



July 22, 2013

Christopher J. Jicha  
Senior Consultant  
Kosmont Companies  
865 S. Figueroa Street, Suite 3500  
Los Angeles, CA 90017

We are pleased to confirm our understanding of the nature and limitations of the services we are to provide to the Successor Agency for the **City of Merced's** Redevelopment Agency on behalf of the State of California, including but not limited to the California State Controller's Office and the California Department of Finance ("State Agencies"), as required by AB 1484.

We will apply the agreed-upon procedures that the California Department of Finance specified, in the attached document, to the activities related to the Redevelopment Agency Dissolution/Unwind Trailer Bill (AB 1484), for the Successor Agency. This engagement is solely to assist the Successor Agency in complying with the requirements described in AB 1484. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibilities of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Because the attached agreed-upon procedures do not constitute an examination or an audit, we will not express an opinion on the procedures or the subject matter to which the procedures are applied. In addition, we have no obligation to perform any procedures beyond those listed in attached document.

We will submit a report listing the procedures performed and our findings. This report is intended solely for the use of the Successor Agency and State Agencies and should not be used by anyone other than these specified parties. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

---

**Van Lant & Fankhanel, LLP**  
25901 Kellogg Street  
Loma Linda, CA 92354

909.856.6879

The attest documentation for this engagement is the property of Van Lant & Fankhanel, LLP, and constitutes confidential information. However, we may be requested to make certain attest documentation available to the State Agencies pursuant to authority given to it by law or regulations. If requested, access to such attest documentation will be provided under the supervision of Van Lant & Fankhanel, LLP personnel. Furthermore, upon request, we may provide copies of selected attest documentation to the State Agencies. The State Agencies may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The Successor Agency is responsible for the presentation of the schedules and information required in the attached document issued by the California Department of Finance, and for selecting the criteria and determining that such criteria are appropriate for your purposes. The Successor Agency is also responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, and/or experience to oversee any nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

Greg Fankhanel is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

We plan to begin and complete our procedures in August of 2013. As described in AB 1484, the due date for completing the agreed-upon procedures has already passed. We will make every effort to complete this engagement as soon as possible. Completion of the engagement will depend, to some extent, on whether the Successor Agency (and/or City of Merced) has provided all the required schedules and information.

We propose a flat fee for these services of \$12,000. Our fees are based on anticipated cooperation from the responsible party's personnel and the assumption that unexpected circumstances will not be encountered during the engagement. Before incurring additional costs, we will discuss it with you and arrive at a new fee estimate. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Additional services will be subject to separate arrangements and must be approved by the Successor Agency before the additional services are rendered.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign a copy, and return it to us.

Very truly yours,

*Van Lant & Fankhanel, LLP*

Greg Fankhanel, CPA, CFE  
Van Lant & Fankhanel, LLP  
25901 Kellogg Street  
Loma Linda, CA 92354  
909-856-6879

RESPONSE:

This letter correctly sets forth our understanding.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_