

REPORT TO GOVERNING BOARD

ON

USE OF ADMINISTRATION/LITIGATION ENCUMBERED RESERVE  
PURSUANT TO THE CEO'S DELEGATED AUTHORITY

JANUARY 17, 2013

PURPOSE

This report summarizes the approved expenditures from the Administration and Litigation Encumbered Reserve (“Reserve”) pursuant to the authority delegated to the Chief Executive Officer (“CEO”) by the CRA/LA-DLA Governing Board and Oversight Board.

REPORT

In order for the expeditiously and prudently manage the wind down of the affairs of the former redevelopment agency, the Governing Board and Oversight Board approved the establishment of the Reserve for purposes of having funds readily available to allow the CRA/LA-DLA to resolve unforeseen or unscheduled administrative liabilities and for the settlement of litigation matters.

The Reserve was first approved in the Recognized Obligation Payment Schedule for the period covering January 1, 2012 through June 30, 2012 (“ROPS 1”) and approved by the Department of Finance (“DOF”) on May 26, 2012. The Reserve was listed on the ROPS 1 schedule as Item #1575, to be paid with Fund Source #3 (Reserve Balance). A restricted liability account in the amount of \$8 million was established pursuant to the ROPS 1 authority.

The Governing Board and Oversight Board considered and approved funding from the Reserve for three specific matters totaling \$3,294,406, per the table below. In conjunction with the adoption of ROPS 3, the Governing Board and Oversight Board approved an additional \$3,294,406 in Reserve Balance funds to replenish the Reserve based upon these authorized expenditures. In addition, the Oversight Board authorized the use of up to \$2,000,000 in Reserve funds to cash flow remediation costs for the Cleantech Manufacturing Center site which will be reimbursed from a State holdback account.

| ITEM  | AMOUNT       | GOVERNING/OVERSIGHT BOARD APPROVAL |
|---|--------------|------------------------------------|
| Co-Star Licensing Agreement   | 13,000.00    | 6/21/2012;7/12/2012                |
| Kramer Settlement   | 3,250,000.00 | 6/7/2012; 7/12/2012                |
| Arbitrator Jill Klein/Arbitration Reserve   | 31,406.25    | 8/2/2012; 8/9/2012                 |
| <b>Subtotal: \$ 3,294,406.25</b>  |              |                                    |
| Various Vendors - Cleantech Site Remediation<br>(Approved expenditures up to \$2,000,000;<br>Reserve to be reimbursed from State holdback<br>account) | \$2,000,000  | 8/9/2012 (Oversight Board)         |
| <b>Total: \$5,294,406.25</b>  |              |                                    |

Exercise of Delegated Authority

On September 20, 2012 and October 4, 2012, the Governing Board and Oversight Board, respectively, delegated authority to the CRA/LA-DLA CEO to approve payments from the Reserve of up to \$100,000 per obligation with a \$250,000 cap per quarter, with quarterly reports to the Governing Board and Oversight Board on the exercise of such delegated authority.

To provide accountability on these limited revenues, an internal procedure was developed which includes preparation of a detailed memorandum justifying the need for ease use of the Reserve. The form is approved by CFO, Legal Counsel and the CEO.

During the quarter covering the period October 1, 2012 through December 31, 2012, the CEO approved a total of \$228,666.27 in payments from the Reserve as further detailed below:

| ITEM   | AMOUNT              | NOTES  |
|--|---------------------|--|
| Teren Law Group Settlement Agreement                       | 95,000.00           | Paid 11/7/12   |
| Peterson Law Group Settlement Agreement                    | 20,000.00           | Paid 12/5/12   |
| Little Tokyo Service Center – Grant implementation         | 20,068.00           | Paid 10/30/12 (Reserve to be reimbursed with grant proceeds) |
| Donna Desmond Appraisal Services – 5215 S. Figueroa Street | 5,000.00            | Paid 12/27/12  |
| Various Health Providers – December 2012 premiums          | 88,598.27           | Paid 12/31/12  |
| <b>Total</b>   | <b>\$228,266.27</b> |  |

CRA/LA-DLA staff will continue to provide reports to the Governing Board and Oversight Board on a quarterly basis on use of the Reserve pursuant to the CEO's delegated authority.

Christine Essel  
Chief Executive Officer

By



David Riccitiello  
Chief Operating Officer