed by Resolution No. 7089 adopted on November 1, 2011.

F. On June 27, 2012, Assembly Bill 1484 ("AB 1484") was signed by the Governor of California which, among other things, significantly modifies AB 1X 26.

G. On July 11, 2012 the Agency received a demand for payment in the amount of \$2,601,269 (the "Payment") from the County of San Bernardino Auditor-Controller/Treasurer/Tax Collector pursuant to Health and Safety Code section 34183.5(b)(2)(A), as added by AB 1484.

H. On July 12, 2012, the Agency made the Payment to the County of San Bernardino Auditor-Controller/Treasurer/Tax Collector, using the \$2,535,662 balance held in its Successor

Agency Funds and a \$65,607.37 loan from the City.

I. The Agency no longer has any fund balance in its Successor Agency Funds and has enforceable obligations from July through December 2012, as set forth in its Recognized Obligation Payment Schedule for July through December 2012 ("ROPS") in the amount of Three Million One Hundred Fifty Seven Thousand Four Hundred Dollars (\$3,157,400) ("Loan Amount").

J. Pursuant to Health and Safety Code section 34173(h), the City may loan or grant funds to the Agency for administrative costs, enforceable obligations, or project-related expenses at the City's discretion.

K. It is in the best interest of the City and the Agency that the Agency pay the enforceable obligations, which include \$2,880,794 in bond principal and interest payments, as default by the Agency could potentially affect the creditworthiness of the City and Agency.

L. Because the Agency has insufficient funds to make the payments required pursuant to the ROPS out of existing Agency funds, the City Council has determined that the City will loan the Loan Amount to the Agency to make these payments.

M. The Parties now desire to enter into this Agreement to memorialize the terms and conditions of the City loan to the Agency for payment of enforceable obligations, as set forth in the ROPS.

NOW, THEREFORE, in consideration of the mutual promises set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by Agency and City, the Parties agree as follows:

1. EFFECTIVE DATE.

1.1 **Effective Date of Agreement.** This Agreement is dated this 26th day of July, 2012 for reference purposes only. This Agreement shall not become legally effective or binding until the date on which all of the following are true ("Effective Date"):

1.1.1 This Agreement is ratified by the Governing Board of Agency and the City Council of City and executed by the authorized representatives of the Agency and City, respectively;

1.1.2 This Agreement is approved by the Oversight Board of the Agency; and

1.1.3 Pursuant to Health and Safety Code section 34179(h), written notice and information about the approval of this Agreement by the Oversight Board is provided to the State of California Department of Finance and this Agreement becomes effective five (5) business days after notice has been provided to the State of California Department of Finance, pending a request for review by the State of California Department of Finance.

2. LOAN.

2.1 **Loan Amount.** No later than 12:00 p.m. July 27, 2012, City shall loan the Loan Amount from the City Water Fund 501 to the City General Fund, as evidenced by a Promissory Note in substantially the form attached hereto as Exhibit "A." Upon execution of a Promissory Note and transfer of the Loan Amount from the City Water Fund 501 to the City General Fund, the Agency shall execute a Promissory Note in substantially the form attached hereto as Exhibit "B" and City shall loan the Loan Amount to Agency in immediately available funds.

2.2 **Use of Loan Amount.** The Loan Amount shall be used by Agency for the sole purpose of paying the Agency's enforceable obligations, as set forth in the ROPS; and in any future approved Recognized Obligation Payment Schedules of the Agency.

2.3 **Repayment of Loan Amount.** Agency agrees to repay the Loan Amount pursuant to the terms and conditions of this Agreement and the Promissory Note executed by Agency in substantially the form attached hereto as Exhibit "B."

2.4 **Enforceable Obligation.** Pursuant to Health and Safety Code section 34173(h), the Loan Amount shall be reflected on the Agency's January – June 2013 Recognized Obligation Payment Schedule and subsequent Recognized Obligation Payment Schedules and, upon approval of this Agreement by the Oversight Board to the Agency, the repayment of the Loan Amount shall be deemed to be an enforceable obligation.

3. GENERAL TERMS.

3.1 **Time Is Of The Essence.** Time of the essence in the performance of the Parties' obligations under this Agreement.

3.2 **No Third Party Beneficiaries.** This Agreement is expressly declared to be for the sole benefit of the Parties hereto. No other person or entity not a signatory to this Agreement shall have any rights or causes of actions against any Party to this Agreement because of that Party's entry into this Agreement.

3.3 **Assignment.** City may not assign any of its rights or obligations under this Agreement without the prior express written consent of Agency, which may be given or withheld in Agency's sole and absolute discretion.

3.4 **Failure to Strictly Enforce Not a Waiver.** Failure by any Party to this Agreement to insist upon the strict performance of any provision of this Agreement at any one or more times shall not be deemed to constitute a waiver of that Party's right to insist upon strict performance of that or any other provision of this Agreement on future occasions. No alleged waiver of any right afforded to any Party under this Agreement shall be effective unless in writing.

3.5 **Attorneys' Fees.** In the event that any action or proceeding is commenced by either Agency or City against the other to interpret or enforce any provision of this Agreement, the prevailing Party in such action or proceeding shall be entitled to recover from the non-prevailing Party, in addition to all other relief to which the prevailing Party may be entitled,

the prevailing Party's reasonable attorneys' fees and litigation costs, including fees for use of in-house legal counsel by a Party, as established by a court of law. Recoverable costs and fees shall include those incurred on appeal and in the enforcement of any judgment.

3.6 **Amendments and Modifications.** This Agreement may be amended only by written agreement of the Parties.

3.7 **Severability.** If any provision of this Agreement or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Agreement that can be given effect without the invalid provision or application, and to this end the provisions of this Agreement are severable.

[Signatures on Following Page]

SIGNATURE PAGE
TO
LOAN AGREEMENT

AGENCY:

CITY OF REDLANDS,
AS SUCCESSOR AGENCY TO THE
FORMER REDEVELOPMENT AGENCY
OF THE CITY OF REDLANDS
a public body, corporate and politic

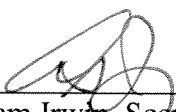
CITY:

CITY OF REDLANDS
a California municipal corporation

By: _____
Pete Aguilar, Chairman

By: _____
Pete Aguilar, Mayor

ATTEST:

By: _____
Sam Irwin, Secretary

ATTEST:

By: _____
Sam Irwin, City Clerk

EXHIBIT A
TO
LOAN AGREEMENT

City Promissory Note

[Attached Behind This Cover Page]

**CITY OF REDLANDS
UNSECURED PROMISSORY NOTE**

FOR VALUE RECEIVED, this Unsecured Promissory Note is dated as of the 26th day of July, 2012 (“Promissory Note”) and evidences an indebtedness of the general fund of the City of Redlands (“Maker”) to the City of Redlands Water Fund 501 (“Holder”). For value received, Maker hereby promises to pay to the order of Holder, at such address as Holder shall designate, the amount of Three Million One Hundred Fifty Seven Thousand Four Hundred Dollars (\$3,157,400) (“Loan Amount”), with interest, in accordance with the terms of this Promissory Note.

1. **Unsecured Obligation.** The Maker’s obligations under this Promissory Note are not secured by any instrument encumbering any property or asset of Maker.

2. **Repayment of Promissory Note.** Maker shall pay to the order of Holder the Loan Amount, with interest accruing at the current Local Agency Investment Fund (LAIF) interest rate of 0.38% percent per annum, as follows:

2.1 Maker promises to pay to the order of Holder the Loan Amount, with interest, over ten years. The first installment shall be paid during the period of January 2013 – June 2013, if sufficient tax allocation is available. Subsequent installments will be paid over multiple ROPS cycles as sufficient funds are available, with the unpaid balance of the Loan Amount to be paid no later than July 26, 2022. (“Maturity Date”).

2.2 All payments due hereunder are payable in lawful money of the United States in same day funds. The Loan Amount may be prepaid, in whole or in part, at any time and from time to time without penalty or premium.

2.3 The entire unpaid balance of the Loan Amount shall be due and payable, prior to the Maturity Date upon Maker’s material breach any of the obligations of this Promissory Note.

2.4 Maker’s obligation to pay the unpaid principal balance of the Loan Amount shall be limited to the available funds of Maker which are not otherwise encumbered as of the date of this Promissory Note.

3. **Assignment.** Holder shall have no power to transfer or assign its right to receive any payment under this Promissory Note, unless Maker has first granted written approval to Holder for such a proposed assignment, in the Maker’s sole and absolute discretion.

4. **Severability.** The unenforceability or invalidity of any provision or provisions of this Promissory Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other person or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable.

5. **Governing Law.** The validity, interpretation and performance of this Promissory Note shall be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of laws principles.

6. **Jurisdiction and Venue.** The Holder and the Maker acknowledge and stipulate that the obligation hereunder was entered into in the County of San Bernardino, California. Any legal action or proceeding to interpret, enforce, or which in any way arises out of this Promissory Note shall be instituted and prosecuted in the appropriate court in the County of San Bernardino, California. Holder and Maker expressly waive, to the maximum legal extent, any legal right either Party may have to have such action or proceeding transferred to or prosecuted in any other court or jurisdiction.

7. **Amendments and Modifications.** This Promissory Note may be amended or modified only in writing signed by the Holder and the Maker.

8. **Time of the Essence.** Time is of the essence of this Promissory Note.

[Signatures on Following Page]

SIGNATURE PAGE
TO
CITY OF REDLANDS
UNSECURED PROMISSORY NOTE

MAKER:

CITY OF REDLANDS,
a California municipal corporation

By: 
Pete Aguilar, Mayor

Date: 7/26/12

ATTEST:

By: 
Sam Irwin, City Clerk

EXHIBIT B
TO
LOAN AGREEMENT

Successor Agency Promissory Note

[Attached Behind This Cover Page]

**CITY OF REDLANDS, AS SUCCESSOR AGENCY TO THE FORMER
REDEVELOPMENT AGENCY OF THE CITY OF REDLANDS
UNSECURED PROMISSORY NOTE**

FOR VALUE RECEIVED, this Unsecured Promissory Note is dated as of this 26th day of July, 2012 ("Promissory Note") and evidences an indebtedness of the City of Redlands, as Successor Agency to the Former Redevelopment Agency of the City of Redlands, a public body, corporate and politic ("Maker"), to the City of Redlands, a California municipal corporation ("Holder"). For value received, Maker hereby promises to pay to the order of Holder, at such address as Holder shall designate, the Loan Amount (as defined in the Agreement), with interest, in accordance with the terms of this Promissory Note.

1. **Loan Agreement.** The rights and obligations of Maker and Holder under this Promissory Note are made with respect to that certain agreement entitled "Loan Agreement" dated the 26th day of July, 2012 by and between Maker and Holder ("Agreement"), as approved by Resolution Number 452 of Maker, dated July 26, 2012 and Resolution Number 7201 of Holder, dated July 26, 2012. The terms and provisions of the Agreement are incorporated into this Promissory Note by this reference. All initially capitalized terms used but not otherwise defined in this Promissory Note shall have the meaning ascribed to them in the Agreement.

2. **Unsecured Obligation.** The Maker's obligations under this Promissory Note are not secured by any instrument encumbering any property or asset of Maker.

3. **Repayment of Promissory Note.** Maker shall pay to the order of Holder the Loan Amount, with interest accruing at the current Local Agency Investment Fund (LAIF) interest rate of 0.38% percent per annum, as follows:

3.1 Maker promises to pay to the order of Holder the Loan Amount, with interest, over ten years. The first installment shall be paid during the period of January 2013 – June 2013, if sufficient tax allocation is available. Subsequent installments will be paid over multiple ROPS cycles as sufficient funds are available, with the unpaid balance of the Loan Amount to be paid no later than July 26, 2022. ("Maturity Date").

3.2 All payments due hereunder are payable in lawful money of the United States in same day funds. The Loan Amount may be prepaid, in whole or in part, at any time and from time to time without penalty or premium.

3.3 The entire unpaid balance of the Loan Amount shall be due and payable, prior to the Maturity Date upon Maker's material breach any of the obligations of this Promissory Note or the Agreement.

3.4 Maker's obligation to pay the unpaid principal balance of the Loan Amount shall be limited to the available funds of Maker which are not otherwise encumbered as of the date of this Promissory Note.

4. **Assignment.** Holder shall have no power to transfer or assign its right to receive any payment under this Promissory Note, unless Maker has first granted written approval

to Holder for such a proposed assignment, in the Maker's sole and absolute discretion.

5. **Severability.** The unenforceability or invalidity of any provision or provisions of this Promissory Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other person or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable.

6. **Governing Law.** The validity, interpretation and performance of this Promissory Note shall be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of laws principles.

7. **Jurisdiction and Venue.** The Holder and the Maker acknowledge and stipulate that the obligation hereunder was entered into in the County of San Bernardino, California. Any legal action or proceeding to interpret, enforce, or which in any way arises out of this Promissory Note shall be instituted and prosecuted in the appropriate court in the County of San Bernardino, California. Holder and Maker expressly waive, to the maximum legal extent, any legal right either Party may have to have such action or proceeding transferred to or prosecuted in any other court or jurisdiction.

8. **Amendments and Modifications.** This Promissory Note may be amended or modified only in writing signed by the Holder and the Maker.

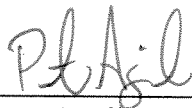
9. **Time of the Essence.** Time is of the essence of this Promissory Note.

[Signatures on Following Page]

SIGNATURE PAGE
TO
CITY OF REDLANDS, AS SUCCESSOR AGENCY TO THE FORMER
REDEVELOPMENT AGENCY OF THE CITY OF REDLANDS
UNSECURED PROMISSORY NOTE

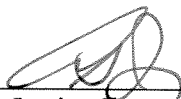
MAKER:

CITY OF REDLANDS, AS SUCCESSOR AGENCY TO
THE FORMER REDEVELOPMENT AGENCY OF THE
CITY OF REDLANDS,
a public body, corporate and politic

By: 
Pete Aguilar, Mayor

Date: 7/26/12

ATTEST:

By: 
Sam Irwin, Secretary