

NEW ISSUE - BOOK-ENTRY-ONLY

RATING

Standard & Poor's: A-

(See "CONCLUDING INFORMATION – Rating on the Bonds" herein)

The Agency has determined that interest on the Bonds is not excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. However, in the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, interest on the Bonds is exempt from State of California personal income tax. See "LEGAL MATTERS – Tax Matters" herein.

ORANGE COUNTY

STATE OF CALIFORNIA

\$15,330,000

**STANTON REDEVELOPMENT AGENCY
STANTON CONSOLIDATED
REDEVELOPMENT PROJECT
TAXABLE HOUSING
TAX ALLOCATION BONDS, 2011 SERIES A**

\$12,480,000

**STANTON REDEVELOPMENT AGENCY
STANTON CONSOLIDATED
REDEVELOPMENT PROJECT
TAXABLE TAX ALLOCATION BONDS,
2011 SERIES B**

Dated: Date of Delivery

Due: December 1 as Shown on the Inside Front Cover

The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

Potential investors are advised that the Official Statement has been supplemented to reflect events occurring after February 17, 2011, and the information provided under the heading "RISK FACTORS – 2011/12 Proposed State Budget" is dated as of February 24, 2011.

Proceeds from the sale of the Stanton Redevelopment Agency (the "Agency") Stanton Consolidated Redevelopment Project, Taxable Housing Tax Allocation Bonds, 2011 Series A (the "Series A Bonds") and Stanton Consolidated Redevelopment Project, Taxable Tax Allocation Bonds, 2011 Series B (the "Series B Bonds") will be used to (i) fund qualified low- and moderate income housing projects, (ii) fund redevelopment activities, (iii) repay an outstanding loan, (iv) satisfy the reserve requirement for the Bonds, and (v) provide for the costs of issuing the Bonds. Collectively, the Series A Bonds and the Series B Bonds are referred to herein as the "Bonds."

The Series A Bonds will be issued under an Indenture of Trust, dated as of March 1, 2011 (the "Series A Indenture"), by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Series B Bonds will be issued under an Indenture of Trust, dated as of July 1, 2005 (the "2005 Indenture") as amended and supplemented by a First Supplement to Indenture of Trust dated as of October 1, 2010, as further supplemented and amended by a Second Supplement to Indenture of Trust, dated as of March 1, 2011 (the "Second Supplement" and, with the 2005 Indenture, the "Series B Indenture"), by and between the Agency and the Trustee. The Series A Bonds are special obligations of the Agency and are payable solely from and secured by a pledge of certain tax increment revenues of the Agency's Stanton Consolidated Redevelopment Project (the "Project Area") as described herein, and a pledge of amounts in certain funds and accounts established under the Series A Indenture, as further discussed herein. The Series B Bonds are special obligations of the Agency and are payable solely from and secured by a pledge of certain tax increment revenues of the Project Area on a parity with certain obligations of the Agency as described herein, and a pledge of amounts in certain funds and accounts established under the Series B Indenture, as further discussed herein.

Interest on the Bonds is payable on December 1, 2011 and semiannually thereafter on June 1 and December 1 of each year until maturity or earlier sinking account payment or optional redemption (see "THE BONDS - General Provisions" and "THE BONDS – Redemption" herein).

The Bonds are being issued for sale to the Underwriter. The Bonds are being offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed on for the Agency by Jones & Mayer, Fullerton, California, as Interim Agency General Counsel and by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Nossaman LLP, Irvine, California. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company on or about March 1, 2011 (the "Delivery Date") (see "APPENDIX G - DTC AND THE BOOK-ENTRY-ONLY SYSTEM" herein).

The date of the Official Statement is February 17, 2011.



\$15,330,000
STANTON REDEVELOPMENT AGENCY
STANTON CONSOLIDATED REDEVELOPMENT PROJECT
TAXABLE HOUSING TAX ALLOCATION BONDS,
2011 SERIES A

MATURITY SCHEDULE

(Base CUSIP®† 854733)

\$2,320,000 Serial Bonds

Maturity Date	Principal	Interest	Reoffering	
<u>December 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP®†</u>
2014	\$235,000	4.850%	4.830%	DF6
2015	245,000	5.50	5.527	DG4
2016	260,000	6.00	6.127	DH2
2017	275,000	6.50	6.627	DJ8
2018	295,000	6.75	7.017	DK5
2019	315,000	7.00	7.368	DL3
2020	335,000	7.25	7.668	DM1
2021	360,000	7.50	7.968	DN9

\$1,755,000 8.50% Term Bond maturing December 1, 2025, Yield 8.868% CUSIP®† DP4

\$3,205,000 9.00% Term Bond maturing December 1, 2030, Yield 9.346% CUSIP®† DQ2

\$8,050,000 9.00% Term Bond maturing December 1, 2040, Yield 9.496% CUSIP®† DR0

\$12,480,000
STANTON REDEVELOPMENT AGENCY
STANTON CONSOLIDATED REDEVELOPMENT PROJECT
TAXABLE TAX ALLOCATION BONDS,
2011 SERIES B

MATURITY SCHEDULE

(Base CUSIP®† 854733)

\$890,000 Serial Bonds

Maturity Date	Principal	Interest	Reoffering	
<u>December 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP®†</u>
2015	\$250,000	5.50%	5.527%	DS8
2016	310,000	6.00	6.127	DT6
2017	330,000	6.50	6.627	DU3

\$2,395,000 7.50% Term Bond maturing December 1, 2021, Yield 7.968% CUSIP®† DV1

\$3,250,000 8.625% Term Bond maturing December 1, 2025, Yield 8.868% CUSIP®† DW9

\$5,945,000 9.00% Term Bond maturing December 1, 2030, Yield 9.346% CUSIP®† DX7

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Agency in any press release and in any oral statement made with the approval of an authorized officer of the Agency or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Agency, the Financial Advisor or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Involvement of Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Information Subject to Change. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

**STANTON REDEVELOPMENT AGENCY
STANTON, CALIFORNIA**

CITY COUNCIL AND AGENCY GOVERNING BOARD

Brian Donahue, *Mayor and Chairman*
David J. Shawver, *Mayor Pro Tem and Vice Chairman*
Alexander A. Ethans, *Council Member and Agency Member*
Edward D. Royce, Sr., *Council Member and Agency Member*
Carol Warren, *Council Member and Agency Member*

CITY AND AGENCY STAFF

Carol Jacobs, *City Manager and Executive Director*
James A. Box, *Assistant City Manager/Director of Parks and Recreation*
Terri Marsh, *Administrative Services Director/City Treasurer/Agency Finance Officer*
Omar Dadabhoy, *Community Development Director*
Nick Guilliams, *Public Works Director/City Engineer*
Kimberly Hall Barlow, *Interim City Attorney and Interim Agency General Counsel*
Brenda Green, *City Clerk and Agency Secretary*

PROFESSIONAL SERVICES

Bond Counsel

Jones Hall
A Professional Law Corporation
San Francisco, California

Disclosure Counsel

Quint & Thimmig LLP
San Francisco, California

Financial Advisor

Harrell & Company Advisors, LLC
Orange, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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OFFICIAL STATEMENT

\$15,330,000
STANTON REDEVELOPMENT AGENCY
STANTON CONSOLIDATED
REDEVELOPMENT PROJECT
TAXABLE HOUSING
TAX ALLOCATION BONDS,
2011 SERIES A

\$12,480,000
STANTON REDEVELOPMENT AGENCY
STANTON CONSOLIDATED
REDEVELOPMENT PROJECT
TAXABLE TAX ALLOCATION BONDS,
2011 SERIES B

This Official Statement which includes the cover page and appendices (the “Official Statement”) is provided to furnish certain information concerning the sale of the Stanton Redevelopment Agency Stanton Consolidated Redevelopment Project Taxable Housing Tax Allocation Bonds, 2011 Series A, in the aggregate principal amount of \$15,330,000 and Stanton Consolidated Redevelopment Project Taxable Tax Allocation Bonds, 2011 Series B, in the aggregate principal amount of \$12,480,000 (collectively, the “Bonds”).

INTRODUCTION

This Introduction contains only a brief description of the issues and does not purport to be complete. The Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Agency

The Stanton Redevelopment Agency (the “Agency”) is a public body, corporate and politic, existing under and by virtue of the Community Redevelopment Law of the State, constituting Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code (the “Redevelopment Law”). The Agency was activated by the City Council of the City of Stanton (the “City”) on February 13, 1979 by the adoption of Ordinance No. 521. The City Council, at the same time, declared itself to be the members of the Agency and appointed the City Manager to be the Agency’s Executive Director (see “THE AGENCY” herein).

The City

The City was incorporated on June 4, 1956 as a general law city and operates under the council-manager form of government. The City encompasses 3.1 square miles and is located in central Orange County, approximately 23 miles southeast of Los Angeles and 9 miles northwest of Santa Ana. The City is in close proximity to four freeways: the Garden Grove Freeway (Highway 22) passes just south of the City; the San Gabriel River Freeway (Interstate 605) runs north and south to the west of the City; the Santa Ana Freeway (Interstate 5) runs in a northwest-southeast course to the east of the City; and the Artesia Freeway (Highway 91) runs east and west about two and a half miles north of the City. Nearby cities include Anaheim, Buena Park, Garden Grove, Cypress, and La Palma (see “APPENDIX C - CITY OF STANTON INFORMATION STATEMENT” herein).

Security and Sources of Repayment

The Series A Bonds. The Series A Bonds are issued and secured under an Indenture of Trust, dated as of March 1, 2011 (the “Series A Indenture”), by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES” herein).

The Agency has pledged to the repayment of the Series A Bonds, and has secured by a lien on, all of the Housing Tax Revenues. “Housing Tax Revenues” means all of the Tax Increment Revenues allocated to the Agency’s Stanton Consolidated Redevelopment Project (the “Project Area”) that are required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Sections 33334.2 and 33334.3 of the Redevelopment Law (the “Low and Moderate Income Housing Fund”). “Tax Increment Revenues” consist of tax increment revenues receivable by the Agency with respect to the Consolidated Redevelopment Project pursuant to Article 6 of Chapter 6 of the Redevelopment Law and Section 33670 of the Redevelopment Law. See “THE AGENCY - Low and Moderate Income Housing,” “APPENDIX B - PROJECTED TAX REVENUES - Tax Increment Revenues” and “RISK FACTORS” herein.

The Series B Bonds. The Series B Bonds are issued and secured under an Indenture of Trust, dated as of July 1, 2005 (the “2005 Indenture”), as supplemented by a First Supplement to Indenture of Trust, dated as of October 1, 2010 (the “First Supplement”) and a Second Supplement to Indenture of Trust, dated as of March 1, 2011 (the “Second Supplement”), each by and between the Agency and The Bank of New York Mellon Trust Company, N.A. (or its predecessor), as trustee (the “Trustee”) (collectively, the “Series B Indenture”) (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES” herein). Individually, the Series A Indenture and the Series B Indenture are referred to herein as the “Indenture,” as the context requires, and collectively, the Series A Indenture and the Series B Indenture are referred to herein as the “Indentures.”

The Agency has pledged to the repayment of the Series B Bonds, and has secured by a lien on, all of the Tax Revenues, as described below, on a parity with the Agency’s previously issued:

- Stanton Consolidated Redevelopment Project Taxable Tax Allocation Bonds, 2005 Series A (the “2005A Bonds”);
- Stanton Consolidated Redevelopment Project Tax Allocation Bonds, 2005 Series B (the “2005B Bonds” and together with the 2005A Bonds, the “2005 Bonds”); and
- Stanton Consolidated Redevelopment Project Tax Allocation Bonds, 2010 Series A (the “2010A Bonds”)

Collectively, the 2005 Bonds and the 2010A Bonds are referred to herein as “Prior Parity Debt.”

“Tax Revenues” means all of the Tax Increment Revenues allocated to the Project Area excluding (a) all amounts that are required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Sections 33334.2 and 33334.3 of the Redevelopment Law, (b) all amounts required to be paid to entities other than the Agency pursuant to tax-sharing arrangements entered into pursuant to former Section 33401 of the Redevelopment Law except those which are subordinate by their respective terms, and (c) all amounts required to be paid to entities other than the Agency pursuant to statutory tax-sharing arrangements imposed by Sections 33607.5 and 33607.7 of the Redevelopment Law. See “THE AGENCY - Low and Moderate Income Housing,” “FINANCIAL INFORMATION - Outstanding Indebtedness of the Project Area,” “APPENDIX B - PROJECTED TAX REVENUES - Tax Increment Revenues” and “RISK FACTORS” herein.

Governor's Proposal Regarding Redevelopment. On January 10, 2011 the Governor of California released his proposed budget for fiscal year 2011/12 ("Proposed Budget"). Among other things, the Proposed Budget proposes elimination of redevelopment agencies. See "RISK FACTORS – 2011/12 Proposed State Budget" for a discussion of the Proposed Budget.

The Project Area. The Project Area is comprised of two component redevelopment projects totaling approximately 1,940 acres. The Stanton Community Development Project ("Original Area") was created in 1983 and originally consisted of approximately 180 acres generally fronting on the Beach Boulevard commercial corridor. Amendment No. 1 to the Original Area ("Amendment No. 1 Area") was adopted in 1987 and added 83 acres to the Original Area. Amendment No. 2 to the Original Area ("Amendment No. 2 Area") was adopted in 1992 and added an additional 164 acres to the Original Area. Together, the Original Area, the Amendment No. 1 Area and the Amendment No. 2 Area are referred to herein as the "Community Development Project." The Stanton 2000 Redevelopment Project (the "2000 Project") was created in 2000 and consists of 1,513 acres, or approximately 77 percent of the total area of the City. The Community Development Project and the 2000 Project were merged to form the Project Area in November 2004. The Project Area encompasses the entire incorporated City with the exception of a 20-acre residential area located west of Knott Avenue. See "THE PROJECT AREA" herein.

The Bonds are special obligations of the Agency. The Bonds do not constitute a debt or liability of the City of Stanton, the County of Orange, the State of California or of any political subdivision thereof, other than the Agency. The Agency shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City of Stanton, the County of Orange, the State of California or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Agency has no taxing power.

Purpose

The Series A Bonds are being issued to (i) finance low- and moderate-income housing activities of the Agency, (ii) satisfy the Reserve Requirement for the Series A Bonds, and (iii) provide for the costs of issuing the Series A Bonds.

The Series B Bonds are being issued to (i) finance redevelopment activities of the Agency relative to the Project Area, (ii) repay the outstanding loan from the City, together with accrued interest thereon, (iii) satisfy the Reserve Requirement for the Series B Bonds, and (iv) provide for the costs of issuing the Series B Bonds. See "THE FINANCING PLAN" herein.

Legal Matters

All legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds are described more fully under the heading "LEGAL MATTERS" herein. Certain legal matters will be passed on for the Agency by Jones & Mayer, Fullerton, California, as Interim Agency General Counsel and by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Nossaman LLP, Irvine, California.

Professional Services

The Bank of New York Mellon Trust Company, N.A. serves as trustee (the “Trustee”) under the Series A Indenture and the Series B Indenture (collectively, the “Indentures”). The Trustee will act on behalf of the Bondholders for the purpose of receiving all moneys required to be paid to the Trustee, to allocate, use and apply the same, to hold, receive and disburse the respective Housing Tax Revenues and the Tax Revenues and other funds held under the respective Indentures, and otherwise to hold all the offices and perform all the functions and duties provided in the Indentures to be held and performed by the Trustee.

Harrell & Company Advisors, LLC, Orange, California, (the “Financial Advisor”), advised the Agency as to the financial structure and certain other financial matters relating to the Bonds and assisted the Agency with the preparation of this Official Statement.

Fees payable to Bond Counsel, Disclosure Counsel and the Financial Advisor are contingent upon the sale and delivery of the Bonds.

The Agency’s financial statements for the fiscal year ended June 30, 2010, attached hereto as “APPENDIX D” have been audited by Caporicci & Larson, Certified Public Accountants, Irvine, California. The Agency’s audited financial statements are public documents and are included within this Official Statement without the prior approval of the auditor. The auditor has not performed any post-audit of the financial condition of the Agency.

Offering of the Bonds

Authority for Issuance. The Series A Bonds are to be issued, sold and secured pursuant to the Series A Indenture, as authorized by Resolution No. SRA 2011-04 of the Agency adopted on January 25, 2011, the Redevelopment Law and Section 5900 et seq. of the California Government Code. The Series B Bonds are to be issued, sold and secured pursuant to the 2005 Indenture and the Second Supplement, as authorized by Resolution No. SRA 2011-05 of the Agency adopted on January 25, 2011, the Redevelopment Law and Section 5900 et seq. of the California Government Code.

Offering and Delivery of the Bonds. The Bonds are being sold to De La Rosa & Co. (the “Underwriter”). The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about March 1, 2011.

Information Concerning this Official Statement

This Official Statement speaks only as of its date. The information set forth herein has been obtained by the Agency with the assistance of the Financial Advisor, from sources which are believed to be reliable and such information is believed to be accurate and complete, but such information is not guaranteed as to accuracy or completeness, nor has it been independently verified and is not to be construed as a representation by the Financial Advisor or the Disclosure Counsel. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended as such and are not to be construed as representations of fact. The information and expressions of opinion herein are subject to change without notice and the delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the Agency since the date hereof.

Availability of Legal Documents. The summaries and references contained herein with respect to the Indentures, the Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Indentures. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices of the Financial Advisor, Harrell & Company Advisors, LLC, 333 City Boulevard West, Suite 1430, Orange, California 92868, telephone (714) 939-1464. Copies of these documents may be obtained after delivery of the Bonds from the Agency at 7800 Katella Avenue, Stanton, California 90680.

THE BONDS

General Provisions

Repayment of the Bonds. Interest on the Bonds is payable at the rates per annum set forth on the inside front cover page hereof. Interest on the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months.

Interest on the Bonds shall be payable commencing December 1, 2011 and each June 1 and December 1 thereafter (each an “Interest Payment Date,”) so long as any of the Bonds remain Outstanding. Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th calendar day of the preceding month (each, a “Record Date”), in which event it will bear interest from such Interest Payment Date, (b) a Bond is authenticated on or before November 15, 2011, in which event interest thereon will be payable from the Closing Date, or (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full. Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail at least 10 days before such special record date.

Transfer or Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the related Indenture, upon surrender of such Bond for cancellation at the principal corporate trust office or agency of the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Trustee shall authenticate and deliver a new Bond or Bonds for a like aggregate principal amount, like series and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. Transfer or exchange of any Bond shall not be permitted by the Trustee during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption.

Book-Entry-Only System. The Depository Trust Company, New York, New York, (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered bond will be issued for the Bonds of each maturity, in the initial aggregate principal amount of such maturity, and will be deposited with DTC or its authorized agent. See “APPENDIX G - DTC AND THE BOOK-ENTRY-ONLY SYSTEM” for further information regarding DTC and its book-entry system. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Indentures. The Agency

may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bonds will be printed and delivered as described in the Indentures. In addition, the following provisions shall apply: the Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such request, which request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at its Office in Los Angeles, California.

Redemption

Optional Redemption of Series A Bonds. The Series A Bonds maturing on or before December 1, 2021 are not subject to optional redemption prior to maturity. The Series A Bonds maturing on or after December 1, 2022 are subject to optional redemption prior to maturity in whole, or in part at the written request of the Agency among maturities on such basis as the Agency shall designate and by lot within a maturity, at the option of the Agency, on any date on or after December 1, 2021, from any available source of funds, at a redemption price equal to 100% of the principal amount of Series A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Optional Redemption of Series B Bonds. The Series B Bonds maturing on or before December 1, 2021 are not subject to optional redemption prior to maturity. The Series B Bonds maturing on or after December 1, 2022 are subject to optional redemption prior to maturity in whole, or in part at the written request of the Agency among maturities on such basis as the Agency shall designate and by lot within a maturity, at the option of the Agency, on any date on or after December 1, 2021, from any available source of funds, at a redemption price equal to 100% of the principal amount of Series B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption of Series A Bonds. The Series A Bonds maturing on December 1, 2025, December 1, 2030 and December 1, 2040 (collectively, the “Series A Term Bonds”) are subject to mandatory redemption, within a maturity on a pro rata basis among the Owners of the Series A Term Bonds of such maturity, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on December 1 in the respective years as set forth in the following tables; *provided, however*, that if some but not all of the Series A Term Bonds have been redeemed under the optional redemption provisions described above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Series A Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Agency to the Trustee).

SINKING FUND REDEMPTION SCHEDULE FOR SERIES A TERM BOND MATURING DECEMBER 1, 2025

<u>Redemption Date</u>	<u>Principal Amount</u>
<u>December 1</u>	
2022	\$ 385,000
2023	420,000
2024	455,000
2025 (maturity)	495,000

**SINKING FUND REDEMPTION SCHEDULE FOR
SERIES A TERM BOND MATURING DECEMBER 1, 2030**

Redemption Date	Principal Amount
<u>December 1</u>	<u>Principal Amount</u>
2026	\$ 535,000
2027	585,000
2028	635,000
2029	695,000
2030 (maturity)	755,000

**SINKING FUND REDEMPTION SCHEDULE FOR
SERIES A TERM BOND MATURING DECEMBER 1, 2040**

Redemption Date	Principal Amount
<u>December 1</u>	<u>Principal Amount</u>
2031	\$ 825,000
2032	900,000
2033	980,000
2034	1,065,000
2035	585,000
2036	640,000
2037	700,000
2038	760,000
2039	765,000
2040 (maturity)	<u>830,000</u>

Mandatory Sinking Fund Redemption of Series B Bonds. The Series B Bonds maturing on December 1, 2021, December 1, 2025 and December 1, 2030 (collectively, the “Series B Term Bonds”) are subject to mandatory redemption, within a maturity on a pro rata basis among the Owners of the Series B Term Bonds of such maturity, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on December 1 in the respective years as set forth in the following tables; *provided, however*, that if some but not all of the Series B Term Bonds have been redeemed under the optional redemption provisions described above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Series B Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Agency to the Trustee).

**SINKING FUND REDEMPTION SCHEDULE FOR
SERIES B TERM BOND MATURING DECEMBER 1, 2021**

Redemption Date	Principal Amount
<u>December 1</u>	<u>Principal Amount</u>
2018	\$ 535,000
2019	575,000
2020	620,000
2021 (maturity)	665,000

**SINKING FUND REDEMPTION SCHEDULE FOR
SERIES B TERM BOND MATURING DECEMBER 1, 2025**

Redemption Date	Principal Amount
<u>December 1</u>	<u>Principal Amount</u>
2022	\$ 715,000
2023	775,000
2024	845,000
2025 (maturity)	915,000

**SINKING FUND REDEMPTION SCHEDULE FOR
SERIES B TERM BOND MATURING DECEMBER 1, 2030**

Redemption Date	Principal Amount
<u>December 1</u>	<u>Principal Amount</u>
2026	\$ 995,000
2027	1,085,000
2028	1,180,000
2029	1,285,000
2030 (maturity)	1,400,000

Notice of Redemption; Rescission. The Trustee on behalf and at the expense of the Agency shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, at least 30 but not more than 60 days prior to the date fixed for redemption; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon.

Additionally, at least 30 but not more than 60 days prior to the date fixed for redemption, such notice of redemption shall be given by first class mail, postage prepaid, to each of the Securities Depositories and to the Municipal Securities Rulemaking Board.

The Agency shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the related Indenture. The Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Selection of Bonds for Redemption. Whenever provision is made in either Indenture for the optional redemption of less than all of the Bonds of a series, the Trustee shall select the Bonds of such series to be redeemed on a pro rata basis among the Beneficial Owners of the Bonds of such maturity. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

So long as the Bonds are registered in book-entry-only form and so long as DTC or a successor securities depository is the sole registered Owner of the Bonds, partial redemptions will be done in accordance with procedures of DTC. It is the Agency's intent that redemption allocations made by DTC be made in accordance with the proportional provisions described herein. However, neither the Agency nor the Trustee has a duty to assure, and can provide no assurance, that DTC will allocate redemptions among Beneficial Owners on such a proportional basis, and neither the Agency nor the Trustee shall have any liability whatsoever to Beneficial Owners in the event redemptions are not done on a proportionate basis for any reason. The portion of any registered Bonds of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof.

On or before each November 1 preceding a mandatory sinking fund redemption date, the Agency shall file with the Trustee a notice describing such redemption in the form contained in the respective Indenture.

Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the respective Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

Partial Redemption. If only a portion of any Bond is called for redemption, then upon surrender of such Bond the Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Scheduled Debt Service on the Series A Bonds

The following is the scheduled annual Debt Service on the Series A Bonds.

<u>Bond Year Ending</u> <u>December 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2011	\$ -	\$ 985,291.88	\$ 985,291.88
2012	-	1,313,722.50	1,313,722.50
2013	-	1,313,722.50	1,313,722.50
2014	235,000.00	1,313,722.50	1,548,722.50
2015	245,000.00	1,302,325.00	1,547,325.00
2016	260,000.00	1,288,850.00	1,548,850.00
2017	275,000.00	1,273,250.00	1,548,250.00
2018	295,000.00	1,255,375.00	1,550,375.00
2019	315,000.00	1,235,462.50	1,550,462.50
2020	335,000.00	1,213,412.50	1,548,412.50
2021	360,000.00	1,189,125.00	1,549,125.00
2022	385,000.00	1,162,125.00	1,547,125.00
2023	420,000.00	1,129,400.00	1,549,400.00
2024	455,000.00	1,093,700.00	1,548,700.00
2025	495,000.00	1,055,025.00	1,550,025.00
2026	535,000.00	1,012,950.00	1,547,950.00
2027	585,000.00	964,800.00	1,549,800.00
2028	635,000.00	912,150.00	1,547,150.00
2029	695,000.00	855,000.00	1,550,000.00
2030	755,000.00	792,450.00	1,547,450.00
2031	825,000.00	724,500.00	1,549,500.00
2032	900,000.00	650,250.00	1,550,250.00
2033	980,000.00	569,250.00	1,549,250.00
2034	1,065,000.00	481,050.00	1,546,050.00
2035	585,000.00	385,200.00	970,200.00
2036	640,000.00	332,550.00	972,550.00
2037	700,000.00	274,950.00	974,950.00
2038	760,000.00	211,950.00	971,950.00
2039	765,000.00	143,550.00	908,550.00
2040	<u>830,000.00</u>	<u>74,700.00</u>	<u>904,700.00</u>
Total	\$15,330,000.00	\$26,509,809.38	\$41,839,809.38

Scheduled Debt Service on the Series B Bonds

The following is the scheduled annual Debt Service on the Series B Bonds.

Bond Year Ending December 1	Principal	Interest	Annual Debt Service
2011	\$ -	\$ 786,590.63	\$ 786,590.63
2012	-	1,048,787.50	1,048,787.50
2013	-	1,048,787.50	1,048,787.50
2014	-	1,048,787.50	1,048,787.50
2015	250,000.00	1,048,787.50	1,298,787.50
2016	310,000.00	1,035,037.50	1,345,037.50
2017	330,000.00	1,016,437.50	1,346,437.50
2018	535,000.00	994,987.50	1,529,987.50
2019	575,000.00	954,862.50	1,529,862.50
2020	620,000.00	911,737.50	1,531,737.50
2021	665,000.00	865,237.50	1,530,237.50
2022	715,000.00	815,362.50	1,530,362.50
2023	775,000.00	753,693.76	1,528,693.76
2024	845,000.00	686,850.00	1,531,850.00
2025	915,000.00	613,968.76	1,528,968.76
2026	995,000.00	535,050.00	1,530,050.00
2027	1,085,000.00	445,500.00	1,530,500.00
2028	1,180,000.00	347,850.00	1,527,850.00
2029	1,285,000.00	241,650.00	1,526,650.00
2030	<u>1,400,000.00</u>	<u>126,000.00</u>	<u>1,526,000.00</u>
Total	\$12,480,000.00	\$15,325,965.65	\$27,805,965.65

THE FINANCING PLAN

Estimated Sources and Uses of Funds

Under the provisions of the Indentures, the Trustee will receive the proceeds from the sale of the Bonds, and will apply them as shown below.

<u>Sources of Funds</u>	<u>Series A Bonds</u>	<u>Series B Bonds</u>
Par Amount of Bonds	\$15,330,000.00	\$12,480,000.00
Net Original Issue Discount	<u>(586,362.15)</u>	<u>(335,387.05)</u>
Net Funds Available	<u>\$14,743,637.85</u>	<u>\$12,144,612.95</u>
 <u>Uses of Funds</u>		
Housing Fund	\$13,054,810.42	\$ -
Redevelopment Fund	-	10,611,039.75
Reserve Account	1,474,363.79	1,348,928.76
Underwriter's Discount	104,463.64	87,644.44
Costs of Issuance Fund ⁽¹⁾	<u>110,000.00</u>	<u>97,000.00</u>
Total Use of Funds	<u>\$14,743,637.85</u>	<u>\$12,144,612.95</u>

⁽¹⁾ Expenses include fees and expenses of Bond Counsel, the Financial Advisor, Disclosure Counsel and the Trustee, costs of printing the Official Statement, rating agency fees, and other costs of issuance of the Bonds.

Housing Fund. The proceeds deposited to the Housing Fund are expected to be used by the Agency for the acquisition of up to 29 of remaining 41 housing units in the Tina/Pacific neighborhood, and associated relocation costs, for replacement with up to 161 new replacement affordable housing units.

Redevelopment Fund. The proceeds deposited to the Redevelopment Fund are expected to be used by the Agency to repay the loan from the City, plus accrued interest thereon to March 1, 2011 (\$9,029,260.68) and to fund redevelopment activities included in the Agency's 5-Year Implementation Plan for the Project Area. These activities include park rehabilitation or expansion, and the Agency's business assistance program. However, the proceeds may be used for other purposes allowed under Redevelopment Law, including making payments to the State under SERAF or similar legislation or funding additional costs of the Agency's Low and Moderate Income Housing Fund programs, including funding any difference between the amount available for and the amount required for the Tina/Pacific neighborhood project described above.

SOURCES OF PAYMENT FOR THE BONDS

Tax Allocation Financing

The Redevelopment Law and the California Constitution provide a method for financing and refinancing redevelopment projects based upon an allocation of taxes collected within a redevelopment project area. First, the assessed valuation of the taxable property in a project area, as last equalized prior to adoption of the redevelopment plan, is established and becomes the base roll. Thereafter, except for any period during which the assessed valuation drops below the base year level, the taxing agencies, on behalf of which taxes are levied on property within the project area, will receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in the assessed valuation of the taxable property in a project area over the levy upon the base roll may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing the redevelopment project. Redevelopment agencies themselves have no authority to levy taxes on property and must look specifically to the allocation of taxes as indicated above.

Tax Increment Revenues

As provided in each of the Redevelopment Plans for the constituent project areas (each, referred to herein as a “Redevelopment Project”), and pursuant to Article 6 of Chapter 6 of the Redevelopment Law, and Section 16 of Article XVI of the Constitution of the State, taxes levied upon taxable property in the Redevelopment Projects each year by or for the benefit of the State, for cities, counties, districts or other public corporations (collectively, the “Taxing Entities”) for fiscal years beginning after the effective date of each constituent Redevelopment Plan, will be divided as follows:

1. To Taxing Entities: The portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said Taxing Entities upon the total sum of the assessed value of the taxable property in the project area as shown upon the assessment roll used in connection with the taxation of such property by such Taxing Entity last equalized prior to the establishment of the project area will be allocated to, and when collected will be paid into, the funds of the respective Taxing Entities as taxes by or for said Taxing Entities; and
2. To the Agency: The portion of such levied taxes each year in excess of such amount will be allocated to, and when collected, will be paid into a special fund of the Agency to the extent necessary to pay indebtedness of the Agency, including but not limited to its obligation under the Indentures, to pay the principal of, prepayment premium (if any) and interest on the Bonds and to replenish the Reserve Account established under the Indentures.

Tax revenues generated as set forth under (2) above and allocated to the Agency constitute Tax Increment Revenues. Housing Tax Revenues and Tax Revenues, respectively, which secure the Bonds are a portion of such Tax Increment Revenues.

Housing Tax Revenues are defined in the Series A Indenture to include all Tax Increment Revenues that are required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Sections 33334.2 and 33334.3 of the Redevelopment Law. See “THE AGENCY - Low and Moderate Income Housing,” “APPENDIX B - PROJECTED TAX REVENUES,” and “RISK FACTORS” herein.

Tax Revenues are defined in the Series B Indenture to include all Tax Increment Revenues excluding (a) all amounts that are required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Sections 33334.2 and 33334.3 of the Redevelopment Law, (b) all amounts required to be paid to entities other than the Agency pursuant to tax-sharing arrangements entered into pursuant to former Section 33401 of the Redevelopment Law (the “Passthrough

Agreements”) except those which are subordinate by their respective terms, and (c) all amounts required to be paid to entities other than the Agency pursuant to statutory tax-sharing arrangements imposed by Sections 33607.5 and 33607.7 of the Redevelopment Law (the “Tax Sharing Statutes”). See “FINANCIAL INFORMATION - Outstanding Indebtedness of the Project Area,” “THE AGENCY - Low and Moderate Income Housing,” “APPENDIX B - PROJECTED TAX REVENUES,” and “RISK FACTORS” herein.

As a result of certain amendments to the Redevelopment Plans for the constituent redevelopment projects comprising the Project Area, the Agency makes certain Statutory Tax Sharing payments to the Taxing Entities which are senior in right of payment to the Series B Bonds, the Prior Parity Debt and any future Parity Debt on parity with the Series B Bonds. Such amounts are reflected in the Agency’s projections of Tax Revenues herein.

Housing Tax Revenues and Tax Revenues are constrained by certain plan limitations, including a limit on the time to receive Tax Increment Revenues from certain constituent projects comprising the Project Area. The time limit to collect Tax Increment in the Original Area of the Community Development Project is reached in December 2034, and in the Amendment No. 1 Area is reached by July 2038, prior to the final maturity of the Series A Bonds. See “THE PROJECT AREA - Plan Limitations” and “RISK FACTORS - Factors Which May Affect Tax Revenues - Plan Limitations.”

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate could reduce the amount of Tax Increment Revenues that would otherwise be available to pay the Agency’s obligations and thus reduce the amount of Tax Revenues available to pay the principal of and interest on the Bonds. Likewise, broadened property tax exemptions could have a similar effect. See “RISK FACTORS” and “APPENDIX B - PROJECTED TAX REVENUES - Tax Increment Revenues” herein.

Pledge of Housing Tax Revenues and Tax Revenues

The Housing Tax Revenues are pledged to the payment of principal of and interest on the Series A Bonds pursuant to the Series A Indenture until the Series A Bonds and any Series A Bonds Parity Debt have been paid, or until moneys have been set-aside irrevocably for that purpose. The Trustee will covenant to exercise such rights and remedies as may be necessary to enforce the payment of the Housing Tax Revenues when due under the Series A Indenture, and otherwise to protect the interests of the Series A Bondholders in the event of default by the Agency.

The Tax Revenues are pledged to the payment of principal of and interest on the Series B Bonds pursuant to the Series B Indenture until the Series B Bonds, the 2005 Bonds, the 2010A Bonds and any Series B Bonds Parity Debt have been paid, or until moneys have been set-aside irrevocably for that purpose. The Trustee will covenant to exercise such rights and remedies as may be necessary to enforce the payment of the Tax Revenues when due under the Series B Indenture, and otherwise to protect the interests of the Series B Bondholders in the event of default by the Agency.

The Bonds are special obligations of the Agency. The Bonds do not constitute a debt or liability of the City of Stanton, the State of California or of any political subdivision thereof, other than the Agency. The Agency shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City of Stanton, the State of California or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Agency has no taxing power.

Series A Bonds Reserve Account

The Agency will deposit a portion of the proceeds of the Series A Bonds into the Series A Bonds Reserve Account which will be held in trust by the Trustee for the benefit of the Series A Bondholders (the “Series A Reserve Account”). The amount required to be maintained in the Series A Reserve Account for the Series A Bonds, as of any date of calculation, is an amount equal to the least of Maximum Annual Debt Service on the Bonds, 10% of the original proceeds of the Series A Bonds or 125% of average annual Debt Service on the Series A Bonds (the “Series A Reserve Requirement”). Subject to certain rights of the Trustee, in the event that the amount on deposit with the Trustee to pay principal and interest due on the Series A Bonds and any Series A Bonds Parity Debt is less than the full amount required for such purpose on the date due, the Trustee will withdraw from the Series A Reserve Account and all reserve accounts established for any additional Series A Bonds Parity Debt, on a proportionate basis, and transfer to the Series A Interest Account and the Series A Principal Account, as required, the difference between the amount required to be on deposit in any or all of those accounts and the amount available on such date.

The Agency will deposit \$1,474,363.79 to the Series A Reserve Account for the Series A Bonds from proceeds of the Series A Bonds, being the full amount of the Series A Reserve Requirement. Amounts on deposit in the Series A Reserve Account are not available to pay the Series B Bonds or the Prior Parity Debt.

Series B Bonds Reserve Account

The Agency has previously deposited funds in a separate reserve subaccount for each series of Prior Parity Debt, which is held by the Trustee in trust in the Series B Reserve Account established by the Series B Indenture (the “Series B Reserve Account”) for the mutual benefit of the owners of the applicable series of the Prior Parity Debt. Under the Second Supplement, the Agency will deposit a portion of the proceeds of the Series B Bonds into the Series B Reserve Account which will be held in trust by the Trustee for the benefit of the Series B Bondholders and the holders of the Prior Parity Debt. The amount required to be maintained in the Series B Reserve Account, as of any date of calculation, is an amount required to cause the balance on deposit in all of the subaccounts within the Series B Reserve Account to equal Maximum Annual Debt Service on the outstanding Prior Parity Debt and the Series B Bonds (the “Series B Reserve Requirement”). Subject to certain rights of the Trustee, in the event that the amount on deposit with the Trustee to pay principal and interest due on the Prior Parity Debt, the Series B Bonds and any Series B Bonds Parity Debt is less than the full amount required for such purpose on the date due, the Trustee will withdraw from the Series B Reserve Account and all reserve accounts established for the Prior Parity Debt and any additional Series B Bonds Parity Debt, on a proportionate basis, and transfer to the Series B Interest Account and the Series B Principal Account, as required, the difference between the amount required to be on deposit in any or all of those accounts and the amount available on such date.

The Series B Bonds are being issued on a parity with the 2005 Bonds and the 2010A Bonds and the Series B Reserve Account is available to make payments with respect to the 2005 Bonds and the 2010A Bonds and, conversely, the Series B Bonds are payable from and secured by the reserve account established for the 2005 Bonds and the 2010A Bonds.

The Agency currently has \$1,261,450.00 on deposit in the reserve account held under the Series B Indenture for the 2005A Bonds, \$698,766.26 into the reserve account held under the Series B Indenture for the 2005B Bonds and \$1,561,680.00 into the reserve account held under the Series B Indenture for the 2010A Bonds. The Agency will deposit \$1,348,928.76 to the Series B Reserve Account for the Series B Bonds from proceeds of the Series B Bonds, bringing the total amount on deposit to \$4,870,825.02. Amounts on deposit in the Series B Reserve Account are not available to pay the Series A Bonds.

The Indentures provide that amounts on deposit in the reserve accounts may be invested in Permitted Investments (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES” herein). The Indentures also provide that in lieu of a cash deposit, the Agency may satisfy all or a portion of the Reserve Requirement by means of a Qualified Reserve Account Credit Instrument (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES” herein).

Issuance of Additional Debt

Series A Bonds Parity Debt. The Agency may issue or incur Series A Bonds Parity Debt on a parity with the Series A Bonds subject to the following specific conditions.

- (1) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the Series A Indenture.
- (2) The Housing Tax Revenues received in the immediately preceding Bond Year based on the most recent assessed valuation of taxable property in the Project Area (as shown in the records of the County), plus at the option of the Agency, any or all of the Additional Revenues, shall for each future Bond Year, be at least equal to 135% of Annual Debt Service on all Series A Bonds and Series A Bonds Parity Debt, which will be Outstanding immediately following the issuance of such Series A Bonds Parity Debt; provided that for all Bond Years ending subsequent to the final date that the Agency is authorized to receive Tax Increment Revenues with respect to the Original Community Development Project component of the Project Area (the “Original Area” as defined herein) under the then current limitation contained in the Redevelopment Plan for such component, the Agency may only issue or incur Series A Bonds Parity Debt if:
 - (i) Housing Tax Revenues received in the immediately preceding Bond Year based on the most recent assessed valuation of taxable property in the Project Area (as shown in the records of Orange County), plus, at the option of the Agency, any or all of the Additional Revenues, for each future Bond Year, shall be at least equal to 160% of Annual Debt Service on all Series A Bonds and Series A Bonds Parity Debt which will be Outstanding immediately following the issuance of such Series A Bonds Parity Debt,
 - (ii) Tax Increment Revenues shall be calculated based on the 1% property tax rate contained in Section 1(a) of Article XIII A of the State Constitution,
 - (iii) such calculation of Tax Increment Revenues shall be reduced to take into account any pending assessment appeals by applying the percentage settlement rate with respect to properties on the secured roll within the Project Area during the prior five (5) Fiscal Years, and
 - (iv) such 160% of Annual Debt Service may be reduced to 125% of Annual Debt Service if the base year assessed value of the Stanton 2000 Redevelopment Project component of the Project Area is less than 30% of the total assessed value of the Stanton 2000 Redevelopment Project component of the Project Area.

- (3) The Agency shall certify to the Trustee that the aggregate amount of the principal of and interest on all Outstanding Series A Bonds and Series A Bonds Parity Debt coming due and payable following the issuance of such Series A Bonds Parity Debt shall not exceed the maximum amount of Housing Tax Revenues permitted under the Redevelopment Plan to be allocated and paid to the Agency following the issuance of such Series A Bonds Parity Debt.
- (4) The Supplemental Indenture authorizing the issuance of Series A Bonds Parity Debt shall provide that (i) interest on such Series A Bonds Parity Debt shall be calculated at a fixed interest rate if the Agency determines in such Supplemental Indenture that it is to be paid on a current basis, shall be payable on June 1 and December 1 in each year of the term of such Series A Bonds Parity Debt except the first twelve-month period during which interest may be payable on any June 1 or December 1, and (ii) the principal of such Series A Bonds Parity Debt shall be payable on December 1 in any year, as determined by the Agency, in which principal is payable.
- (5) Money shall be deposited in the Series A Bonds Reserve Account or in a subaccount therein (or a reserve fund letter of credit, bank insurance policy or other comparable credit facility provided) in an amount equal to the respective Reserve Requirement for all outstanding Series A Bonds including such Series A Bonds Parity Debt; and.
- (6) The Agency shall deliver to the Trustee a certificate of the Agency certifying that the conditions precedent to the issuance of such Series A Bonds Parity Debt set forth in the Series A Indenture have been satisfied and that the deposit into the Series A Bonds Reserve Account as set forth above has been made.

Series B Bonds Parity Debt. The Agency may issue or incur Series B Bonds Parity Debt on a parity with the Series B Bonds and the Prior Parity Debt subject to the following specific conditions.

- (1) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the Series B Indenture.
- (2) The Tax Revenues received in the immediately preceding Bond Year based on the most recent assessed valuation of taxable property in the Project Area (as shown in the records of the County), plus at the option of the Agency, any or all of the Additional Revenues, shall for each future Bond Year, be at least equal to 135% of Annual Debt Service on all Series B Bonds, the Prior Parity Debt and Series B Bonds Parity Debt which will be Outstanding immediately following the issuance of such Series B Bonds Parity Debt; provided that for all Bond Years ending subsequent to the final date that the Agency is authorized to receive Tax Increment Revenues with respect to the Original Area under the then current limitation contained in the Redevelopment Plan for such component, the Agency may only issue or incur Series B Bonds Parity Debt if:
 - (i) Tax Revenues received in the immediately preceding Bond Year based on the most recent assessed valuation of taxable property in the Project Area (as shown in the records of Orange County), plus, at the option of the Agency, any or all of the Additional Revenues, for each future Bond Year, shall be at least equal to 160% of Annual Debt Service on all Series B Bonds the Prior Parity Debt and Series B Bonds Parity Debt which will be Outstanding immediately following the issuance of such Series B Bonds Parity Debt,
 - (ii) Tax Increment Revenues shall be calculated based on the 1% property tax rate contained in Section 1(a) of Article XIII A of the State Constitution,
 - (iii) such calculation of Tax Increment Revenues shall be reduced to take into account any pending assessment appeals by applying the percentage settlement rate with respect to properties on the secured roll within the Project Area during the prior five (5) Fiscal Years,

- (iv) such 160% of Annual Debt Service may be reduced to 140% of Annual Debt Service if the base year assessed value of the Stanton 2000 Redevelopment Project component of the Project Area is less than 40% of the total assessed value of the Stanton 2000 Redevelopment Project component of the Project Area, and
 - (v) such 140% of Annual Debt Service may be reduced to 125% of Annual Debt Service with the prior written approval of the bond insurers of the 2005 Bonds, and the 2010A Bonds.
- (3) The Agency shall certify to the Trustee that the aggregate amount of the principal of and interest on all Outstanding Series B Bonds Prior Parity Debt and Series B Bonds Parity Debt coming due and payable following the issuance of such Series B Bonds Parity Debt shall not exceed the maximum amount of Tax Revenues permitted under the Redevelopment Plan to be allocated and paid to the Agency following the issuance of such Series B Bonds Parity Debt.
 - (4) The Supplemental Indenture authorizing the issuance of Series B Bonds Parity Debt shall provide that (i) interest on such Series B Bonds Parity Debt shall be calculated at a fixed interest rate if the Agency determines in such Supplemental Indenture that it is to be paid on a current basis, shall be payable on June 1 and December 1 in each year of the term of such Series B Bonds Parity Debt except the first twelve-month period during which interest may be payable on any June 1 or December 1, and (ii) the principal of such Series B Bonds Parity Debt shall be payable on December 1 in any year, as determined by the Agency, in which principal is payable.
 - (5) Money shall be deposited in the Series B Bonds Reserve Account or in a subaccount therein (or a reserve fund letter of credit, bank insurance policy or other comparable credit facility provided) in an amount equal to the respective Reserve Requirement for all outstanding Series B Bonds including such Series B Bonds Parity Debt and Prior Parity Debt; and
 - (6) The Agency shall deliver to the Trustee a certificate of the Agency certifying that the conditions precedent to the issuance of such Series B Bonds Parity Debt set forth in the Series B Indenture have been satisfied and that the deposit into the Series B Bonds Reserve Account as set forth above has been made.

The issuance of variable rate indebtedness (indebtedness which does not bear a fixed rate of interest to maturity) or balloon indebtedness (indebtedness of which 25% or more of the principal amount comes or may come due in any one fiscal year by maturity, mandatory sinking fund redemption or optional or mandatory tender by the holder thereof) by the Agency, shall be subject to the prior approval of the bond insurers of the 2005 Bonds and 2010A Bonds.

Subordinate Debt. Nothing in the Indentures shall be intended or construed in any way to prohibit or impose any limitations on the issuance by the Agency of bonds, notes, or other obligations or evidences of indebtedness payable from Housing Tax Revenues or Tax Revenues on a subordinate basis to the pledge of Housing Tax Revenues or Tax Revenues, as the case may be, to the repayment of the respective Bonds and any Parity Debt (“Subordinate Debt”), provided that, following an Event of Default under the respective Indenture, no Subordinate Debt shall be paid prior to the respective Bonds or any other Parity Bonds in any fiscal year of the Agency.

THE AGENCY

Government Organization

The Agency is a public body, corporate and politic, existing under and by virtue of the California Community Redevelopment Law, being Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State (the “Redevelopment Law”). The Agency was activated in 1979, and is governed by a five-member board (the “Agency Board”) which consists of all members of the City Council. The Chairman and Vice Chairman are appointed to a one-year term by the Agency Board from among its members. The Agency’s members and term expiration dates are as follows:

AGENCY GOVERNING BOARD

<u>Board Member</u>	<u>Term Expires</u>	<u>Occupation</u>
Brian Donahue, <i>Mayor and Chairman</i>	November 2014	Retired School Administrator
David J. Shawver, <i>Mayor Pro Tem and Vice Chairman</i>	November 2014	Teacher/Athletic Director
Alexander A. Ethans, <i>Council Member and Agency Member</i>	November 2012	Retired Aerospace Engineer
Edward D. Royce, Sr., <i>Council Member and Agency Member</i>	November 2014	Retired Manufacturing Supervisor
Carol Warren, <i>Council Member and Agency Member</i>	November 2012	Public Relations Firm Owner

The City performs certain general administrative functions for the Agency. The City Manager serves as the Agency’s Executive Director and the City’s Administrative Services Director serves as Agency Treasurer. The costs of such functions, as well as additional services performed by City staff are allocated annually to the Agency. The Agency reimburses the City for such allocated costs out of available Tax Incremental Revenues. Such reimbursement is subordinate to any outstanding bonds, loans and other indebtedness of the Agency. Current City Staff assigned to administer the Agency include:

Carol Jacobs, *City Manager and Executive Director*
James A. Box, *Assistant City Manager/Director of Parks and Recreation*
Terri Marsh, *Administrative Services Director/City Treasurer/Agency Finance Officer*
Omar Dadabhoy, *Community Development Director*
Nick Guilliams, *Public Works Director/City Engineer*
Kimberly Hall Barlow, *Interim City Attorney and Interim Agency General Counsel*
Brenda Green, *City Clerk and Agency Secretary*

Agency Powers

All powers of the Agency are vested in its members. Pursuant to the Redevelopment Law, the Agency is a separate public body and exercises governmental functions, including planning and implementing of the Project Area.

The Agency may exercise the right to issue or incur loans, advances or other indebtedness for authorized purposes and to expend their proceeds, and the right to acquire, sell, rehabilitate, develop, administer or lease property. The Agency may demolish buildings, clear land and cause to be constructed certain improvements, including streets, sidewalks and utilities, and can further prepare for use as a building site any real property which it owns or administers.

The Agency may, from any funds made available to it for such purposes, and subject to certain conditions, pay for all or part of the value of land and the cost of buildings, facilities or other improvements to be publicly owned and operated. The Agency may not construct or develop buildings, with the exception of public buildings and housing, and must sell or lease cleared property which it acquires within a redevelopment project for redevelopment in conformity with a particular redevelopment plan, and may further specify a period within which such redevelopment must begin and be completed.

Capital Projects

Pursuant to the Redevelopment Law, the Agency may pay the costs of public buildings, facilities and improvements subject to certain restrictions. Pursuant to Section 33445 of the Redevelopment Law, for redevelopment plans and amendments to redevelopment plans which add territory to a redevelopment project, adopted after October 1, 1976, the acquisition of property for public improvements and the installation or construction of each public improvement must be provided for in the redevelopment plan.

In addition, pursuant to Section 33445(a) of the Redevelopment Law, for each public improvement, either within or contiguous to a project area, the Agency is required to obtain the consent of the City Council after a public hearing is held and the following is determined:

- (1) That the acquisition of land or the installation or construction of buildings, facilities, structures, or other improvements are of benefit to the project area by helping to eliminate blight within the project area or providing housing for low- or moderate-income persons.
- (2) That no other reasonable means of financing the acquisition of land or the installation or construction of such buildings, facilities, structures, or other improvements, are available to the community; and
- (3) That the payment of funds for the acquisition of land or the cost of buildings, facilities, structures, or other improvements is consistent with the implementation plan adopted pursuant to Section 33490 of the Redevelopment Law.

Section 33445.1(a) of the Redevelopment Law provides that, for each public improvement located outside and not contiguous to a project area but located in the community, the Agency is also required to obtain the consent of the City Council after a public hearing is held and the following is determined based on substantial evidence in the record:

- (1) That the acquisition of land or the installation or construction of buildings, facilities, structures, or other improvements are of primary benefit to the project area;
- (2) That the acquisition of land or the installation or construction of buildings, facilities, structures, or other improvements benefits the project area by helping to eliminate blight within the project area or will directly assist in the provision of housing for low- or moderate-income persons;
- (3) That no other reasonable means of financing the acquisition of land or the installation or construction of such buildings, facilities, structures, or other improvements, are available to the community, including, but not limited to, general obligation bonds, revenue bonds, special assessment bonds, or bonds issued pursuant to the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code). In determining whether other means of financing are feasible, the legislative body may take into account any relevant factors, including, but not limited to:
 - (A) Legal factors, such as the eligibility of the improvements for funding under the governing statutes.

- (B) Economic factors, such as prevailing interest rates and market conditions.
 - (C) Political factors, such as the priority of commitments of other public funding sources, the ability or willingness of property owners or taxpayers to bear the cost of any special assessments, taxes, or other charges, and the likelihood of obtaining voter approval, if required.
- (4) That the payment of funds for the acquisition of land or the cost of buildings, facilities, structures, or other improvements is consistent with the implementation plan adopted pursuant to Section 33490 of the Redevelopment Law; and
 - (5) That the payment of funds for the acquisition of land or the cost of buildings, facilities, structures, or other improvements is provided for in the redevelopment plan.

Any action challenging the findings required by Section 33445.1 must be filed within 60 days of the date of the resolution containing the findings.

The Agency and the City intend to comply with all provisions of Section 33445 of the Redevelopment Law with respect to authorizing the use of Tax Increment Revenues, and proceeds of the Series B Bonds, for the funding of the construction of public facilities, if applicable.

Eminent Domain

The Redevelopment Plan for the Community Development Project component of the Project Area authorizes the Agency to employ the power of eminent domain to acquire real property within the Community Development Project component of the Project Area which cannot be acquired by gift, devise, exchange, purchase, or any other lawful method. The last date on which the Agency may commence an eminent domain proceeding for property within the Community Development Project is March 16, 2016. The Agency may use its power of eminent domain from time to time to implement redevelopment projects of benefit to the Community Development Project. The Redevelopment Plan specifically limits the use of eminent domain in non-residential zoned or used properties.

The Agency is not authorized to employ the power of eminent domain with respect to property in the 2000 Project.

On September 29, 2006, SB 53 and SB 1809, two State redevelopment reform bills relating to the power of eminent domain were enacted. These bills became effective on January 1, 2007. Pursuant to SB 53, a city council that adopted a redevelopment plan prior to January 1, 2007 was required to adopt an ordinance on or before July 1, 2007 that contains a description of the redevelopment agency's program to acquire real property by eminent domain. SB 53 additionally provides the plan may prohibit the agency from acquiring by eminent domain specified types of real property, including but not limited to owner-occupied residences, single-family residences, or any residential property, and the plan may also prohibit the agency from acquiring by eminent domain real property in specified locations within the project area. In compliance with SB 53, the City Council adopted Ordinance No. 936 on June 12, 2007, which contains a description of the Agency's program to acquire real property by eminent domain for the Community Development Project.

Prior to the enactment of SB 1809, the Redevelopment Law required a statement to be recorded in the office of the county recorder as soon as practicable following the adoption of a redevelopment plan or an amendment adding territory. The recorded statement indicates that proceedings for the redevelopment of the project area have been instituted. SB 1809 imposed a new recordation requirement with respect to redevelopment plans adopted prior to December 31, 2006 that authorize the acquisition of property by eminent domain. The Agency was required to record a revised statement with the office of the county recorder on or before December 31, 2007 that contains certain additional information relating to the

provisions of the plan authorizing and limiting the use of the power of eminent domain. SB 1809 further states an agency may not commence an eminent domain action until the above-described statement is recorded.

Low and Moderate Income Housing

In 1976, the Redevelopment Law was amended to require that for every redevelopment plan adopted after January 1, 1977, or any area which is added to a redevelopment project by an amendment to a redevelopment plan after January 1, 1977, not less than twenty percent (20%) of Tax Increment Revenues must be set aside annually for the purpose of increasing and improving the community's supply of low and moderate income housing available at affordable housing costs to persons and families of very low, low or moderate income households. In 1985, the Redevelopment Law was further amended to add substantially the same requirements with respect to plans adopted prior to January 1, 1977. The Tax Increment Revenues required to be set aside for low and moderate income housing is pledged to pay debt service on the Series A Bonds. No portion of the Tax Increment Revenues required to be set aside for low and moderate income housing is available to pay debt service on the Series B Bonds or the Prior Parity Debt.

THE PROJECT AREA

Redevelopment Plan

Under the Redevelopment Law the governing board is required to adopt, by ordinance, a redevelopment plan for each redevelopment project. A redevelopment agency may only undertake those activities within a redevelopment project specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law rather than a "plan" in the customary sense of the word. The general objectives of the Agency's Redevelopment Plans for the component areas of the Project Area are to encourage investment in the Project Area by the private sector. The Redevelopment Plans for the component areas of the Project Area provide for the acquisition of property, the demolition of buildings and improvements, the relocation of any displaced occupants, and the construction of streets, parking facilities, utilities and other public improvements. The Redevelopment Plans also allow the redevelopment of land by private enterprise, the rehabilitation of structures, the rehabilitation or construction of low and moderate income housing, and participation by owners and the tenants of properties in the Project Area.

Description of the Project Area

The Project Area is comprised of two merged component redevelopment projects totaling 1,940 acres and encompasses the entire incorporated City with the exception of a 20-acre residential area located west of Knott Avenue. The Stanton Community Development Project component was originally formed in 1983 (the "Original Area") and was expanded twice by amendments made in 1987 ("Amendment No. 1 Area") and in 1992 ("Amendment No. 2 Area"), and currently consists of approximately 427 acres. The Stanton Community Development Project component is located in several non-contiguous areas across the City and is primarily developed with commercial and industrial uses. The Stanton 2000 Redevelopment Project (the "2000 Project") component was created in 2000 and consists of 1,513 acres, or about 77 percent of the total area of the City and about 94 percent of the City's residential areas. The two areas were merged to form the Stanton Consolidated Redevelopment Project in November 2004.

Plan Limitations

The Redevelopment Plans for component areas of the Project Area impose certain limitations on the amount of Tax Increment Revenues that the Agency may be allocated from the constituent redevelopment projects. In 1993, the State Legislature adopted Assembly Bill 1290 (AB 1290), which imposed certain time limitations on (1) the allocation of Tax Increment Revenues to a redevelopment project, (2) the effectiveness of a redevelopment plan, and (3) the incurrence of debt. Prior to subsequent changes, Section 33333.6 of the Redevelopment Law provided that a redevelopment agency may not pay indebtedness or receive property taxes pursuant to Section 33670 of the Redevelopment Law after ten years from the termination of the effectiveness of a redevelopment plan (which was limited to the later of January 1, 2009 or 40 years after the adoption of such redevelopment plan). Subsequent changes to the Redevelopment Law were adopted affecting plan limitations and are described in detail in “APPENDIX B - PROJECTED TAX REVENUES - Plan Limitations.”

The current limitations imposed by the Redevelopment Plan are in compliance with current Redevelopment Law and are as shown in the following table. The Agency does not believe such limitations will impact its ability to pay the Bonds or Prior Parity Debt.

STANTON CONSOLIDATED PROJECT AREA REDEVELOPMENT PLAN LIMITATIONS

	Community Development Project			<u>2000 Project</u>
	<u>Original Area</u>	<u>Amendment No. 1</u>	<u>Amendment No. 2</u>	
Last Date for Redevelopment Activities	12/13/24 ⁽¹⁾	07/14/28	07/14/33	07/05/31
Last Date to Repay Debt with Tax Increment	12/13/34 ⁽¹⁾	06/14/38	07/14/43	07/05/46
Tax Increment Limit	\$150 Million	\$35 Million	\$115 Million	No limit

⁽¹⁾ The City Council can extend the last date for redevelopment activities and the last date to repay debt with tax increment for two years upon an adoption of an ordinance pursuant to SB 1096. See “APPENDIX B - PROJECTED TAX REVENUES - Plan Limitations.”

The maximum bonded indebtedness for the Project Area which may be outstanding at any time is \$149,000,000. The Agency has eliminated the limits in each Redevelopment Plan on incurrence of debt in accordance with SB 211 and the Agency can incur debt as long as the Redevelopment Plan is effective.

As of June 30, 2010, the Agency had received Tax Increment Revenues of approximately \$36.675 million with respect to the Original Area, \$7.36 million with respect to the Amendment No. 1 Area, \$4.95 million with respect to the Amendment No. 2 Area, and \$15.6 million with respect to the 2000 Project. The Agency does not expect that the Redevelopment Plan limitations will adversely impact its ability to repay the Bonds.

After issuance of the Bonds, the principal amount of the Bonds and Prior Parity Debt outstanding will be \$77,770,000.

Assessed Valuations

Assessed value of the constituent areas comprising the Project Area between fiscal years 2006/07 and 2010/11 are shown in the tables below.

TABLE NO. 1
STANTON COMMUNITY DEVELOPMENT PROJECT
ORIGINAL AREA
HISTORICAL ASSESSED VALUATIONS
2006/07 through 2010/11

	2006/07	2007/08	2008/09	2009/10	2010/11
Secured	\$226,054,113	\$291,876,675	\$282,840,473	\$278,199,162	\$285,012,377
Unsecured	<u>24,121,095</u>	<u>25,312,751</u>	<u>22,504,226</u>	<u>22,097,701</u>	<u>22,461,669</u>
Total	\$250,175,208	\$317,189,426	\$305,344,699	\$300,296,863	\$307,474,046

Source: Orange County Auditor-Controller.

TABLE NO. 2
STANTON COMMUNITY DEVELOPMENT PROJECT
AMENDMENT NO. 1 AREA
HISTORICAL ASSESSED VALUATIONS
2006/07 through 2010/11

	2006/07	2007/08	2008/09	2009/10	2010/11
Secured	\$66,424,185	\$73,951,535	\$74,431,858	\$76,908,435	\$75,335,936
Unsecured	<u>7,036,649</u>	<u>8,624,559</u>	<u>9,417,730</u>	<u>10,260,784</u>	<u>10,830,558</u>
Total	\$73,460,834	\$82,576,094	\$83,849,588	\$87,169,219	\$86,166,494

Source: Orange County Auditor-Controller.

TABLE NO. 3
STANTON COMMUNITY DEVELOPMENT PROJECT
AMENDMENT NO. 2 AREA
HISTORICAL ASSESSED VALUATIONS
2006/07 through 2010/11

	2006/07	2007/08	2008/09	2009/10	2010/11
Secured	\$121,582,508	\$130,284,854	\$135,874,952	\$136,599,121	\$135,313,824
Unsecured	<u>17,374,284</u>	<u>17,361,405</u>	<u>19,945,034</u>	<u>20,368,990</u>	<u>16,849,425</u>
Total	\$138,956,792	\$147,646,259	\$155,819,986	\$156,968,111	\$152,163,249

Source: Orange County Auditor-Controller.

TABLE NO. 4
STANTON 2000 REDEVELOPMENT PROJECT
HISTORICAL ASSESSED VALUATIONS
2006/07 through 2010/11

	2006/07	2007/08	2008/09	2009/10	2010/11
Secured	\$1,446,387,992	\$1,570,380,891	\$1,584,691,538	\$1,455,878,318	\$1,430,060,251
Unsecured	<u>36,862,453</u>	<u>38,455,632</u>	<u>38,137,725</u>	<u>45,701,879</u>	<u>40,777,877</u>
Total	\$1,483,250,445	\$1,608,836,523	\$1,622,829,263	\$1,501,580,197	\$1,470,838,128

Source: Orange County Auditor-Controller.

TABLE NO. 5
STANTON CONSOLIDATED PROJECT AREA
BASE YEAR AND HISTORICAL ASSESSED VALUATIONS BY COMPONENT PROJECT
2006/07 through 2010/11

	Base Value	2006/07	2007/08	2008/09	2009/10	2010/11
Community Development:						
Original Area	\$ 32,106,046	\$ 250,175,208	\$ 317,189,426	\$ 305,344,699	\$ 300,296,863	\$ 307,474,046
Amendment No. 1	29,605,164	73,460,834	82,576,094	83,849,588	87,169,219	86,166,494
Amendment No. 2	79,997,721	138,956,792	147,646,259	155,819,986	156,968,111	152,163,249
2000 Project	<u>794,426,125</u>	<u>1,483,250,445</u>	<u>1,608,836,523</u>	<u>1,622,829,263</u>	<u>1,501,580,197</u>	<u>1,470,838,128</u>
Total	\$ 936,135,056	\$1,945,843,279	\$2,156,248,302	\$2,167,843,536	\$2,046,014,390	\$2,016,641,917

Source: Orange County Auditor-Controller.

Assessed value by land use within the main component areas of the Project Area, and on a combined basis are as follows:

	Community Development Project	2000 Project	Consolidated Project Area
Residential	37.5%	81.0%	69.2%
Commercial	30.1	7.9	16.4
Industrial	22.0	4.4	9.2
Unsecured	9.0	2.8	4.4
All Other	<u>1.4</u>	<u>3.9</u>	<u>0.8</u>
	100.0%	100.0%	100.0%

Major Taxpayers

The ten largest property taxpayers represent 9.0% of the 2010/11 total assessed value of the Project Area.

**TABLE NO. 6
STANTON CONSOLIDATED REDEVELOPMENT PROJECT
TEN LARGEST TAXPAYERS AS A PERCENT OF 2010/11 ASSESSED VALUE**

Taxpayer	2010/11 Assessed Value	% of Assessed Value	Land Use	Component Redevelopment Project
CR & R Inc. ⁽¹⁾	\$ 32,713,578	1.6%	Transfer Station	Consolidated ⁽²⁾
CP Briarwood LLC	27,516,177	1.4	Multi-Family	2000 Project
Shapell Commercial & Industrial Corp.	21,841,693	1.1	Commercial	Consolidated ⁽²⁾
Arrowhead Apartment Investment LLC	19,500,000	1.0	Multi-Family	2000 Project
Walton CWCA Hoover 52 LLC ⁽¹⁾	18,496,315	0.9	Industrial	Community Development
Continental Gardens LP ⁽¹⁾	15,772,054	0.8	Multi-Family	2000 Project
Faircrest Inc.	12,265,859	0.6	Residential	2000 Project
Mideb Nominees Inc.	12,034,392	0.6	Commercial	Community Development
Gilbert R. Shuman	11,013,337	0.5	Commercial	Community Development
Katella 111 Partners LLC	<u>10,014,704</u>	<u>0.5</u>	Commercial	Community Development
Total	\$181,168,109	9.0%		

Source: Stanton Redevelopment Agency.

⁽¹⁾ Appeals pending. See "Assessment Appeals" below.

⁽²⁾ CR & R Inc. properties and Shapell Commercial & Industrial Corp. properties are located in both the Community Development Project and the 2000 Project.

A description of the largest taxpayers follows:

- CR & R Inc. operates a material recovery facility in Stanton. The property owner recently purchased property from the Agency adjacent to its existing facility to allow for enclosure of its operations.
- CP Briarwood has owned this apartment building since 2000. The building is located on an 8.1 acre site.
- Shapell Commercial & Industrial Corp. owns a commercial shopping center at the intersection of Garden Grove Boulevard and Beach Boulevard, a major City thoroughfare. The site is near access to the 22 Freeway. The property is 17.9 acres. Currently, the space for an anchor tenant is vacant.
- Arrowhead Apartment Investment LLC owns an apartment complex with 177 units on 6.6 acres.
- Walton CWCA owns an industrial/office park on 9.8 acres also near the intersection of Garden Grove Boulevard and Beach Boulevard and the 22 Freeway.
- Continental Gardens LLP owns an apartment complex with 297 units on 20.8 acres.
- Faircrest Inc. owns an apartment complex with 228 units on 9.2 acres.
- Mideb Nominees Inc. owns 5.9 acres developed with an 117,000 square foot Sam's Club.
- Gilbert R. Shuman owns *Plaza on the Boulevard* shopping center, located on 8.2 acres, also near the intersection of Beach Boulevard and Garden Grove Boulevard, and the 22 Freeway.
- Katella 111 Partners owns 5.7 acres at the intersection of Beach Boulevard and Katella Avenue, developed with a Food 4 Less supermarket and smaller retail uses.

Assessment Appeals

As of January 2011, there were pending appeals of 2010/11 assessed values filed for by 53 separate property owners in the Project Area, pending appeals of 2009/10 assessed values filed for by 31 separate property owners in the Project Area and pending appeals of 2008/09 assessed values filed for by 24 separate property owners in the Project Area. There were a total of 115 appeals pending including all prior years. The total value of property under appeal is \$190.4 million, of which \$111.7 million relates to the 2010/11 tax roll, \$62 million relates to the 2009/10 tax roll, \$14.3 million relates to the 2008/09 tax roll, and the remaining \$2.4 million relates to previous years' tax rolls. A summary of all pending appeals is shown on the following page:

**STANTON CONSOLIDATED REDEVELOPMENT PROJECT
PENDING APPEALS**

<u>Component Area</u>	<u># of Appeals</u>	<u>Tax Roll Value</u>	<u>Appeal Value</u>	<u>Requested Reduction</u>
<u>2010/11 Tax Roll:</u>				
Community Development	21	\$ 58,800,616	\$ 29,463,922	50%
2000 Project	<u>32</u>	<u>52,880,045</u>	<u>28,470,110</u>	46%
Appeals for 2010/11	53	\$ 111,680,661	\$ 57,934,032	48%
<u>2009/10 Tax Roll:</u>				
Community Development	11	\$ 29,295,062	\$ 7,374,352	75%
2000 Project	<u>20</u>	<u>32,683,380</u>	<u>16,873,081</u>	48%
Appeals for 2009/10	31	\$ 61,978,442	\$ 24,247,433	61%
<u>2008/09 Tax Roll:</u>				
Community Development	7	\$ 4,768,553	\$ 2,282,350	52%
2000 Project	<u>17</u>	<u>9,496,889</u>	<u>5,098,380</u>	46%
Appeals for 2008/09	24	\$ 14,265,442	\$ 7,380,730	48%
<u>Prior Tax Roll:</u>				
Community Development	2	\$ 634,713	\$ 182,000	71%
2000 Project	<u>5</u>	<u>1,806,830</u>	<u>160,000</u>	91%
Appeals for Prior Years	7	\$ 2,441,543	\$ 342,000	86%
Total	115	\$ 190,366,088	\$ 89,904,195	53%

Since July 2010, 12 appeals filed for 2009/10 totaling \$56,913,000 are no longer pending. 5 appeals with a total value of \$43.5 million were withdrawn, 6 appeals with a total value of \$13.2 million were successful in obtaining an average 11.3% reduction, and 1 appeal with a value of \$209,000 was finalized with no value change. Three pending appeals related to property owners shown in "TABLE NO. 6 - TEN LARGEST TAXPAYERS AS A PERCENT OF 2010/11 ASSESSED VALUE."

- CR & R Inc. has filed appeals of the value of a portion of property it owns. This property owner is requesting a 100% reduction in the 2009/10 assessed value of one property valued at \$6,183,232 and a 33% reduction in the 2010/11 assessed value of one property valued at \$1,795,935.
- Walton CWCA Hoover 52 LLC has filed an appeal of the value of property it owns. This property owner is requesting a 32% reduction in the 2010/11 assessed value of such property, from \$18,496,315 to \$12,500,000. This property owner's pending appeal for 2009/10 was withdrawn on December 16, 2010.
- Continental Gardens LP has filed an appeal of the value of property it owns. This property owner is requesting a 40% reduction in the 2010/11 assessed value of such property, from \$15,772,054 to \$9,463,000. This property owner's pending appeal for 2009/10 was withdrawn on August 2, 2010.

Shappell Commercial & Industrial Corp. had filed an appeal of the 2009/10 value of a portion of property it owns. This property owner withdrew the appeal on September 28, 2010.

With respect to the Project Area, over the last five years, the average reduction in assessed value was 15% when an appeal was successful. Appeals were successful in approximately 80% of cases (289 of 363 resolved appeals).

While the Agency expects some decline in total assessed valuation relating to pending or potential future appeals, no prediction can be made as to the amount of the decline in total assessed valuation, if any, within the Project Area, although if all pending appeals were granted at the average rate of 15%, such reduction would reduce total 2010/11 assessed value by \$28.5 million (1.4%) and net Tax Revenues by approximately \$173,000 (2.5% of 2010/11 Tax Revenues). No reduction for pending appeals has been incorporated in the projections. Reductions in revenue for refunds resulting from successful appeals or current or prior year appeals have also not been incorporated into the projections. Further, the success rate of appeals, reductions granted and refunds may vary from historical averages. See “RISK FACTORS – Factors Which May Affect Tax Revenues” and “Real Estate and General Economic Risks.”

Proposition 8 Reductions

Proposition 8 provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value.

Pursuant to Proposition 8, the Orange County Assessor’s Office implemented certain blanket reductions in assessed value for residential property County-wide for the 2008/09 tax roll. The County Assessor examined the value of approximately 220,000 single family homes and condominiums sold between July 1, 2005 and June 30, 2007, and reduced the value on 202,800 properties. For the 2010/11 tax roll, the Orange County Assessor reported that they reviewed the market value of 317,000 single-family homes, condos, townhouses, multi-family, commercial/industrial properties and reduced the value of 191,000 properties throughout the County.

Approximately 94% of the City’s residential property is located within the 2000 Project, with 4,695 residential parcels. The following summarizes the changes in secured property assessed value in the 2000 Project over the last five years.

<u>Year</u>	<u>Assessed Value</u>	<u>Change</u>
2006/07	\$1,446,387,992	
2007/08	1,570,380,891	8.5%
2008/09	1,584,691,538	0.9%
2009/10	1,455,878,318	(8.1)%
2010/11	1,430,060,251	(1.8)%

Much of the reduction in 2009/10 is assumed to be a result of Proposition 8 blanket adjustments. For 2010/11, the County Assessor reduced the value of 628 residential properties in the City (13% of the residential parcels in the 2000 Project). Reductions in value of the 628 properties ranged from less than 1% to more than 50% depending on the year of purchase. The average reduction was 17%.

While the Agency expects some decline in total assessed valuation relating to potential future Proposition 8 adjustments, no prediction can be made as to the amount of the decline in total assessed valuation, if any, within the Project Area. See “RISK FACTORS - Factors Which May Affect Tax Revenues” and “Real Estate and General Economic Risks.”

Tax Revenues

Historical Tax Increment Revenues based on the equalized tax roll and actual Tax Increment Revenues paid to the Agency are shown in the table below, together with estimated Tax Increment Revenues for 2010/11.

**TABLE NO. 7
STANTON CONSOLIDATED REDEVELOPMENT PROJECT
HISTORICAL TAX REVENUES
2005/06 THROUGH 2009/10 AND ESTIMATED 2010/11**

	2005/06	2006/07	2007/08	2008/09	2009/10	Estimated 2010/11
Incremental Assessed Value	\$ 812,201,745	\$1,008,040,132	\$1,218,952,537	\$1,231,110,695	\$1,109,304,901	\$1,080,506,861
Tax Rate	<u>1.0052%</u>	<u>1.0047%</u>	<u>1.0045%</u>	<u>1.0043%</u>	<u>1.0043%</u>	<u>1.0043%</u>
Tax Increment Revenues	\$ 8,164,252	\$ 10,127,779	\$ 12,244,378	\$ 12,364,045	\$ 11,140,749	\$ 10,851,530
Unitary Revenues	<u>14,941</u>	<u>16,218</u>	<u>21,334</u>	<u>34,047</u>	<u>32,449</u>	<u>33,000</u>
Total Tax Revenues ⁽¹⁾	\$ 8,179,193	\$ 10,143,997	\$ 12,265,712	\$ 12,398,091	\$ 11,173,198	\$ 10,884,530
Actual Tax Revenues	\$ 9,452,396	\$ 10,728,293	\$ 12,619,092	\$ 12,438,315	\$ 11,446,018	

Source: Orange County Auditor-Controller.

⁽¹⁾ Total Tax Revenues are based on the August 20 Equalized Roll and do not reflect appeals, refunds, delinquencies or supplemental taxes. See Table No. 8 below and "Assessment Appeals" above.

Tax Collections

Actual Tax Revenues paid to the Agency vary from tax revenues initially levied because of supplemental taxes, appeals or refunds, redemption of prior year delinquencies and penalties and deductions for current year delinquencies. The table below provides the taxes received by the Project Area for the last five years.

**TABLE NO. 8
STANTON CONSOLIDATED REDEVELOPMENT PROJECT AREA
TAXES LEVIED AND COLLECTED
2005/06 THROUGH 2009/10**

Fiscal Year	Adjusted Tax Levy	Current Year Apportioned	Prior Year		Total	Current Year Collection %	Total Collection %
			Collections/ Refunds	Supplemental Taxes			
2005/06	\$ 8,122,492	\$ 7,918,255	\$236,203	\$1,297,939	\$ 9,452,396	97.5%	116.4%
2006/07	10,085,635	9,652,934	109,868	965,490	10,728,293	95.7%	106.4%
2007/08	11,842,767	11,146,786	874,751	597,555	12,619,092	94.1%	106.6%
2008/09	12,303,408	11,841,217	621,525	(24,427)	12,438,315	96.2%	101.1%
2009/10	11,071,596	10,753,359	396,634	296,025	11,446,018	97.1%	103.4%

Source: Orange County Auditor-Controller's Office.

FINANCIAL INFORMATION

Agency Budgetary Process and Administration

The Redevelopment Law requires redevelopment agencies to adopt an annual budget containing the following:

- (1) The proposed expenditures of the agency.
- (2) The proposed indebtedness to be incurred by the agency.
- (3) The anticipated revenues of the agency.
- (4) The work program for the coming year, including goals.
- (5) An examination of the previous years' achievements and a comparison of the achievements with the goals of the previous years' work program.

All expenditures and indebtedness of the Agency are required to be in conformity with the adopted or amended budget.

The Executive Director of the Agency is responsible for preparing the proposed budget and submitting it to the Agency. After reviewing the proposed budget at a public meeting, the Agency holds a public hearing. The Agency adopts the budget prior to the start of each fiscal year. The Agency's Finance Officer is responsible for controlling expenditures within budgeted appropriations.

Agency Accounting Records and Financial Statements

Annual Report. Every redevelopment agency is required to present an annual report to its legislative body (being the city council) within six months of the end of each fiscal year. The annual report is required, among other things, to include an independent financial "audit report" and a fiscal statement for the previous fiscal year. The California Health and Safety Code defines "audit report" to mean an examination of and opinion on the financial statements of the agency which presents the results of the operations and financial position of the agency. The independent financial audit is required to be conducted in accordance with generally accepted auditing standards and the rules governing audit reports promulgated by the Governmental Accounting Standards Board. The independent financial audit report is also required to include an opinion of the agency's compliance with laws, regulations and administrative requirements governing activities of the agency. The Redevelopment Law requires the fiscal statement to contain the following information:

- (1) The amount of outstanding indebtedness of the agency and each project area.
- (2) The amount of tax increment revenues generated in the agency and in each project area.
- (3) The amount of tax increment revenues paid to a taxing agency pursuant to a tax sharing agreement, other than school or community college district.
- (4) The financial transactions report required to be submitted to the State Controller.
- (5) The amount allotted to school or community college districts pursuant to the Redevelopment Law.
- (6) The amount of existing indebtedness and the total amount of payments required to be paid on existing indebtedness for that fiscal year.
- (7) Any other fiscal information which the agency believes is useful to describe its programs.

In addition, the annual report is required to include detailed information regarding the Agency's housing program to assist low and moderate income households and deposits and expenditures from the Low and Moderate Income Housing Fund required pursuant to the Redevelopment Law.

AB 1389. On September 24, 2008, the State enacted a budget for Fiscal Year 2008/09 that included, among other things, the provisions of a bill known as AB 1389 (Chapter 571, Statutes of 2008). AB 1389 required redevelopment agencies, under certain circumstances, to submit reports for Fiscal Years beginning 2003/04 and ending with Fiscal Year 2008/09, to the office of the county auditor in the county in which they are located. These reports were required to include calculations of the tax increment revenues that redevelopment agencies received and payments that redevelopment agencies made pursuant to Tax Sharing Agreements with taxing entities and Statutory Tax Sharing. County auditors were required to review the reports and, if they concurred, issue a finding of concurrence. The State Controller was required to review such reports and submit a report to the Legislative Analyst's office and the Department of Finance identifying redevelopment agencies for which county auditors had not issued a finding of concurrence or which have outstanding passthrough payment liabilities to a local educational agency that exceed the amount of outstanding passthrough over payments to the local educational agency. AB 1389 included penalties for any redevelopment agency listed on the most recent State Controller's report, including a prohibition on issuing bonds or other obligations until the listed agency was removed from the State Controller's report. The Agency is not listed on any of the State Controller's reports.

While the reporting requirements under AB 1389 have ended, the Agency cannot predict if future State Legislation will require additional reporting requirements and the imposition of penalties for reporting that is not timely.

Indenture Requirements. The Indentures require the Agency to keep, or cause to be kept, proper books and accounts separate from all other records and accounts of the Agency and the City in which complete and correct entries are made of all transactions relating to the Tax Revenues. The Indentures require the Agency to file with the Trustee annually, within 180 days after the close of each fiscal year, so long as any of the Bonds are Outstanding, its audited financial statements showing the Housing Tax Revenues, the Tax Revenues and all disbursements from the Special Funds as of the end of such fiscal year. The Agency covenants under the Indentures to furnish a copy of such statements upon reasonable request to any Bondholder.

Basis of Accounting and Financial Statement Presentation. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Agency retained the firm of Caporicci & Larson, Certified Public Accountants, Irvine, California, to examine the component unit financial statements of the Agency as of and for the fiscal year ended June 30, 2010, the most recent fiscal year for which audited financial statements have been prepared, which are included as "APPENDIX D." The firm's examination was made in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States and the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies* issued by the Governmental Accounting and Auditing Committee of

the California Society of Certified Public Accountants. The firm reported after its examination that the Agency's financial statements present fairly its financial position and results of operations in conformity with generally accepted accounting principles and that it noted no instances of non-compliance for the fiscal year ended June 30, 2010. The Agency's audited financial statements are public documents and are included within this Official Statement without the prior approval of the auditor. Accordingly, the auditor has not performed any post-audit of the financial condition of the Agency.

Outstanding Indebtedness of the Project Area

The Agency had the following obligations with respect to the Project Area as of January 1, 2011:

Description	Original Issue	Amount Outstanding	Final Maturity
(1) Taxable Tax Allocation Bonds, 2005 Series A	\$16,500,000	\$15,465,000	2035
(1) Tax Allocation Bonds, 2005 Series B	10,000,000	9,215,000	2035
(2) Tax Allocation Bonds, 2010 Series A	25,280,000	25,280,000	2040
(3) City Advances		8,586,029	N/A

- (1) In July 2005, the Agency issued its Stanton Consolidated Redevelopment Project Taxable Tax Allocation Bonds, 2005 Series A and Tax Allocation Bonds, 2005 Series B (the "2005 Bonds"). The Agency pledged tax revenues (consisting generally of tax increment revenues of the Project Area, excluding that portion otherwise required to be deposited in the Agency's Low and Moderate Income Housing Fund and excluding amounts payable pursuant to any tax-sharing agreements or the tax-sharing statutes) to the repayment of the 2005 Bonds. The 2005 Bonds have a lien on the Tax Revenues on a parity with the Series B Bonds.
- (2) In October 2010, the Agency issued its Stanton Consolidated Redevelopment Project Tax Allocation Bonds, 2010 Series A (the "2010A Bonds"). The Agency pledged tax revenues (consisting generally of tax increment revenues of the Project Area, excluding that portion otherwise required to be deposited in the Agency's Low and Moderate Income Housing Fund and excluding amounts payable pursuant to any tax-sharing agreements or the tax-sharing statutes) to the repayment of the 2010A Bonds. The 2010A Bonds have a lien on the Tax Revenues on a parity with the Series B Bonds.
- (3) The Agency and the City have entered into an Agreement providing for the Reimbursement of Previous Advances from the City with an interest rate of 7%. Repayment is made pursuant to a fixed repayment schedule, however, payment is subordinate to all other indebtedness of the Project Area, including the Bonds and the Prior Parity Debt. The Agency expects to use proceeds of the Series B Bonds to repay the Advances, including accrued interest thereon to March 1, 2011.

Source: Agency Annual Financial Report.

Projected Tax Revenues and Debt Service Coverage

Receipt of projected Housing Tax Revenues and Tax Revenues in the amounts and at the times projected by the Agency depends on the realization of certain assumptions relating to the Tax Increment Revenues. The projections of Tax Increment Revenues and the corresponding Housing Tax Revenues and Tax Revenues from the component areas of the Project Area shown in “APPENDIX B” and summarized on the following table were based on the assumptions described in “APPENDIX B.” The Agency believes the assumptions upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur (see “RISK FACTORS”). To the extent that the assumptions are not actually realized, the Agency’s ability to timely pay principal of and interest on the Bonds may be adversely affected. Investors should read “APPENDIX B - PROJECTED TAX REVENUES” for a complete discussion of the Housing Tax Revenues and Tax Revenues and assumptions underlying the projections.

**TABLE NO. 9
PROJECTED HOUSING TAX REVENUES AND DEBT SERVICE COVERAGE**

Bond Year Ending December 1	Housing Tax Revenues ⁽¹⁾	Series A Bonds Debt Service	Coverage Ratio
2011	\$2,167,000	\$ 985,292	219.9%
2012	2,157,200	1,313,723	164.2%
2013	2,233,600	1,313,723	170.0%
2014	2,311,600	1,548,723	149.3%
2015	2,391,000	1,547,325	154.5%
2016	2,472,400	1,548,850	159.6%
2017	2,555,000	1,548,250	165.0%
2018	2,639,400	1,550,375	170.2%
2019	2,725,600	1,550,463	175.8%
2020	2,813,400	1,548,413	181.7%
2021	2,903,200	1,549,125	187.4%
2022	2,994,400	1,547,125	193.5%
2023	3,087,600	1,549,400	199.3%
2024	3,182,800	1,548,700	205.5%
2025	3,279,800	1,550,025	211.6%
2026	3,378,800	1,547,950	218.3%
2027	3,479,400	1,549,800	224.5%
2028	3,582,200	1,547,150	231.5%
2029	3,687,200	1,550,000	237.9%
2030	3,794,400	1,547,450	245.2%
2031	3,903,600	1,549,500	251.9%
2032	4,014,800	1,550,250	259.0%
2033	4,128,400	1,549,250	266.5%
2034	4,244,400	1,546,050	274.5%
2035	3,479,400	970,200	358.6%
2036	3,582,200	972,550	368.3%
2037	3,686,600	974,950	378.1%
2038	3,793,600	971,950	390.3%
2039	3,712,800	908,550	408.7%
2040	3,819,600	904,700	422.2%

(1) Housing Tax Revenues are based on a number of assumptions described in “APPENDIX B – PROJECTED TAX REVENUES.” See Table No. B-9 for the allocation of Housing Tax Revenues from the separate components of the Project Area.

Based on 2010/11 assessed values, the Agency currently projects that Housing Tax Revenues produced in the Project Area, reflecting the estimated decrease due to current assessment appeals (see “THE PROJECT AREA - Assessment Appeals” herein), would be approximately \$2,110,000 in Fiscal Year 2010/11. The Maximum Annual Debt Service on the Series A Bonds, which occurs in the Bond Year ending December 1, 2018, is \$1,550,463. Assuming no further growth in the Project Area, Fiscal Year 2010/11 Housing Tax Revenues, as adjusted for appeals, are projected to be approximately 136% of Maximum Annual Debt Service.

**TABLE NO. 10
PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE**

Bond Year Ending December 1	Tax Revenues ⁽¹⁾	Debt Service			Coverage Ratio
		Outstanding Bonds ⁽²⁾	Series B Bonds	Total	
2011	\$ 6,813,500	\$2,445,214	\$ 786,591	\$3,231,805	210.8%
2012	6,778,300	2,406,092	1,048,788	3,454,880	196.2%
2013	7,000,900	2,416,162	1,048,788	3,464,950	202.0%
2014	7,201,800	2,971,901	1,048,788	4,020,689	179.1%
2015	7,373,000	3,521,896	1,298,788	4,820,684	152.9%
2016	7,547,600	3,521,126	1,345,038	4,866,164	155.1%
2017	7,725,700	3,521,521	1,346,438	4,867,959	158.7%
2018	7,907,300	3,340,811	1,529,988	4,870,799	162.3%
2019	8,090,900	3,337,316	1,529,863	4,867,179	166.2%
2020	8,275,800	3,336,016	1,531,738	4,867,754	170.0%
2021	8,466,400	3,336,535	1,530,238	4,866,773	174.0%
2022	8,661,300	3,340,463	1,530,363	4,870,826	177.8%
2023	8,859,300	3,340,550	1,528,694	4,869,244	181.9%
2024	9,059,200	3,337,825	1,531,850	4,869,675	186.0%
2025	9,263,600	3,336,963	1,528,969	4,865,932	190.4%
2026	9,472,900	3,337,763	1,530,050	4,867,813	194.6%
2027	9,682,600	3,338,675	1,530,500	4,869,175	198.9%
2028	9,899,200	3,339,680	1,527,850	4,867,530	203.4%
2029	10,121,400	3,339,893	1,526,650	4,866,543	208.0%
2030	10,346,600	3,340,663	1,526,000	4,866,663	212.6%

(1) Tax Revenues are based on a number of assumptions described in “APPENDIX B – PROJECTED TAX REVENUES.” See Table No. B-8 for the allocation of Tax Revenues from the separate components of the Project Area.

(2) Net of capitalized interest.

Based on 2010/11 assessed values, the Agency currently projects that Tax Revenues produced in the Project Area, reflecting the estimated decrease due to current assessment appeals (see “THE PROJECT AREA - Assessment Appeals” herein), would be approximately \$6,640,000 in Fiscal Year 2010/11. The Maximum Annual Debt Service on the Series B Bonds and Prior Parity Debt, which occurs in the Bond Year ending December 1, 2022, is \$4,870,826. Assuming no further growth in the Project Area, Fiscal Year 2010/11 Tax Revenues, as adjusted for appeals, are projected to be approximately 136% of Maximum Annual Debt Service.

RISK FACTORS

The purchase of the Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Factors Which May Affect Tax Revenues

The ability of the Agency to pay principal of and interest on the Bonds depends on the timely receipt of Housing Tax Revenues and Tax Revenues as projected herein (see “APPENDIX B - PROJECTED TAX REVENUES” and “FINANCIAL INFORMATION - Projected Tax Revenues and Debt Service Coverage” herein). Projections of Housing Tax Revenues and Tax Revenues are based on the underlying assumptions relating to Tax Increment Revenues of each of the constituent redevelopment projects that comprise the Project Area. Housing Tax Revenues and Tax Revenues allocated to the Agency (which constitute the ultimate source of payment of principal of and interest on the Bonds, as discussed herein) are determined by the amount of incremental valuation of taxable property in the Project Area, the current rate or rates at which property in the Project Area is taxed and the percentage of taxes collected in the Project Area, adjusted, in the case of Tax Revenues, to reflect prior claims on the Tax Increment Revenues, such as required deposits to the Low and Moderate Income Housing Fund and payments to the Taxing Entities pursuant to the Tax Sharing Agreements and Tax Sharing Statutes which are senior in right of payment to the Series B Bonds. A number of factors which may affect Tax Increment Revenues, and consequently, Housing Tax Revenues and Tax Revenues, are outlined below.

Reductions in Assessed Value. The projections of Tax Increment Revenues contained in this Official Statement are based on current assessed valuations within the Project Area, and certain assumed growth. A tax rate equal to \$1.00 per \$100 of assessed value applied to the taxable property in the Project Area is assumed along with certain projected increases or decreases in property values due to inflationary changes which may be allowed under Article XIII A of the California Constitution. The Agency believes that the projections of Tax Increment Revenues and the assumptions upon which the projections are based are reasonable. However, substantial growth in assessed value has occurred in the Project Area in recent years, and correspondingly, the Agency expects assessment appeals to increase until property values stabilize. Any future decrease in the assessed valuation of the Project Area (or any increase at a rate less than assumed), any general decline in the economic stability of the area, a relocation out of a Project Area by one or more major property owners, successful appeals by property owners for a reduction in a property’s assessed value, or other events that permit reassessment of property at lower values, either on a case by case basis or as a blanket reduction due to a general decline in property values (see “Proposition 8 Adjustments” below) and any property tax refunds which may result therefrom, the destruction of property caused by natural disasters or any delinquencies in the payment of property taxes and any potential acquisition of property by the Agency or other public entities will reduce the Tax Increment Revenues allocated to, or received by, the Agency and correspondingly may have an adverse impact on the Housing Tax Revenues and Tax Revenues and ability of the Agency to pay principal and interest on the Bonds.

Article XIII A. On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution which imposes certain limitations on taxes that may be levied against real property. This amendment, which added Article XIII A to the State Constitution, among other things, defines full cash value of property to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value,’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by substantial damage, destruction or

other factors (see “APPENDIX B - PROJECTED TAX REVENUES - Tax Increment Revenues” herein for a more complete discussion of Article XIII A).

The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value of that property, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on any bonded indebtedness for the acquisition or improvement of real property which is approved after July 1, 1978 by two-thirds of the votes cast by voters voting on such indebtedness. However, pursuant to an amendment to the California Constitution, redevelopment agencies are prohibited from receiving any of the tax increment revenue attributable to tax rates levied to finance bonds approved by the voters on or after January 1, 1989 (see “APPENDIX B - PROJECTED TAX REVENUES - Tax Increment Revenues - Property Tax Rate”).

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend the terms “purchase” and “change of ownership,” for purposes of determining full cash value of property under Article XIII A, to not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county (or in certain cases, another county), to transfer the old residence’s assessed value to the new residence.

Because the Revenue and Taxation Code does not distinguish between positive and negative changes in the California Consumer Price Index used for purposes of the inflation factor, there was a decrease of 0.237% in 2009/10 – applied to the 2010/11 tax roll – reflecting the actual change in the California Consumer Price Index, as reported by the State Department of Finance. For each fiscal year since Article XIII A has become effective (the 1978/79 fiscal year), the annual increase for inflation has been at least 2% except in seven fiscal years as shown below:

<u>Tax Roll</u>	<u>Percentage</u>
1981/82	1.000%
1995/96	1.190
1996/97	1.110
1998/99	1.853
2004/05	1.867
2010/11	(0.237)
2011/12	0.753

The Agency has projected Tax Increment Revenues based on 2% annual inflationary increases in real property values beginning in 2012/13. If the annual inflationary adjustments are less than these assumed amounts, Housing Tax Revenues and Tax Revenues will be reduced from those projected.

Proposition 8 Adjustments. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide. This methodology has been approved by the Fourth District Court of Appeals in a case in which the California Supreme Court declined further review. See “APPENDIX B - PROJECTED TAX REVENUES - Tax Increment Revenues - Proposition 8 Adjustments” herein.

The Agency’s ability to generate sufficient Housing Tax Revenues and Tax Revenues to pay debt service on the Bonds will be dependent on the economic strength of the Project Area. Since Proposition 8 adjustments are closely tied to the economics of an area, and primarily, real estate development, factors which adversely affect real estate development may adversely affect Housing Tax Revenues and Tax Revenues. Such factors include general economic conditions, fluctuations in the real estate market, fluctuations in interest rates, unexpected increases in development costs and other factors such as unavailability of credit.

The Orange County Assessor’s Office implemented certain blanket reductions in assessed value for residential property County-wide for the 2008/09 tax roll. The County Assessor examined the value of approximately 220,000 single family homes and condominiums sold between July 1, 2005 and June 30, 2007, and reduced the value on 202,800 properties. For the 2010/11 tax roll, the Orange County Assessor reported that he reviewed the market value of 317,000 single-family homes, condos, townhouses, multi-family, commercial/industrial properties and reduced the value of 191,000 properties throughout the County.

Approximately 94% of the City’s residential property is located within the 2000 Project, with 4,695 residential parcels. The following summarizes the changes in secured property assessed value in the 2000 Project over the last five years.

<u>Year</u>	<u>Assessed Value</u>	<u>Change</u>
2006/07	\$1,446,387,992	
2007/08	1,570,380,891	8.5%
2008/09	1,584,691,538	0.9%
2009/10	1,455,878,318	(8.1)%
2010/11	1,430,060,251	(1.8)%

Much of the reduction in 2009/10 is assumed to be a result of Proposition 8 blanket adjustments. In 2010, the County Assessor reduced the value of 628 residential properties in the City (13% of the residential properties in the 2000 Project). Reductions in value of the 628 properties ranged from less than 1% to more than 50% depending on the year of purchase. The average reduction was 17%.

If further Proposition 8 adjustments are made by the County Assessor in future years because of declines in the fair market value of properties caused by the lack of real estate development in the area generally, Tax Increment Revenues may be adversely affected and as a possible consequence the Agency’s ability to repay the Bonds may be adversely affected.

Based on current residential market conditions, it is likely that the County Assessor will continue to review market values and make blanket adjustments to residential property assessed values in future tax years if warranted. The Agency cannot predict how any such blanket reductions in assessed values will affect the assessed value of properties within the Project Area.

Assessment Appeals. Assessment appeals may be filed by property owners seeking a reduction in the assessed value of their property. After the property owner files an appeal, the County’s Appeals Board will hear the appeal and make a determination as to whether or not there should be a reduction in assessed value for a particular property and the amount of the reduction, if any. To the extent that any reductions are made to the assessed valuation of such properties with appeals currently pending, or appeals subsequently filed, Tax Increment Revenues, and correspondingly, Housing Tax Revenues and Tax Revenues will be reduced. Such reductions may have an adverse affect on the Agency’s ability to pay debt service on the Bonds. As of January 2011, appeals are pending for 53 property owners within the Project Area for the 2010/11 tax year, 31 property owners within the Project Area for the 2009/10 tax year and for 31 property owners for all prior years (see “THE PROJECT AREA - Assessment Appeals” herein). The projections of Housing Tax Revenues and Tax Revenues in the tables herein are not adjusted

for these or other appeals. To the extent these appeals are resolved in favor of the property owner, Housing Tax Revenues and Tax Revenues will be reduced.

Plan Limitations. The Agency's receipt of Tax Increment Revenues is subject to the statutorily-imposed plan limitations described in the Redevelopment Plans, including the limitation on the final date to receive Tax Increment Revenues and, with respect to portions of the Project Area other than the 2000 Project, limits on the maximum amount of Tax Increment Revenues that may be allocated to the Agency. Housing Tax Revenues and Tax Revenues are limited by the Plan Limitations. See "THE PROJECT AREA - Plan Limitations."

The Agency's right to receive Housing Tax Revenues and Tax Revenues generated from the Original Area of the Community Development Project formed in 1983 will end in December 2034 and from the Amendment No. 1 Area in July 2038. This occurs prior to the maturity of the Series A Bonds and is as a result of the expiration of the time to receive tax increment for the component portions of the Project Area. The projection of Tax Increment Revenues herein and in "APPENDIX B - PROJECTED TAX REVENUES" takes this expiration date into account and the Agency does not expect such expiration to materially adversely affect its ability to repay the Bonds as scheduled. The City Council can adopt an ordinance pursuant to SB 1096, which will extend the limit on the time to collect Tax Increment Revenues from the Original Area of the Community Development Project to December 2036, but still, in any event, prior to the maturity of the Bonds. See "APPENDIX B - PROJECTED TAX REVENUES - Plan Limitations" regarding SB 1096.

Earthquake, Fire and Other Risks. Natural and man-made disasters and hazards, including, without limitation, earthquakes, fires, floods, mudslides and other calamities, may have the effect of reducing Tax Increment Revenues through reduction of aggregate assessed valuations within the boundaries of the Project Area. According to the Public Safety Element of the City's General Plan, the City is located in a seismically active region and the Project Area could be impacted by a major earthquake originating from the numerous faults in the area including the Whittier Fault and the Newport-Inglewood Fault. The Public Safety Element of the City's General Plan lists groundshaking and liquefaction as the primary seismic risk to Stanton from a major earthquake along 3 faults located 8 miles or less away from the City.

The City lies outside the boundaries of the identified 100-year flood plain of the Santa Ana River and the Santiago River. However, like most of Orange County, the City lies within the dam inundation area for failure of the Prado Dam and Reservoir.

The City's Emergency Operations Plan includes a hazard analysis for earthquake, flood, and fire risk required to comply with FEMA requirements for disaster relief funding.

Hazardous Substances. An additional environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of a hazardous substance that would limit the beneficial use of a property within the component areas of the Project Area. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner (or operator) may be required to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within component areas of the Project Area be affected by a hazardous substance would be to reduce the marketability and value of the property, perhaps by an amount in excess of the costs of remedying the condition. The Agency can give no assurance that future development will not be limited by these conditions.

Additional Bonds. As referenced under the caption “SOURCES OF PAYMENTS FOR THE BONDS – Issuance of Additional Debt,” the Agency may issue or incur obligations payable from Housing Tax Revenues or Tax Revenues on a parity with its pledge of Housing Tax Revenues or Tax Revenues, as the case may be, to payment of debt service on the Series A Bonds or Series B Bonds. The existence of and the potential for such obligations increase the risks associated with the Agency’s payment of debt service on the Bonds in the event of a future decrease in the Agency’s collection of Housing Tax Revenues or Tax Revenues.

Development Risks. The Agency’s collection of Housing Tax Revenues and Tax Revenues is directly affected by the economic strength of the Project Area. Projected development within the Project Area will be subject to all the risks generally associated with real estate development projects, including unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in real estate market and interest rates, unexpected increases in development costs and other similar factors. Further, real estate development operations within the Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the Project Area is delayed or halted, the economy of the Project Area could be affected, causing a reduction in Housing Tax Revenues and Tax Revenues available to pay debt service on the Bonds.

Certain Bankruptcy Risks. The enforceability of the rights and remedies of the Owners and the obligations of the Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Limited Obligations. The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provision of additional sources of income to taxing agencies having the effect of reducing the property tax rate must necessarily reduce the amount of Tax Increment Revenues, and consequently, Housing Tax Revenues and Tax Revenues that would otherwise be available to pay the principal of, and interest on the Bonds.

Interpretation of and Future Changes in the Law; Voter Initiatives. The Redevelopment Law is a complex body of law and its application to the Agency, the Redevelopment Plans and the Project Area may be subject to different interpretations by the Agency, Taxing Entities and other interested parties, including with respect to Plan Limitations, Low and Moderate Income Housing Fund obligations, Tax Sharing Agreements and Statutory Tax Sharing obligations.

In addition to the existing limitations on Tax Increment Revenues described in this Official Statement under “APPENDIX B - PROJECTED TAX REVENUES - Tax Increment Revenues,” the California electorate or Legislature could adopt future limitations with the effect of reducing Tax Increment Revenues payable to the Agency. See also “2011/12 Proposed State Budget” below.

Factors Relating to Sub-Prime Loans. The 2000 Project component of the Project Area is primarily developed with residential uses. The 2000 Project generates approximately 60% of Tax Increment Revenues.

Between 2002 and 2007 many persons financed the purchase of new homes using loans with little or no downpayment and with adjustable interest rates that start low and are subject to being reset at higher rates on a specified date or upon the occurrence of specified conditions. Many of these loans allow the borrower to pay interest only for an initial period, in some cases up to 10 years. Homeowners in the Project Area who purchased their homes with adjustable rate and non-conventional loans with no or low downpayments may experience difficulty in making their loan payments due to automatic mortgage rate increases and rising interest rates. As mortgage loan defaults increase, bankruptcy filing by such homeowners are also likely to increase. Bankruptcy filings by homeowners with delinquent property taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent property taxes. Both these factors could result in an increase in the delinquency rate in the Project Area and, if the delinquencies become significant enough, draws on the Reserve Account. The Agency has not undertaken to determine the number of homes currently pending or in foreclosure, if any, or the number of homes that have been foreclosed on in the Project Area, if any.

Finally, as a result of increasing defaults on “sub-prime loans,” credit has become more difficult and more expensive to obtain, not only in the residential market, but also in the commercial and industrial sectors. Unavailability of loans for the purchase and development of real property in the Project Area may adversely impact assessed value of property in the Project Area and, as a result, adversely impact Housing Tax Revenues and Tax Revenues available to pay debt service on the Bonds.

Real Estate and General Economic Risks

Tax Increment Revenues as presented herein as available for payment of any indebtedness of the Agency are based upon the latest actual assessed values for the 2010/11 Fiscal Year. Redevelopment of real property within the Project Area by the Agency, as well as private development in the Project Area, may be adversely affected by changes in general economic conditions, fluctuations in the real estate markets and interest rates, unexpected increases in development costs, changes in or new governmental policies including governmental policies to restrict or control certain kinds of development and by other similar factors. If development and redevelopment activities in the Project Area encounter significant obstacles of the kind described herein or other impediments, the economy of the area in and around the Project Area could be adversely affected, causing reduced taxable valuation of property in the Project Area, a reduction of the Tax Increment Revenues and a consequent reduction in Housing Tax Revenues and Tax Revenues available to repay the Bonds. Due to the decline in the general economy of the region, owners of property within the Project Area may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of Tax Increment Revenues received by the Agency from the Project Area.

State of California Fiscal Issues

ERAF. In connection with its approval of the budget for the 1992/93, 1993/94, 1994/95, 2002/03, 2003/04, 2004/05, 2005/06, and 2008/09 Fiscal Years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency’s tax increment, net of amounts due to other taxing agencies, to school districts for such Fiscal Years for deposit in the Education Revenue Augmentation Fund (“ERAF”). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas.

In 2008, the State Legislature adopted, and the Governor of the State signed, legislation, Chapter 751, Statutes 2008 (AB 1389) (“AB 1389”), that among other things required redevelopment agencies to pay into ERAF in Fiscal Year 2008/09, prior to May 10, 2009, an aggregate amount of \$350 million, of which the Agency was to pay \$840,000. AB 1389 provided that part of the ERAF obligation of the Agency was calculated based on the gross tax increment received by the Agency and the other part of the ERAF obligation of the Agency was calculated based on net tax increment revenues (after any passthrough

payments to other taxing entities). AB 1389 provided that required transfers to ERAF were subordinate to payments on bonds secured by tax increment revenues. On April 30, 2009, a California superior court in *California Redevelopment Association v. Genest* (County of Sacramento) (Case No. 34-2008-00028334) held that the required payment by redevelopment agencies into ERAF in Fiscal Year 2008/09 pursuant to AB 1389 violated the California constitution and invalidated and enjoined the operation of the California Health and Safety Code section requiring such payment. On May 26, 2009, the State filed a notice that it would appeal the decision of the superior court. On September 28, 2009, the State noticed its withdrawal of its appeal of *California Redevelopment Association v. Genest*.

SERAF. In connection with various legislation related to the budget for the State for its Fiscal Year 2009/10, in late July 2009, the State legislature adopted, and the Governor of the State signed, Assembly Bill No. 26 (the “2009 SERAF Legislation”).

The 2009 SERAF Legislation mandates that redevelopment agencies in the State make deposits to the Supplemental Educational Revenue Augmentation Fund (“SERAF”) that is established in each county treasury throughout the State, in the aggregate amounts of \$1.7 billion for Fiscal Year 2009/10, which were due prior to May 10, 2010, and \$350 million for Fiscal Year 2010/11, which are due prior to May 10, 2011.

The California Redevelopment Association, the Union City Redevelopment Agency and the Fountain Valley Redevelopment Agency filed a lawsuit in Sacramento Superior Court on October 20, 2009 challenging the constitutionality of the 2009 SERAF Legislation and seeking to prevent the State from taking redevelopment funds for non-redevelopment purposes. Subsequently, the Court certified all redevelopment agencies in the State as a class of plaintiffs in the lawsuit. The Court announced its ruling in the case on May 4, 2010, in which it upheld the constitutionality of the 2009 SERAF Legislation.

The Agency made the required \$4,082,108 SERAF payment for Fiscal Year 2009/10 on May 10, 2010. The Agency has preliminarily estimated that the additional amount payable by it pursuant to the 2009 SERAF Legislation will be \$840,434 for Fiscal Year 2010/11. Pursuant to the 2009 SERAF Legislation, redevelopment agencies may use any funds that are legally available and not legally obligated for other uses, including reserve funds, proceeds of land sales, proceeds of bonds or other indebtedness, lease revenues, interest and other earned income, as well as borrowing funds from the Low and Moderate Income Housing Fund.

The Agency currently has sufficient funds to pay the full amount of the 2010/11 SERAF payment when due. Potential sources of funds used to pay the 2010/11 SERAF include: tax increment revenues from Fiscal Year 2010/11, and available moneys on deposit in Agency funds. However, due to the State’s fiscal crisis and the California Governor’s proposal to eliminate redevelopment (see “2011/12 State Budget” below), the Agency has indicated that it does not intend to pay the 2010/11 SERAF in full until further study of the budget trailer bill released on February 23, 2011 can be made, which will likely occur at a regularly scheduled meeting of the Agency Board on March 8, 2011. The 2010/11 SERAF payment is not due until May 10, 2011. If the Agency does not make the full payment by May 10, 2011, the Agency would be prohibited from, among other things, encumbering funds from any source, including Bond proceeds, until such time as the full payment was made. Notwithstanding this prohibition, non-payment of the 2010/11 SERAF payment in full by May 10, 2011 would not affect the Agency’s ability to pay debt service on the Bonds.

The 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness. Health and Safety Code, §33690 (a) (3) states: “The obligation of any agency to make the payments required pursuant to this subdivision shall be subordinate to the lien of any pledge of collateral securing, directly or indirectly, the payment of the principal, or interest on any bonds of the agency including, without limitation, bonds secured by a pledge of taxes allocated to the agency pursuant to Section 33670 of the California Health and Safety Code.”

The 2009 SERAF Legislation imposes various restrictions on redevelopment agencies that fail to timely make the required SERAF payments, including (i) a prohibition on adding or expanding project areas, (ii) a prohibition on the incurrence of additional debt, (iii) limitations on the encumbrance and expenditure of funds, including funds for operation and administration expenses, and (iv) commencing with the July 1 following the due date of a SERAF annual payment that is not timely made, a requirement that the applicable redevelopment agency allocate an additional five percent (5%) of all taxes that are allocated to the redevelopment agency under the Redevelopment Law for low- and moderate-income housing for the remainder of the time that the applicable redevelopment agency receives allocations of tax revenues under the Redevelopment Law.

The 5% additional housing set-aside penalty provision referred to in the 2009 SERAF Legislation (the “Penalty Set-Aside Requirement”) would be in addition to the 20% of such tax revenues already required to be used for low- and moderate-income housing purposes. A redevelopment agency that borrows from amounts required to be allocated to its housing set-aside funds to make required SERAF payments but does not timely repay the funds, will also be subject to the Penalty Set-Aside Requirement. If the Agency borrows funds from the Housing Fund to make the SERAF payment in Fiscal Year 2010/11, and does not repay the funds within the specified time frame, it would be subject to the Penalty Set-Aside Requirement. The Agency did not borrow funds from the Housing Fund to make the SERAF payment due May 10, 2010 and does not expect to borrow funds from the Housing Fund to make the SERAF payment due May 10, 2011.

While the 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness (which would include a subordination of the Agency’s obligations with respect to the new SERAF payments to the Agency’s obligation to pay debt service on the Bonds), there is no provision in the 2009 SERAF Legislation subordinating the Penalty Set-Aside Requirement to any indebtedness of a redevelopment agency that fails to timely make the SERAF payments mandated by the SERAF Legislation.

On August 30, 2010, the California Redevelopment Association and the other plaintiffs in the lawsuit challenging the 2009 SERAF Legislation have filed an appeal to the Court’s May 4, 2010 decision. The Agency cannot predict the ultimate outcome of any such appeal.

Further, the Agency cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures and the repercussions they may have on the Fiscal Year 2010/11 State Budget and future State budgets. These developments at the State level may, in turn, affect local governments and agencies, including the Agency. The State Legislature may adopt other legislation requiring redevelopment agencies to make other payments to ERAF or SERAF or to make other payments. The impact that current and future State fiscal shortfalls will have on the Agency is unknown at this time. In prior years, the State has experienced budgetary difficulties and balanced its budget by requiring local political subdivisions, such as the County and the Agency, to fund certain costs theretofore borne by the State.

Information about the State budget and State spending is regularly available from various State offices, including the Department of Finance, the Office of the Legislative Analyst and the State Treasurer. However, none of such information is incorporated by such reference.

2011/12 Proposed State Budget

On December 6, 2010, Governor Schwarzenegger called an emergency session of the Legislature into session to address the \$6.1 billion projected deficit for fiscal year 2010/11. During budget briefings held in December 2010, then Governor elect Jerry Brown announced that the likely deficit between now and June 30, 2012 had likely grown from the \$25.1 billion reported in the Fiscal Outlook Report to approximately \$28 billion. On January 3, 2011 Jerry Brown was sworn in as Governor.

On January 10, 2011 the Governor released his proposed budget for fiscal year 2011/12 (“Proposed Budget”). The Proposed Budget is designed to address an estimated budget shortfall of \$25.4 billion in the fiscal year 2011/12 California State Budget. The budget shortfall consists of an \$8.2 billion projected deficit for 2010/11 and a \$17.2 billion gap between projected revenues and spending in 2011/12. The Governor’s proposal includes approximately \$12.5 billion in budget cuts, \$12 billion in tax extensions and changes, and \$1.9 billion in other solutions. The Governor is calling for a statewide special election in June to extend for five more years tax measures currently set to expire.

The Proposed Budget included a provision that would eliminate all redevelopment agencies in California starting on July 1, 2011 and to redirect property tax dollars from redevelopment agencies to schools, fire districts and other local entities. Draft legislation implementing this proposal was released by the Department of Finance of the State on February 23, 2011 (the “Proposed Legislation”). The Proposed Legislation has not been formally introduced as of this date, but the Agency expects it will be introduced and taken up by the budget conference committee soon. No assurance can be given whether or not the Proposed Legislation will be enacted in its present form, or at all.

The Proposed Legislation is styled as an urgency measure, which requires a two-thirds affirmative vote of each house of the Legislature for passage, and which would become effective immediately upon passage and upon the signature of the Governor. It is possible that, if the Proposed Legislation is included as a part of a budget package passed by the Legislature, it could be passed with majority vote approval and still become effective immediately. The Proposed Legislation makes it clear that it would not be effective until the date of enactment and would not be retroactive.

The Proposed Legislation, if enacted, would prohibit redevelopment agencies from, among other things:

- incurring new or expanding existing monetary or legal obligations unless specifically provided for in the Proposed Legislation. These prohibitions include the issuance of bonds and other obligations, and refinancing or restructuring existing indebtedness (except in limited circumstances);
- entering into new contracts for redevelopment activities;
- modifying terms and conditions of existing agreements, obligations or commitments; and
- disposing of assets.

The Proposed Legislation would establish successor agencies to administer each agency’s existing “enforceable obligations” and would establish a series of special funds to effectuate the payments of such obligations and administer the transfer of property taxes to other local entities and the disposition of an agency’s other assets such as real property and cash. As defined in the Proposed Legislation, “enforceable obligations” include bonds, debt service on bonds, reserve set-asides and other payments required under the indenture governing the issuance of the bonds.

The Proposed Legislation also establishes a seven member oversight committee to monitor and approve the activities of each successor agency. Only one member of the oversight committee may be selected by the city that formed the redevelopment agency. The remaining members are to be selected by the applicable county, county superintendent of education and largest non-enterprise special district in the territory of the former redevelopment agency (or by the Governor if positions are not otherwise filled). The result of this make up of the oversight committee is that its actions may not be in the best interest of the former redevelopment agency or the city that formed the redevelopment agency. As a result, if enacted as drafted, the Proposed Legislation may severely limit the Agency’s future ability to spend the proceeds of the Series B Bonds not used to repay the City Loan as described under “FINANCING PLAN” for redevelopment activities. With respect to the proceeds of the Series A Bonds, the Proposed Legislation provides that the city or county that established a redevelopment agency can elect to retain the housing assets and functions previously performed by the redevelopment agency. The Agency assumes

that the amounts in the Low and Moderate Income Housing Fund, including proceeds of the Series A Bonds, would be transferred to the City if it made such election.

The specific effects of the Proposed Legislation, if adopted in its present form, on the overall administration of the Bonds and the related documents, including the Indentures and any continuing disclosure certificate, cannot be determined at this time.

The Proposed Legislation lengthens the statute of limitations to challenge various actions by the Agency taken after January 1, 2011, including the issuance of the Bonds, from 60 days to three years and requires audits of each redevelopment agency. While the Agency does not believe there is any defect in the proceedings for the issuance of the Bonds that could give rise to a successful challenge and Bond Counsel is providing its opinions with respect to the Bonds as set forth in "APPENDIX F," due to the heightened scrutiny that may occur with respect to redevelopment agency activities, there could be an increased risk of a challenge and any such challenge could affect the market price of the Bonds.

The Agency cannot predict what changes may be made to the Proposed Legislation or whether the Proposed Legislation in any form will be adopted.

The full text of the Proposed Legislation may be obtained from the State of California Department of Finance at the following web link:

http://www.dof.ca.gov/budgeting/trailer_bill_language/financial_research_and_local_government/documents/502%20RDA%20Legislation%202-23p.docx

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the Agency has committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bondholders on a timely basis. The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of credit rating for the Bonds or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the respective Indenture or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the respective Indenture is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel, will render an opinion which states that the Indentures are valid and binding obligations of the Agency and enforceable in accordance with its terms. The legal opinions of Bond Counsel will be subject to the effect of bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in accordance with general principles of equity. See "APPENDIX F" for the proposed form of Bond Counsel's opinions.

The Agency has no knowledge of any fact or other information which would indicate that the Indentures are not so enforceable against the Agency, except to the extent such enforcement is limited by principles of equity and by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally.

Certain legal matters will be passed on for the Agency by Jones & Mayer, Fullerton, California, acting as Interim Agency General Counsel. Quint & Thimmig LLP, San Francisco, California, will also pass on certain legal matters for the Agency as Disclosure Counsel. Fees payable to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Nossaman LLP, Irvine, California.

Tax Matters

Federal Tax Status. The Agency has determined that interest on the Bonds is not excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986.

California Tax Status. In the opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Other Tax Considerations. Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

Proposed Form of Tax Opinions. Copies of the proposed form of opinions of Bond Counsel are included as "APPENDIX F."

Circular 230 Disclaimer. To ensure compliance with requirements imposed by the IRS, Bond Counsel informs owners of the Bonds that any U.S. federal tax advice contained in this Official Statement (including any attachments) (a) was not intended or written to be used and cannot be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer and (b) was written to support the promotion or marketing of the Bonds. Each taxpayer should seek advice based on that taxpayer's particular circumstances from an independent tax advisor.

Absence of Litigation

The Agency will furnish a certificate dated as of the Delivery Date that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Indentures or the sale or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Indentures were executed and delivered or the Bonds are to be issued or affecting the validity thereof.

CONCLUDING INFORMATION

Rating on the Bonds

Standard & Poor's has assigned their rating of "A-" to each series of the Bonds. These ratings reflect only the views of such rating agency and are not a recommendation to buy, sell or hold the Bonds. An explanation of the significance of these ratings should be obtained from Standard & Poor's. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The Financial Advisor

The material contained in this Official Statement was prepared by the Agency with the assistance of Harrell & Company Advisors, LLC, Orange, California, an independent financial consulting firm, who advised the Agency as to the financial structure and certain other financial matters relating to the Bonds. The information set forth herein has been obtained by the Agency from sources which are believed to be reliable, but such information is not guaranteed by the Financial Advisor as to accuracy or completeness, nor has it been independently verified. Fees paid to the Financial Advisor are contingent upon the sale and delivery of the Bonds.

Continuing Disclosure

The Agency will covenant in a Continuing Disclosure Certificate, in substantially the form attached hereto as "APPENDIX E," for the benefit of the owners of the Bonds, to provide annually certain financial information and operating data relating to the Bonds, and the Agency, and to provide notice of the occurrence of certain enumerated events, if material, all as set forth in more detail in "APPENDIX E." The annual financial information and operating data are to be provided by the Agency not later than February 28 each year, commencing February 28, 2012. The Agency has complied timely with all previous undertakings under Securities and Exchange Commission Rule 15c2-12(b)(5).

Underwriting

The Series A Bonds were sold to De La Rosa & Co. (the "Underwriter"), who is offering the Series A Bonds at the prices set forth on the inside cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter has purchased the Series A Bonds at a price equal to \$14,639,174.21, which amount represents the principal amount of the Series A Bonds (\$15,330,000.00), less a net original issue discount of \$586,362.15, less an Underwriter's discount of \$104,463.64.

The Series B Bonds were sold to the Underwriter, who is offering the Series B Bonds at the prices set forth on the inside cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter has purchased the Series B Bonds at a price equal to \$12,056,968.51, which amount represents the principal amount of the Series B Bonds (\$12,480,000.00), less an original issue discount of \$335,387.05, less an Underwriter's discount of \$87,644.44. The Underwriter will pay certain of its expenses relating to the offering.

Additional Information

The summaries and references contained herein with respect to the Indentures, the Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Bonds are qualified in their entirety by reference to the form hereof included in the Indentures. Copies of the Indentures are available for inspection during the period of initial offering on the Bonds at the offices of the Financial Advisor, Harrell & Company Advisors, LLC, 333 City Boulevard West, Suite 1430, Orange, California 92868, telephone (714) 939-1464. Copies of this document may be obtained after delivery of the Bonds from the Agency at 7800 Katella Avenue, Stanton, California 90680.

References

All statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or Owners of any of the Bonds.

Execution

The execution and delivery of this Official Statement by the Executive Director has been duly authorized by the Stanton Redevelopment Agency.

STANTON REDEVELOPMENT AGENCY

By: /s/ Carol Jacobs
Executive Director

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

SUMMARY OF INDENTURE RELATING TO SERIES A BONDS

The following is a brief summary of certain provisions of the Indenture of Trust dated as of March 1, 2011, between the Agency and the Trustee, relating to the Series A Bonds. This Summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Definitions

Except as otherwise defined in this Summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this Summary:

“Additional Revenues” means, as of the date of calculation, the amount of Housing Tax Revenues which, as shown in the report of an Independent Financial Consultant, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made as a result of increase in the assessed valuation of taxable property in the Project Area due to the completion of construction which is not yet reflected on the tax rolls, or due to transfer of ownership or any other interest in real property which has been recorded but which is not yet reflected on the tax rolls.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes.

“Bond Year” means any twelve-month period beginning on December 2 in any year and extending to the next succeeding December 1, both dates inclusive; except that the first Bond Year begins on the Closing Date and ends on December 1, 2011.

“Business Day” means a day of the year (other than a Saturday or Sunday) on which banks in California are not required or permitted to be closed, and on which the New York Stock Exchange is open.

“City” means the City of Stanton, a municipal corporation organized and existing under the laws of the State of California.

“Closing Date” means the date on which the Series A Bonds are originally issued by the Agency.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the Series A Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Series A Bonds; and any other cost, charge or fee in connection with the original issuance of the Series A Bonds.

“County” means the County of Orange, a county duly organized and existing under the Constitution and laws of the State of California.

“Debt Service Fund” means the fund by that name established and held by the Trustee under the Indenture.

“Event of Default” means any of the events described as such in the Indenture.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

“Fiscal Year” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the Agency as its official fiscal year period.

“Housing Fund” means the fund by that name established and held by the Agency under Section 33334.3 of the Redevelopment Law.

“Housing Tax Revenues” means all of the Tax Revenues which the Agency is obligated to deposit into the Low and Moderate Income Housing Fund following the Closing Date under Section 33334.2 of the Redevelopment Law.

“Independent Redevelopment Consultant” means any consultant or firm of such consultants appointed by or acceptable to the Agency and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of redevelopment projects; (b) is in fact independent and not under domination of the Agency; (c) does not have any substantial interest, direct or indirect, with the Agency; and (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Interest Account” means the account by that name established and held by the Trustee as an account within the Debt Service Fund.

“Maximum Annual Debt Service” means, with respect to Series A Bonds and any Parity Debt, the largest amount of principal (including principal coming due and payable

by operation of mandatory sinking fund redemption) and interest coming due with respect to all such Series A Bonds and Parity Debt during the current or any future Bond Year. For purposes of such calculation, there shall be excluded a pro rata portion of each installment of principal of any Parity Debt, together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Parity Debt are deposited in an escrow fund from which amounts may not be released to the Agency unless the Housing Tax Revenues for the current Fiscal Year at least equal 135% of the amount of Maximum Annual Debt Service.

“Owner” means, with respect to any Series A Bond, the person in whose name the ownership of such Series A Bond is registered on the registration books of the Trustee.

“Original Area” means the redevelopment project described in the Redevelopment Plan which was adopted for the Community Development Project pursuant to Ordinance No. 582 adopted by the City Council of the City on December 13, 1983.

“Parity Debt” means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency on a parity with the Series A Bonds under the Indenture.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) Obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.
- (c) Obligations of any agency, department or instrumentality of the United States of America which are rated A or better by S&P.
- (d) Interest-bearing deposit accounts (including certificates of deposit) in federal or State of California chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (e) Commercial paper rated “A-1+” or better by S&P.
- (f) Federal funds or bankers acceptances with a maximum term of one year of any bank which have an unsecured, uninsured and unguaranteed obligation rating of “A-1+” or better by S&P.

- (g) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services.
- (h) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).
- (i) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P.
- (j) Bonds or notes issued by any state or municipality which are rated A or better by S&P.
- (k) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event either of such ratings at any time falls below A.
- (l) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

“Plan Limitations” means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate amount of taxes which may be divided and allocated to the Agency under the Redevelopment Plan, (b) the period of time for establishing or incurring indebtedness payable from tax increment revenues, and (c) the period of time for collection of tax increment revenues and repayment of Agency indebtedness from tax increment revenues.

“Principal Account” means the account by that name established and held by the Trustee as an account within the Debt Service Fund.

“Qualified Housing Projects” means programs, projects and activities which increase, improve and preserve the City’s supply of low- and moderate-income housing available at affordable housing cost to persons and families of low or moderate income, which meet all applicable requirements of Sections 33334.2 and 33334.3 of the Redevelopment Law.

“Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance

company and deposited with the Trustee in accordance with the Indenture, provided that all of the following requirements are met:

- (a) at the time of issuance the long-term credit rating of such bank or insurance company is AA or better by S&P;
- (b) such letter of credit or surety bond has a term of at least 12 months;
- (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; and
- (d) the Trustee is authorized under the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required to be made from such accounts.

“Redevelopment Law” means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the Health and Safety Code of the State, as amended from time to time.

“Redevelopment Plan” means the redevelopment plan for the Stanton Consolidated Redevelopment Project, approved by Ordinance No. 903 enacted by the City Council of the City on November 23, 2004, together with all other amendments thereof duly enacted under the Redevelopment Law.

“Redevelopment Project” means the undertaking of the Agency under the Redevelopment Plan and the Redevelopment Law for the redevelopment of the Merged Project Area.

“Reserve Requirement” means, as of the date of any calculation, the amount of Maximum Annual Debt Service on all of the Outstanding Series A Bonds and Parity Debt.

“S&P” means Standard & Poor’s Ratings Corporation, its successors and assigns.

“Tax Revenues” means all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date, under Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California and as provided in the Redevelopment Plan, including all other payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations; *provided, however*, that Tax Revenues shall not include:

- (a) all amounts of such taxes required to be deposited into the Housing Fund of the Agency in any Fiscal Year under Sections 33334.2 and 33334.3 of the Redevelopment Law, except to the extent permitted under the Law to be applied to the payment of the principal of and interest and premium (if any) on any Parity Debt;

- (b) all amounts payable (except to the extent subordinated to the Series A Bonds) by the Agency to affected taxing agencies under the Tax Sharing Agreements; and
- (c) all amounts payable by the Agency under Sections 33607.5 and 33607.7 of the Redevelopment Law, to the extent not subordinated to the payment of principal and interest on the Series A Bonds.

“Tax Sharing Agreements” means, collectively:

- (a) the Agreements dated January 31, 1984, July 14, 1987 and April 22, 1992, between the Orange County Water District and the Agency;
- (b) the Agreements dated February 9, 1984 and June 22, 1992, between the Anaheim Union High School District and the Agency;
- (c) the Agreements dated February 28, 1984 and July 1, 1987 between the County of Orange, the Orange County Flood Control District, the Orange County Harbors, Beaches and Parks District, the Agency and the City;
- (d) the Agreement dated September 22, 1992, between the County of Orange, the Orange County Flood Control District, the Orange County Harbors, Beaches and Parks County Service Area #26, the County of Orange Public Library and the Agency;
- (e) the Agreements, each dated June 22, 1992, between the Agency and the County Sanitation District No. 3 of Orange County, Coast Community College District, North Orange County Community College District, the Orange County Superintendent of Schools, Savanna School District and Magnolia School District, respectively; and
- (f) the Agreement dated November 1992, between the Agency and Garden Grove Unified School District.

Establishment of Funds; Flow of Funds

Costs of Issuance Fund. A portion of the proceeds of the Series A Bonds will be deposited by the Trustee in the Costs of Issuance Fund on the Closing Date. Amounts in the Costs of Issuance Fund will be disbursed to pay Costs of Issuance from time to time upon receipt of written requests of the Agency. On June 1, 2011, the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Project Fund, and the Trustee shall thereupon close the Costs of Issuance Fund.

Project Fund. The Indenture establishes the Project Fund to be held by the Trustee. Amounts on deposit in the Project Fund shall be derived solely from the proceeds of the Series A Bonds deposited therein on the Closing Date, from amounts transferred for that purpose from the Costs of Issuance Fund as described above, and from earnings on the investment and reinvestment of amounts in the Project Fund.

Amounts in the Project Fund shall be used solely in the manner provided by the Redevelopment Law to provide financing for Qualified Housing Projects, subject to the limitations set forth in the Indenture. Upon the completion by the Agency of the purposes for which moneys the Project Fund are intended to be applied, evidenced by a written certificate of the Agency to that effect filed with the Trustee, any remaining amounts in the Project Fund shall be transferred to the Agency and applied for any lawful purposes, including but not limited to the payment or redemption of Outstanding Series A Bonds.

Housing Fund; Deposit of Housing Tax Revenues. The Agency has previously established the Housing Fund under Section 33334.3 of the Redevelopment Law. The Agency shall continue to hold the Housing Fund so long as any of the Series A Bonds remain outstanding under the Indenture. The Agency shall deposit all of the Housing Tax Revenues received in any Bond Year in the Housing Fund promptly upon receipt thereof by the Agency, until such time during that Bond Year as the amounts on deposit in the Housing Fund equal (a) the aggregate amounts required to be transferred to the Trustee in such Bond Year for deposit into the Interest Account and the Principal Account, and (b) the aggregate amounts required to be transferred in such Bond Year for deposit into the funds and accounts established with respect to Parity Debt. All Housing Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Housing Fund during such Bond Year will be released from the pledge and lien of the Indenture for the security of the Series A Bonds.

If the amounts on deposit in the Housing Fund are at any time insufficient to enable the Agency to make transfers as required hereunder to pay the principal of and interest on the Series A Bonds and all outstanding Parity Debt in full when due, or to replenish the Reserve Account and the reserve accounts established for Parity Debt, the Agency shall make such transfers on a pro rata basis with respect to each issue of the Series A Bonds and Parity Debt, without preference or priority among the Series A Bonds and all outstanding Parity Debt.

Debt Service Fund. The Trustee will establish and hold the Debt Service Fund. In addition to the transfers required to be made from the Housing Fund for the payment of principal of and interest and premium (if any) on any Parity Debt, the Agency will transfer amounts on deposit in the Housing Fund to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Debt Service Fund, in the following order of priority:

- (a) Interest Account. On or before the 5th Business Day preceding each date on which interest on the Series A Bonds is due and payable, the Agency shall withdraw from the Housing Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the aggregate amount of the interest coming due and payable on the outstanding Series A Bonds on that date. The Trustee shall apply amounts in the Interest Account solely for the purpose of paying the interest on the Series A Bonds when due and payable.
- (b) Principal Account. On or before the 5th Business Day preceding each date on which principal of the Series A Bonds is due and

payable at maturity or upon mandatory sinking fund redemption, the Agency shall withdraw from the Housing Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the amount of principal coming due and payable on that date on the outstanding Series A Bonds, including the aggregate principal amount of the Term Series A Bonds which are subject to mandatory sinking fund redemption on that date. The Trustee shall apply amounts in the Principal Account solely for the purpose of paying the principal of the Series A Bonds at the maturity thereof or upon mandatory sinking fund redemption.

- (c) Reserve Account. If the Trustee has actual knowledge that the amount on deposit in the Reserve Account at any time falls below the Reserve Requirement, the Trustee shall promptly notify the Agency of such fact. Upon receipt of any such notice, the Agency shall transfer to the Trustee an amount of available Housing Tax Revenues sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. The Trustee shall apply amounts in the Reserve Account solely (i) for the purpose of making transfers to the Interest Account and the Principal Account, in that order of priority, on any date on which the principal of or interest on the Series A Bonds and any Parity Debt are due and payable, if there is a deficiency at any time in any of such accounts, or (ii) at any time for the retirement of all the Series A Bonds and Parity Debt then outstanding. So long as no Event of Default has occurred and is continuing, the Trustee shall withdraw any amount in the Reserve Account in excess of the Reserve Requirement on the Business Day preceding each Interest Payment Date and deposit such amount in the Interest Account.

On the date on which all of the outstanding Series A Bonds or Parity Debt mature or are scheduled to be redeemed, the Agency may (but is not required to) direct that the Trustee apply amounts in the Reserve Account to pay the principal or redemption price of the Series A Bonds or Parity Debt on that date. Any amounts remaining in the Reserve Account following payment or redemption of the outstanding Series A Bonds and Parity Debt in full shall be withdrawn therefrom by the Trustee and paid to the Agency (or to the City, if so directed in writing by the Agency) to be used for any lawful purposes.

Deposit of Qualified Reserve Account Credit Instrument

The Agency may at any time direct the Trustee to substitute a Qualified Reserve Account Credit Instrument for any cash on deposit in the Reserve Account (if the Reserve Requirement is maintained in the form of cash) and to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee the following:

- (a) a Qualified Reserve Account Credit Instrument, and

- (b) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Series A Bonds to become included in gross income for purposes of federal income taxation.

Upon tender of these items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee will transfer such funds from the Reserve Account to the Agency to be used for any lawful purposes. The Trustee must comply with all documentation relating to a Qualified Reserve Account Credit Instrument as required to maintain the Qualified Reserve Account Credit Instrument in full force and effect and as shall required to receive payments thereunder. Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency must either (1) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (2) deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Housing Tax Revenues.

Investment of Funds

Amounts held by the Trustee in the funds and accounts established under the Indenture will be invested by the Trustee in Permitted Investments specified in the Indenture and in the written request of the Agency. In the absence of any such direction from the Agency, the Trustee will invest such amounts solely in Permitted Investments consisting of money market funds or will hold such amounts in uninvested cash. All moneys in the Housing Fund will be invested by the Agency in any investments in which the Agency is legally authorized to invest funds within its control. All interest or gain derived from the investment of amounts in any fund or account will be retained therein; provided, that all interest or gain from the investment of amounts in the Reserve Account will be deposited by the Trustee in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement.

Issuance of Subordinate Debt

The Agency may from time to time issue its bonds, notes or other obligations which are unsecured or secured by a pledge and lien on the Housing Tax Revenues which is subordinate to the pledge and lien which secure the Series A Bonds and Parity Debt, in such principal amount as the Agency may determine, provided that the issuance of such bonds, notes or other obligations does not cause the Agency to exceed any applicable Plan Limitations.

Other Covenants of the Agency

Punctual Payment. The Agency agrees punctually to pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Series A Bonds and Parity Debt in strict conformity with the terms of the Indenture.

Limitation on Additional Indebtedness. The Agency agrees that so long as any of the Series A Bonds remain outstanding, the Agency will not issue any bonds, notes or other obligations which are otherwise secured on a basis which is senior to the pledge and lien which secures the Series A Bonds. The Agency agrees that it will not issue any

bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Housing Tax Revenues, excepting only, any Parity Debt and any Subordinate Debt.

Compliance with Plan Limitations. The Agency shall not take any action, including but not limited to the issuance of its bonds, notes or other obligations, which causes or which, with the passage of time, would cause any of the Plan Limitations to be exceeded or violated. The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Housing Tax Revenues available under the Plan Limitations in the amounts and at the times required to enable the Agency to pay the principal of and interest on the Series A Bonds and any Parity Debt when due.

The Agency shall calculate annually the aggregate amount of Housing Tax Revenues which it remains entitled to receive under the Plan Limitations. If the aggregate amount of Housing Tax Revenues which the Agency is permitted to receive under the Plan Limitations, plus the amount then held on deposit in any fund or account which is set aside by the Agency to make its payments hereunder and the earnings which are reasonably expected to accrue thereon, is at any time less than 105% of the aggregate amount of debt service on all outstanding Series A Bonds and any Parity Debt, the Agency shall either (a) deposit with the Trustee an amount of Housing Tax Revenues sufficient to redeem the Series A Bonds in such aggregate principal amount as shall be required to cause the Agency to meet such requirements, or (b) set aside with the Trustee or into a dedicated fund or account to be held by the Agency an amount of Housing Tax Revenues which, together with earnings to be derived from the investment thereof, will be sufficient to enable the Agency to meet such requirements, or (c) decline to accept Housing Tax Revenues from the County in an amount sufficient to enable the Agency to meet such requirements.

Payment of Claims. The Agency will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Housing Tax Revenues or any part thereof, or upon any funds held by the Trustee, or which might impair the security of the Series A Bonds.

Books and Accounts, Financial Statements. The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries are made of all transactions relating to the Redevelopment Project, the Tax Revenues, the Housing Tax Revenues, the Project Fund and the Housing Fund. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee and the Owners of not less than 10% in aggregate principal amount of the Series A Bonds then outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared annually, within 180 days after the close of each Fiscal Year so long as any of the Series A Bonds are outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, the Housing Tax Revenues, all disbursements from the Housing Fund and the Project Fund, and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Agency will furnish a copy of such statements, upon

reasonable request, to the Trustee and any Series A Bond Owner. The Trustee has no duty to review any such financial statement.

Protection of Security and Rights of Owners. The Agency will preserve and protect the security of the Series A Bonds and the rights of the Owners. From and after the date of issuance of any Series A Bonds, the Series A Bonds will be incontestable by the Agency.

Payments of Taxes and Other Charges. The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Merged Project Area, when the same shall become due.

Maintenance of Tax Revenues. The Agency will comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and the State of California. The Agency will not amend the Redevelopment Plan in any manner which would have the effect of reducing the amount of Tax Revenues unless the Agency shall first obtain the Report of an Independent Redevelopment Consultant stating that the Housing Tax Revenues remaining after such amendment, estimated to be received in each of the three succeeding Bond Years are at least equal to 135% of Annual Debt Service; provided that for all Bond Years ending subsequent to the final date that the Agency is authorized to receive Tax Revenues with respect to the Original Area component of the Project Area under the then current limitation contained in the Redevelopment Plan for such component, such percentage shall be adjusted to the lesser of either (a) 150% of Annual Debt Service, or (b) 125% of Annual Debt Service if the base year assessed value of the Original Area component of the Project Area is less than 30% of the total assessed value of the Stanton 2000 Redevelopment Project component of the Project Area.

Limitation on Disposition of Property. The Agency will not participate in the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Indenture) so that such disposition shall, when taken together with other such dispositions, cause the amount of Housing Tax Revenues to be received in the succeeding Fiscal Year to fall below 135% of Annual Debt Service in any Bond Year; provided that for all Bond Years ending subsequent to the final date that the Agency is authorized to receive Tax Revenues with respect to the Original Area component of the Project Area under the then current limitation contained in the Redevelopment Plan for such component, such percentage shall be adjusted to the lesser of either (a) 150% of Annual Debt Service, or (b) 125% of Annual Debt Service if the base year assessed value of the Original Area component of the Project Area is less than 30% of the total assessed value of the Stanton 2000 Redevelopment Project component of the Project Area.

Amendment of Indenture

The Indenture may be amended at any time with the written consents of the Owners of a majority in aggregate principal amount of the outstanding Bonds. No such amendment may (a) extend the maturity of or reduce the interest rate on any Series A Bond or otherwise alter or impair the obligation of the Agency to pay the principal or interest at the time and place and at the rate and in the currency provided therein of any Series A Bond without the express written consent of the Owner of such Series A Bond, (b) reduce the percentage of Series A Bonds required for the written consent to any such amendment, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

The Indenture may also be amended at any time without the consent of any Series A Bond Owners, to the extent permitted by law, but only for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Agency contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the Agency;
- (ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in the Indenture, or in any other respect whatsoever as the Agency deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the Agency and the Trustee;
- (iii) to provide for the issuance of Parity Debt, and to provide the terms and conditions under which such Parity Debt are issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of the Indenture; or
- (iv) to provide for the issuance of a Qualified Reserve Account Credit Instrument, including but not limited to provisions securing such Qualified Reserve Account Credit Instrument and providing for the repayment of any draws made thereunder.

Events of Default and Remedies

Events of Default Defined. The following events constitute events of default under the Indenture:

- (a) Failure to pay any installment of the principal of or redemption premium (if any) on any Series A Bonds when and as the same become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

- (b) Failure to pay any installment of interest on any Series A Bonds when and as the same become due and payable.
- (c) Failure by the Agency to observe and perform any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Series A Bonds, if such failure continues for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, is given to the Agency by the Trustee; *provided, however*, if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if corrective action is instituted by the Agency within such 30-day period and the Agency thereafter diligently and in good faith cures such failure in a reasonable period of time.
- (d) The Agency commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence of an event of default under and as defined in the instruments authorizing the issuance of any Parity Debt.

Remedies. Upon the occurrence and during the continuance of any event of default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Series A Bonds at the time outstanding the Trustee shall, (a) upon notice in writing to the Agency, declare the principal of all of the Series A Bonds then outstanding, and the interest accrued thereon, to be due and payable immediately, of (b) enforce any rights of the Trustee under or with respect to the Indenture. The Trustee is irrevocably appointed as Trustee and lawful attorney-in-fact of the Owners of the Series A Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Series A Bonds, the Indenture and applicable provisions of any law.

Limitation on Series A Bond Owners' Right to Sue. No Series A Bond Owner has the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Indenture, unless:

- (a) such Owner has previously given to the Trustee written notice of the occurrence of an event of default;
- (b) the Owners of a majority in aggregate principal amount of all the Series A Bonds then outstanding have requested the Trustee in writing to exercise its powers under the Indenture;
- (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by the Trustee and said tender of indemnity is made to the Trustee.

Defeasance of Series A Bonds

The Agency may pay and discharge the indebtedness on any or all of the outstanding Series A Bonds by irrevocably depositing with the Trustee or another fiduciary, in trust, Federal Securities in such amount as an independent consultant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under the Indenture, be fully sufficient to pay and discharge the indebtedness on such Series A Bonds (including all principal and interest) at maturity. Upon such deposit, the pledge of the Housing Tax Revenues and other funds provided for in the Indenture, and all other obligations of the Agency under the Indenture, will cease and terminate, except only the obligation of the Agency to pay or cause to be paid to the Owners of such Series A Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose. Any funds thereafter held by the Trustee, which are not required for said purposes, will be paid over to the Agency.

SUMMARY OF INDENTURE RELATING TO SERIES B BONDS

The following is a brief summary of certain provisions of the Indenture of Trust, dated as of July 1, 2005, between the Agency and the Trustee, as supplemented by a Second Supplement to Indenture of Trust dated as of March 1, 2011, between the Agency and the Trustee, relating to the Series B Bonds. This Summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Definitions

Except as otherwise defined in this Summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this Summary:

“Additional Revenues” means, as of the date of calculation, the amount of Tax Revenues which, as shown in the report of an Independent Financial Consultant, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made as a result of increase in the assessed valuation of taxable property in the Project Area due to the completion of construction which is not yet reflected on the tax rolls, or due to transfer of ownership or any other interest in real property which has been recorded but which is not yet reflected on the tax rolls.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year upon the maturity or mandatory Sinking Account redemption thereof.

“Bond Counsel” means any attorney or firm of attorneys appointed by or acceptable to the Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Year” means any twelve-month period beginning on December 2 in any year and extending to the next succeeding December 1, both dates inclusive.

“Bonds” means, collectively, the 2005 Bonds, the 2010 Bonds, the Series B Bonds and any Parity Debt.

“Business Day” means a day of the year (other than a Saturday or Sunday) on which banks in California or the city where the Office is located, are not required or permitted to be closed, and on which the New York Stock Exchange is open.

“Certificate of the Agency” means a certificate in writing signed by the Chairman, Executive Director, Treasurer or Secretary of the Agency or any other officer of the Agency duly authorized by the Agency for that purpose.

“City” means the City of Stanton, a municipal corporation organized and existing under the Constitution and laws of the State of California.

“Closing Date” means the date on which the Series B Bonds are delivered by the Agency to the Original Purchaser.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the Series B Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; and any other cost, charge or fee in connection with the original issuance of the Series B Bonds.

“County” means the County of Orange, a county duly organized and existing under the Constitution and laws of the State of California.

“Defeasance Obligations” mean:

- (a) cash (insured at all times by the Federal Deposit Insurance Corporation); or
- (b) direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody’s (or any combination of the foregoing).

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit or bankers’ acceptance that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Agency and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Second Supplement” means the Second Supplement to Indenture of Trust dated as of March 1, 2011, between the Agency and the Trustee, which supplements and amends the Indenture in certain respects, including for the purpose of providing the terms and conditions relating to the issuance of the Series B Bonds.

“Fiscal Year” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month

period selected and designated by the Agency as its official fiscal year period under a Certificate of the Agency filed with the Trustee.

“Independent Accountant” means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State of California, appointed by or acceptable to the Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency; and (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Independent Redevelopment Consultant” means any consultant or firm of such consultants appointed by or acceptable to the Agency and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of redevelopment projects; (b) is in fact independent and not under domination of the Agency; (c) does not have any substantial interest, direct or indirect, with the Agency other than as the Original Purchaser; and (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Low and Moderate Income Housing Fund” means the fund of the Agency by that name established under Section 33334.3 of the Redevelopment Law.

“Maximum Annual Debt Service” means, as of the date of calculation, the largest amount of Annual Debt Service on all Outstanding Bonds for the current or any future Bond Year. For purposes of such calculation, there shall be excluded a pro rata portion of each installment of principal of any Parity Debt, together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Parity Debt are deposited in an escrow fund from which amounts may not be released to the Agency unless the Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County) at least equal to 135% of the amount of Maximum Annual Debt Service in any Bond Year for Fiscal Years ending prior to December 1, 2022 and 160% of the amount of Maximum Annual Debt Service in any Bond Year for Fiscal Years ending subsequent to December 1, 2022.

“Original Purchaser” means E. J. De La Rosa & Co., Inc., as original purchaser of the Series B Bonds upon the negotiated sale thereof.

“Outstanding”, when used as of any particular time with reference to Bonds, means (subject to the Indenture) all Bonds except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of the Indenture; (c) Bonds in lieu of or in substitution for which other Bonds have been authorized, executed, issued and delivered by the Agency.

“Owner” means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Parity Debt” means any loans, bonds, notes, advances or other indebtedness payable from the Tax Revenues on parity with the Bonds and issued or incurred under and in accordance with the provisions of the Indenture.

“Permitted Investments” means, with respect to the investment of amounts held by the Trustee representing the proceeds of the Series B Bonds, any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities.
- (b) Obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.
- (c) Obligations of any agency, department or instrumentality of the United States of America which are rated A or better by S&P.
- (d) Interest-bearing deposit accounts (including certificates of deposit) in federal or State of California chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (e) Commercial paper rated “A-1+” or better by S&P.
- (f) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “A-1+” or better by S&P.
- (g) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services.
- (h) Obligations the interest on which is excludable from gross income under Section 103 of the Tax Code and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).
- (i) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P.
- (j) Bonds or notes issued by any state or municipality which are rated A or better by S&P.
- (k) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event such rating at any time falls below A.

- (l) The Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

“Plan Limitations” means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of indebtedness payable from Tax Revenues which may be outstanding at any time, (b) the aggregate amount of taxes which may be divided and allocated to the Agency under the Redevelopment Plan, and (c) the period of time for repaying indebtedness payable from Tax Revenues.

“Project Area” means the project area described in the Redevelopment Plan.

“Redevelopment Plan” means the Redevelopment Plan for the Stanton Consolidated Redevelopment Project, approved by Ordinance No. 903 enacted by the City Council of the City on November 23, 2004, together with any amendments thereof at any time duly enacted under the Redevelopment Law.

“Redevelopment Project” means the undertaking of the Agency to redevelop the Project Area in accordance with the Redevelopment Plan.

“Reserve Requirement” means, as of the date of any calculation, the lesser of (a) Maximum Annual Debt Service on the Bonds, or (b) ten percent (10%) of the original principal amount of the Bonds, or (c) 125 percent of average Annual Debt Service on the Bonds.

“S&P” means Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies, its successors and assigns.

“Special Fund” means the fund by that name established and held by the Trustee under the Indenture.

“Subordinate Debt” means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency in accordance with the Indenture, which are either: (i) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (ii) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues for the security of the Bonds.

“Supplemental Indenture” means any resolution, indenture, agreement or other instrument which amends, supplements or modifies the Indenture and which has been duly adopted or entered into by the Agency; but only if and to the extent that such Supplemental Indenture is specifically authorized.

“Tax Revenues” means all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date, under Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California and as provided in the Redevelopment Plan, including all other payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations; *provided, however*, that Tax Revenues shall not include:

- (a) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year under Sections 33334.2 and 33334.3 of the Redevelopment Law, except to the extent permitted under the Law to be applied to the payment of the principal of and interest and premium (if any) on any Parity Bonds;
- (b) all amounts payable (except to the extent subordinated to the Bonds) by the Agency to affected taxing agencies under the Tax Sharing Agreements; and
- (c) all amounts payable by the Agency under Sections 33607.5 and 33607.7 of the Redevelopment Law, to the extent not subordinated to the payment of principal and interest on the Bonds.

“Tax Sharing Agreements” means, collectively:

- (a) the Agreements dated January 31, 1984, July 14, 1987 and April 22, 1992, between the Orange County Water District and the Agency;
- (b) the Agreements dated February 9, 1984 and June 22, 1992, between the Anaheim Union High School District and the Agency;
- (c) the Agreements dated February 28, 1984 and July 1, 1987 between the County of Orange, the Orange County Flood Control District, the Orange County Harbors, Beaches and Parks District, the Agency and the City;
- (d) the Agreement dated September 22, 1992, between the County of Orange, the Orange County Flood Control District, the Orange County Harbors, Beaches and Parks County Service Area #26, the County of Orange Public Library and the Agency;
- (e) the Agreements, each dated June 22, 1992, between the Agency and the County Sanitation District No. 3 of Orange County, Coast Community College District, North Orange County Community College District, the Orange County Superintendent of Schools, Savanna School District and Magnolia School District, respectively; and
- (f) the Agreement dated November 1992, between the Agency and Garden Grove Unified School District.

“2005 Bond Insurer” means Financial Guaranty Insurance Company, a New York stock insurance company, doing business in California as FGIC Insurance Company or any successor thereto, as insurer of the 2005 Bonds.

“2005 Bonds” means, collectively:

- (a) the Stanton Consolidated Redevelopment Project Taxable Tax Allocation Bonds in the aggregate original principal amount of \$16,500,000; and
- (b) the Stanton Consolidated Redevelopment Project Tax Allocation Bonds in the aggregate original principal amount of \$10,000,000.

“2010 Bond Insurer” means Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.), a New York stock insurance company, or any successor thereto or assignee thereof, as insurer of the 2010 Bonds.

“2010 Bonds” means the Stanton Consolidated Redevelopment Project Tax Allocation Bonds, 2010 Series A issued by the Agency in the aggregate principal amount of \$25,280,000 under the 2005 Bond Indenture, as supplemented by a First Supplement to Indenture of Trust dated as of October 1, 2010.

“2011 Reserve Requirement” means an amount required to cause the balance on deposit in the Reserve Account, including amounts on deposit in all of the subaccounts within the Reserve Account, to equal the amount of Maximum Annual Debt Service on all of the outstanding Bonds.

Establishment of Funds and Accounts; Flow of Funds

2011 Costs of Issuance Fund. The Second Supplement establishes a separate fund to be known as the “2011 Costs of Issuance Fund”, to be held by the Trustee in trust. The Trustee shall disburse moneys in the 2011 Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission of a written request of the Agency stating (a) the person to whom payment is to be made, (b) the amounts to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the 2011 Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior written request of the Agency; in each case together with a statement or invoice for each amount requested thereunder. On June 1, 2011, the Trustee shall transfer any amounts remaining in the 2011 Costs of Issuance Fund to the Agency for deposit in the Redevelopment Fund.

Redevelopment Fund. The Second Supplement establishes a separate fund to be held by the Trustee, to be known as the “Redevelopment Fund”. Amounts on deposit in the Redevelopment Fund shall be derived solely from the proceeds of the Series B Bonds deposited therein on the Closing Date and from amounts transferred from the 2011 Costs of Issuance Fund as described above. The Trustee shall also deposit in the Redevelopment Fund all earnings on the investment and reinvestment of amounts therein. Amounts in the Redevelopment Fund shall be used solely in the manner provided by the Redevelopment Law and the Redevelopment Plan to provide financing for the Redevelopment Project, subject to the limitations set forth in the Indenture.

Amounts on deposit in the Redevelopment Fund will be disbursed by the Trustee for the foregoing purposes upon the receipt of written requests of the Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Redevelopment Fund. Upon the completion by the Agency of the purposes for which moneys the Redevelopment Fund are intended to be applied, evidenced by a certificate of the Agency to that effect filed with the Trustee, any remaining amounts in the Redevelopment Fund will be transferred to the Agency and applied for any lawful purposes, including but not limited to the payment or redemption of Outstanding Bonds. Upon the disbursement of all amounts from the Redevelopment Fund, the Trustee will close the Redevelopment Fund.

Special Fund; Deposit of Tax Revenues. The Agency will transfer all of the Tax Revenues received in any Bond Year to the Trustee for deposit in the Special Fund promptly

upon receipt thereof by the Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund equals the amounts required to be deposited in such Bond Year into the Interest Account, the Principal Account, the Sinking Account, the Reserve Account, and the Redemption Account in such Bond Year under the Indenture and in any Supplemental Indenture authorizing the issuance of Parity Debt. All Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund for the Bonds during such Bond Year under the preceding paragraph will be released from the pledge and lien which secures the Bonds and may be applied by the Agency for any lawful purpose.

The Trustee will transfer moneys in the Special Fund in the following amounts, at the following times, in the following respective special accounts and sub-accounts within the Special Fund, in the following order of priority:

Interest Account. On or before the 5th Business Day preceding each date on which interest on the Bonds becomes due and payable, the Trustee will withdraw from the Special Fund and deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such date. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it comes due (including accrued interest on any Bonds purchased or redeemed prior to maturity under the Indenture).

Principal Account. On or before the 5th Business Day preceding each date on which principal of the Bonds becomes due and payable at maturity, the Trustee will withdraw from the Special Fund and deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, is equal to the amount of principal coming due and payable on such date on the Outstanding Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds upon the maturity thereof.

Sinking Account. On or before the 5th Business Day preceding each date on which any term Bonds become subject to mandatory Sinking Account redemption, the Trustee will withdraw from the Special Fund and deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, is equal to the aggregate principal amount of the term Bonds subject to mandatory Sinking Account redemption on such date. All moneys on deposit in the Sinking Account will be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Term Bonds when due upon the mandatory Sinking Account redemption thereof.

Reserve Account. The Reserve Account is required to be maintained in separate accounts which are established for each issue of Bonds. If the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee will promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency is required to transfer to the Trustee an amount of Tax Revenues sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. Amounts in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account, the Principal Account and the Sinking Account, in such order of

priority, on any date which the principal of or interest on the Bonds becomes due, in the event of any deficiency at any time in any of such accounts, or at any time for the retirement of all the Bonds then Outstanding. So long as no Event of Default has occurred and is continuing, any amount in the Reserve Account in excess of the Reserve Requirement on the 2nd Business Day preceding each Interest Payment Date will be withdrawn from the Reserve Account by the Trustee and deposited in the Interest Account.

The Reserve Account may be maintained in the form of one or more additional separate Accounts which are established for the purpose of holding the proceeds of separate issues of the Bonds in conformity with applicable provisions of the Tax Code. Under the Second Supplement, there is established a separate subaccount within the Reserve Account, to be known as the "Series B Bond Reserve Subaccount", which will be held by the Trustee as a subaccount within the Reserve Account and which constitutes part of the Reserve Account for all purposes of the Indenture. The Agency covenants to maintain an amount equal to the 2010 Reserve Requirement in the Series B Bond Reserve Subaccount at all times so long as any of the Series B Bonds remain Outstanding.

Redemption Account. On or before the 5th Business Day preceding any date on which Bonds are subject to redemption, other than mandatory Sinking Account redemption of term Bonds, the Trustee will withdraw from the Special Fund and deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be so redeemed on such date. All moneys in the Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds upon the redemption thereof, on the date set for such redemption, other than mandatory Sinking Account redemption of term Bonds.

Deposit of Qualified Reserve Account Credit Instrument

The Agency has the right at any time, with the prior written consent of the 2005 Bond Insurer and the 2010 Bond Insurer, to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (1) a Qualified Reserve Account Credit Instrument approved in writing by the 2005 Bond Insurer and the 2010 Bond Insurer, and (2) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account, the Trustee shall transfer such funds from such Reserve Account to the Agency free and clear of the lien of the Indenture to be used for any lawful purpose and with respect to the release of funds from the Reserve Account, used in accordance with the Indenture. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be reasonably required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture. Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency will either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii)

deposit or cause to be deposited with the Trustee an amount of funds equal to the applicable Reserve Requirement, to be derived from the first Tax Revenues.

The term “Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit, insurance policy or surety bond issued by a commercial bank or insurance company and deposited with the Trustee under the Indenture, provided that such letter of credit, insurance policy or surety bond and the issuer thereof are acceptable to the 2005 Bond Insurer and the 2010 Bond Insurer, and provided further all of the following requirements are met at the time of acceptance thereof by the Trustee:

- (a) A surety bond or insurance policy issued to the Trustee, as agent of the Owners, by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Bonds (a “municipal bond insurer”) may be deposited in the Reserve Account to meet the Reserve Requirement if the claims paying ability of the issuer thereof shall be rated “AAA” or “Aaa” by S&P or Moody’s, respectively.
- (b) A surety bond or insurance policy issued to the Trustee, as agent of the Owners, by an entity other than a municipal bond insurer may be deposited in the Reserve Account to meet the Reserve Requirement if the form and substance of such instrument and the issuer thereof shall be approved by the 2005 Bond Insurer and the 2010 Bond Insurer.
- (c) An unconditional irrevocable letter of credit issued to the Trustee, as agent of the Owners, by a bank may be deposited in the Reserve Account to meet the Reserve Requirement if the issuer thereof is rated at least “AA” by S&P. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify the Agency and the Trustee, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.
- (d) If such notice indicates that the expiration date shall not be extended, the Agency shall deposit in the Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the Reserve Account together with any other Qualified Reserve Account Credit Instruments, to equal the Reserve Requirement on all outstanding Bonds, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the Qualified Reserve Account Credit Instrument is replaced by a Qualified Reserve Account Credit Instrument meeting the requirements in any of (a) - (c) above. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed.
- (e) The use of any Qualified Reserve Account Credit Instrument shall be subject to receipt of an opinion of counsel acceptable to the 2005 Bond

Insurer and the 2010 Bond Insurer, and in form and substance satisfactory to the 2005 Bond Insurer and the 2010 Bond Insurer, as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the 2005 Bond Insurer and the 2010 Bond Insurer. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to the 2005 Bond Insurer and the 2010 Bond Insurer, and in form and substance satisfactory to the 2005 Bond Insurer and the 2010 Bond Insurer, to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the issuer of the bonds (or any other account party under the letter of credit).

- (f) The obligation to reimburse the issuer of a Qualified Reserve Account Credit Instrument for any fees, expenses, claims or draws upon such Qualified Reserve Account Credit Instrument shall be subordinate to the payment of debt service on the Bonds. The right of the issuer of a Qualified Reserve Account Credit Instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Reserve Account, and, subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be on a parity with the cash replenishment of the Reserve Account. The Qualified Reserve Account Credit Instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Qualified Reserve Account Credit Instrument to reimbursement will be further subordinated to cash replenishment of the Reserve Account to an amount equal to the difference between the full original amount available under the Qualified Reserve Account Credit Instrument and the amount then available for further draws or claims. If (a) the issuer of a Qualified Reserve Account Credit Instrument becomes insolvent or (b) the issuer of a Qualified Reserve Account Credit Instrument defaults in its payment obligations thereunder or (c) the claims-paying ability of the issuer of the insurance policy or surety bond falls below a S&P "AAA" or a Moody's "Aaa" or (d) the rating of the issuer of the letter of credit falls below a S&P "AA", the obligation to reimburse the issuer of the Qualified Reserve Account Credit Instrument shall be subordinate to the cash replenishment of the Reserve Account.
- (g) If (i) the revolving reinstatement feature described in the preceding paragraph (f) is suspended or terminated or (ii) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a S&P "AAA" or a Moody's "Aaa" or (iii) the rating of the issuer of the letter of credit falls below a S&P "AA", the Agency shall either (A) deposit into the Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the Reserve Account to equal the Reserve

Requirement on all outstanding Bonds, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (B) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of (a) – (c) above within six months of such occurrence. In the event (i) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below “A” or (ii) the rating of the issuer of the letter of credit falls below “A” or (iii) the issuer of the Qualified Reserve Account Credit Instrument defaults in its payment obligations or (iv) the issuer of the Qualified Reserve Account Credit Instrument becomes insolvent, the Agency shall either (A) deposit into the Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in the Reserve Account to equal to Reserve Requirement on all outstanding Bonds, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (B) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of (a) – (c) above within six months of such occurrence.

- (h) Where applicable, the amount available for draws or claims under the Qualified Reserve Account Credit Instrument may be reduced by the amount of cash or Permitted Investments deposited in the Reserve Account under either clause (A) of the preceding subparagraph g.
- (i) If the Agency chooses the above described alternatives to a cash-funded Reserve Account, any amounts owed by the Agency to the issuer of such credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made under the Indenture for any purpose, e.g., rate covenant or additional bonds test.
- (j) The Trustee shall ascertain the necessity for a claim or draw upon the Qualified Reserve Account Credit Instrument and to provide notice to the issuer of the Qualified Reserve Account Credit Instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Qualified Reserve Account Credit Instrument) prior to each Interest Payment Date.
- (k) Cash on deposit in the Reserve Account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Qualified Reserve Account Credit Instrument. If and to the extent that more than one Qualified Reserve Account Credit Instrument is deposited in the Reserve Account, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

If the Reserve Requirement is at any time maintained in the Reserve Account in the form of a combination of cash and a Qualified Reserve Account Credit Instrument, the Trustee will apply the amount of such cash to make any payment required to be made from such Reserve Account before the Trustee shall draw any moneys under such Qualified Reserve Account

Credit Instrument for such purpose. If the Trustee at any time draw funds under a Qualified Reserve Account Credit Instrument to make any payment then required to be made from the Reserve Account, the Tax Revenues thereafter received by the Trustee, to the extent remaining after making the other deposits (if any) then required to be made under the Indenture, shall be used to reinstate the Qualified Reserve Account Credit Instrument.

Investment of Funds

The Trustee will invest amounts held by it under the Indenture, which are derived from the proceeds of the Series B Bonds, in Permitted Investments specified in the written request of the Agency delivered to the Trustee. In the absence of any such direction from the Agency, the Trustee will invest any such moneys solely in Permitted Investments which constitute money market funds or will hold such moneys in uninvested cash.

Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. Whenever in the Indenture any moneys are required to be transferred by the Agency to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the Indenture shall be retained in the respective fund or account from which such investment was made; *provided, however,* that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. For purposes of acquiring any investments, the Trustee may commingle funds held by it under the Indenture upon receipt by the Trustee of the Request of the Agency. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under the Indenture.

Certain Other Covenants of the Agency

Compliance with Plan Limitations. The Agency agrees that the aggregate amount of debt service remaining to be paid on all Outstanding Bonds and any Parity Debt will at no time exceed 95% of the aggregate amount of Tax Revenues which the Agency is permitted to receive under the Plan Limitations. In the event that the aggregate amount of debt service remaining to be paid on all Outstanding Bonds and any Parity Debt, at any time equals or exceeds 95% of the aggregate amount of Tax Revenues which the Agency is permitted to receive under such Plan Limitations, all Tax Revenues thereafter received by the Agency shall immediately be paid to the Trustee for deposit in the Special Fund to be applied for the sole purpose of paying the principal of, interest and any redemption premium on the Bonds and any Parity Debt either as the same comes due and payable or upon early call and redemption, notwithstanding anything in the Indenture to the contrary.

Limitation on Additional Indebtedness. The Agency covenants that it will not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only additional parity obligations and subordinate obligations as permitted by the Indenture. The Agency will take no action, including but not limited to the issuance of its bonds, notes or other obligations, which causes or which, with the passage of time, would cause any of the Plan Limitations to be exceeded or violated. The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limitations in

the amounts and at the times required to enable the Agency to pay the principal of and interest and premium (if any) on the Bonds when due.

Payment of Claims. The Agency will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Tax Revenues or any part thereof, or upon any funds held by the Trustee under the Indenture, or which might impair the security of the Bonds. Nothing in this covenant requires the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

Books and Accounts; Financial Statements. The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries shall be made of all transactions relating to the Tax Revenues and the Special Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared annually, within 180 days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Special Fund and the financial condition of the Project Area, including the balances in all funds and accounts relating to the Project Area, as of the end of such Fiscal Year. The Agency will furnish a copy of such statements to any Bond Owner upon reasonable request and at the expense of such Owner.

Payments of Taxes and Other Charges. The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may be lawfully imposed upon the Agency or the properties then owned by the Agency in the Project Area, when the same shall become due. Nothing contained in this covenant shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Project Area or any part thereof.

Disposition of Property. The Agency will not participate in the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Indenture) so that such disposition shall, when taken together with other such dispositions, cause the amount of Tax Revenues to be received in the succeeding Fiscal Year to fall below 135% of Maximum Annual Debt Service in any Bond Year for Fiscal Years ending prior to December 1, 2022 and 160% of Maximum Annual Debt Service in any Bond Year for Fiscal Years ending thereafter. If the Agency proposes to make such a disposition, it shall thereupon appoint a reputable Independent Redevelopment Consultant and direct said consultant to report on the effect of said proposed disposition. If the Report of the Independent Redevelopment Consultant concludes that the amount of Tax Revenues (computed in accordance with the Indenture) following such disposition will be at least equal to 135% of Maximum Annual Debt Service in any Bond Year for Fiscal Years ending prior to December 1, 2022 and at least equal to 160% of Maximum Annual Debt Service in any

Bond Year for Fiscal Years ending thereafter, the Agency may thereafter make such disposition; otherwise, the Agency may not approve the proposed disposition.

Maintenance of Tax Revenues. The Agency will comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and the State of California. The Agency will not amend the Redevelopment Plan in any manner which would have the effect of reducing the amount of Tax Revenues unless the Agency shall first obtain the Report of an Independent Redevelopment Consultant stating that the Tax Revenues remaining after such amendment, estimated to be received in each of the three succeeding Bond Years, with respect to Fiscal Years ending prior to December 1, 2022 are at least equal to 135% of Maximum Annual Debt Service on the Bonds during such three Bond Years and, with respect to Fiscal Years ending subsequent to December 1, 2022, are at least equal to 160% of Maximum Annual Debt Service on the Bonds during such three Bond Years.

Amendment of Indenture

The Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without the consent of any Owners but with the consent of the 2005 Bond Insurer and the 2010 Bond Insurer, to the extent permitted by law and only for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the Agency contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved to or conferred upon the Agency; or
- (b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners in the opinion of Bond Counsel;
- (c) to provide for the issuance of Parity Debt under the Indenture, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of the Indenture; or
- (d) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.
- (e) to effectuate the delivery of a Qualified Reserve Account Credit Instrument under the Indenture.

Notwithstanding the foregoing clause (c), the consent of the 2005 Bond Insurer and the 2010 Bond Insurer are not required to any supplement to the Indenture which solely provides

terms and conditions relating to the issuance of Parity Debt in compliance with the provisions of the provisions of the Indenture.

Except as set forth above, the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and the written consent of the 2005 Bond Insurer and the 2010 Bond Insurer, are delivered to the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premium (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Events of Default and Remedies.

Events of Default. Each of the following events shall constitute Events of Default under the Indenture:

- (a) Failure by the Agency to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure by the Agency to pay any installment of interest on any Bonds when and as the same shall become due and payable.
- (c) Failure by the Agency to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Agency by the Trustee; *provided, however*, if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such 30-day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Agency within such 30-day period and the Agency thereafter diligently and in good faith cures such failure in a reasonable period of time.
- (d) The Agency commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Remedies. If an Event of Default has occurred and is continuing, with the prior written consents of the 2005 Bond Insurer and the 2010 Bond Insurer, the Trustee may, and shall if requested in writing by the 2005 Bond Insurer and the 2010 Bond Insurer, or if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (with the consent of the 2005 Bond Insurer and the 2010 Bond Insurer) (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) the Trustee shall, subject to the Indenture, exercise any other remedies available to the Trustee and the Owners in law or at equity.

Promptly upon obtaining actual knowledge of the occurrence of an Event of Default, the Trustee shall give written notice of such Event of Default to the 2005 Bond Insurer, the 2010 Bond Insurer and the Agency by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee has declared the Bonds to become due and payable under the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

The foregoing is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the rates of interest then borne by the Outstanding Bonds, and the fees and expenses of the Trustee, including any fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, with the prior written consent of the 2005 Bond Insurer, the 2010 Bond Insurer and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency, the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, 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.

Application of Funds Upon Acceleration. All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee, shall be applied by the Trustee as follows and in the following order:

- (a) To the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel) incurred in and about the performance of its powers and duties under the Indenture and the payment of all fees, costs and expenses owing to the Trustee under the Indenture; and
- (b) To the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal with interest on such overdue amounts at the respective rates of interest borne by the Outstanding Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority

among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

- (c) To the payment of any amounts due to the 2005 Bond Insurer and the 2010 Bond Insurer.

Limitation on Owners' Right to Sue. No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding has made written request upon the Trustee to exercise its powers or to institute such action, suit or proceeding in its own name; (c) said Owners has tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply with such request for a period of sixty (60) days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

Consent of Bond Insurers Upon Default. For all purposes of the Indenture governing events of default and remedies, except the giving of notice of default to Owners, the 2005 Bond Insurer and the 2010 Bond Insurer shall be deemed to be the sole holder of the Bonds they have insured.

Notwithstanding anything in the Indenture to the contrary if the 2005 Bond Insurer and the 2010 Bond Insurer have failed to comply with their payment obligations under the related bond insurance policy, and such failure remains unremedied, all rights accruing to the 2005 Bond Insurer and the 2010 Bond Insurer with respect to the giving of directions, instructions, approvals or consents will cease to be in force and effect until such time as such failure to make such payments has been remedied.

Defeasance of Bonds.

If the Agency pays and discharges the entire indebtedness on any or all of the Bonds Outstanding in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established under the Indenture, in the opinion or report of an Independent Accountant is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;
- (c) by irrevocably depositing with the Trustee or an escrow agent, in trust, Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or

- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and, if such Bonds are to be redeemed prior to the maturity thereof written notice of such redemption has been duly given or provision satisfactory to the Trustee has been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any such Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Agency under the Indenture with respect to such Bonds shall cease and terminate, except only (a) the obligations of the Agency under the Indenture, (b) the obligation of the Trustee to transfer and exchange Bonds, (c) the obligation of the Agency to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and (d) the obligations of the Agency to compensate and indemnify the Trustee under the Indenture.

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APPENDIX B

PROJECTED TAX REVENUES

Tax Allocation Financing

The Redevelopment Law and the California Constitution provide a method for financing and refinancing redevelopment projects based upon an allocation of taxes collected within a redevelopment project area. First, the assessed valuation of the taxable property in a project area, as last equalized prior to adoption of the redevelopment plan, is established and becomes the base roll. Thereafter, except for any period during which the assessed valuation drops below the base year level, the taxing agencies, on behalf of which taxes are levied on property within the project area, will receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in the assessed valuation of the taxable property in a project area over the levy upon the base roll may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing the redevelopment project. Redevelopment agencies themselves have no authority to levy taxes on property and must look specifically to the allocation of taxes as indicated above.

Tax Increment Revenues

As provided in each of the Redevelopment Plans for the constituent project areas (the constituent project areas are individually referred to herein as “Redevelopment Projects” and the project area resulting from the merger of the Redevelopment Projects is referred to herein as the “Project Area”), and pursuant to Article 6 of Chapter 6 of the Redevelopment Law, and Section 16 of Article XVI of the Constitution of the State, taxes levied upon taxable property in the Redevelopment Projects each year by or for the benefit of the State, for cities, counties, districts or other public corporations (collectively, the “Taxing Entities”) for fiscal years beginning after the effective date of each constituent Redevelopment Plan, will be divided as follows:

1. To Taxing Entities: The portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said Taxing Entities, as defined herein, upon the total sum of the assessed value of the taxable property in the project area as shown upon the assessment roll used in connection with the taxation of such property by such Taxing Entity last equalized prior to the establishment of the project area will be allocated to, and when collected will be paid into, the funds of the respective Taxing Entities as taxes by or for said Taxing Entities; and
2. To the Agency: The portion of such levied taxes each year in excess of such amount will be allocated to, and when collected, will be paid into a special fund of the Agency to the extent necessary to pay indebtedness of the Agency.

Manner in Which Property Valuations and Assessments are Determined (Article XIII A). On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution which imposes certain limitations on taxes that may be levied against real property. This amendment, which added Article XIII A to the State Constitution, among other things, defines full cash value of property to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value,’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by substantial damage, destruction or other factors. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value of that property, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on any bonded indebtedness for the acquisition or improvement of real property which is approved after July 1, 1978 by two-thirds of the votes cast by voters voting on such

indebtedness. However, pursuant to an amendment to the California Constitution, redevelopment agencies are prohibited from receiving any of the tax increment revenue attributable to tax rates levied to finance bonds approved by the voters on or after January 1, 1989 (see “Property Tax Rate” below).

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend the terms “purchase” and “change of ownership,” for purposes of determining full cash value of property under Article XIII A, to not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county (or in certain cases, another county), to transfer the old residence’s assessed value to the new residence.

Because the Revenue and Taxation Code does not distinguish between positive and negative changes in the California Consumer Price Index used for purposes of the inflation factor, there was a decrease of 0.237% in 2009/10 – applied to the 2010/11 tax roll – reflecting the actual change in the California Consumer Price Index, as reported by the State Department of Finance. For each fiscal year since Article XIII A has become effective (the 1978/79 fiscal year), the annual increase for inflation has been at least 2% except in seven fiscal years as shown below:

<u>Tax Roll</u>	<u>Percentage</u>
1981/82	1.000%
1995/96	1.190
1996/97	1.110
1998/99	1.853
2004/05	1.867
2010/11	(0.237)
2011/12	0.753

Proposition 8 Adjustments. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide. However, in 2001 an Orange County Superior Court held that such reassessment formula violates the inflationary rate increase limitation of Article XIII A of the California Constitution. The Court held that once the assessed value of a property is reduced pursuant to Proposition 8, any subsequent increase in assessed value may not exceed the inflationary rate limitation (not to exceed 2%) of Article XIII A. On April 18, 2003, the Superior Court entered its final judgment. On June 12, 2003, the Orange County Assessor, together with the Tax Collector and the County of Orange filed notice of appeal of the Superior Court Judgment. The Appellate Court held a hearing on the matter on January 7, 2004, and issued its opinion on March 26, 2004, reversing the holding of the Orange County Superior Court. The Plaintiffs filed an appeal with the California State Supreme Court and on July 21, 2004, the California State Supreme Court by a 5-2 vote decided not to hear an appeal, ending this litigation.

The Orange County Assessor’s Office implemented certain blanket reductions in assessed value for residential property County-wide for the 2008/09 tax roll. The County Assessor examined the value of approximately 220,000 single family homes and condominiums sold between July 1, 2005 and June 30, 2007, and reduced the value on 202,800 properties. For the 2010/11 tax roll, the Orange County Assessor reported that they reviewed the market value of 317,000 single-family homes, condos, townhouses, multi-

family, commercial/industrial properties and reduced the value of 191,000 properties throughout the County.

Approximately 94% of the City's residential property is located within the 2000 Project, with 4,695 residential parcels. The following summarizes the changes in secured property assessed value in the 2000 Project over the last five years.

<u>Year</u>	<u>Assessed Value</u>	<u>Change</u>
2006/07	\$1,446,387,992	
2007/08	1,570,380,891	8.5%
2008/09	1,584,691,538	0.9%
2009/10	1,455,878,318	(8.1)%
2010/11	1,430,060,251	(1.8)%

Much of the reduction in 2009/10 is assumed to be a result of Proposition 8 blanket adjustments. For 2010/11, the County Assessor reduced the value of 628 residential properties in the City (13% of the residential properties in the 2000 Project). Reductions in value of the 628 properties ranged from less than 1% to more than 50% depending on the year of purchase. The average reduction was 17%.

Unsecured and Secured Property. In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property, arising pursuant to State law, has priority over all other liens on the secured property, regardless of the time of the creation of the other liens.

Property in the Project Area is assessed by the Orange County Assessor except for public utility property which is assessed by the State Board of Equalization.

The valuation of secured property is determined as of January 1 each year for taxes owed with respect to the succeeding fiscal year. The tax rate is equalized during the following September of each year, at which time the tax rate is determined. Taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent August 31, and such taxes are levied at the prior year's secured tax rate.

Secured and unsecured property is entered on separate parts of the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing agency has four ways of collecting unsecured property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Currently, a 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. Property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Under State law, from time of the sale of the property to the State for nonpayment of taxes, owners have five years to redeem, during which time legal title remains in the owners as taxpayers subject to a lien in favor of the County. The amount necessary to redeem the property is equal to the sum of the delinquent taxes, delinquency penalties and redemption penalties of

1½% per month. Five years after the property is in default of taxes, the tax collector has the authority to sell property which has not been redeemed.

A 10% penalty also attaches to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1½% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

Supplemental Assessments. Legislation adopted in 1984 (Section 75, *et seq.* of the Revenue and Taxation Code of the State of California) provides for the supplemental assessment and taxation of property at its full cash value as of the date of a change of ownership or the date of completion of new construction (the “Supplemental Assessments”). To determine the amount of the Supplemental Assessment the County Auditor applies the current year’s tax rate to the supplemental assessment roll and computes the amount of taxes that would be due for the full year. The taxes due are then adjusted by a proration factor to reflect the portion of the tax year remaining as determined by the date on which the change in ownership occurred or the new construction was completed. Supplemental Assessments become a lien against the real property on the date of the change of ownership or completion of new construction.

Unitary Property. Commencing in the 1988/89 fiscal year, the Revenue and Taxation Code of the State of California changed the method of allocating property tax revenues derived from state assessed utility properties. It provides for the distribution of state assessed values to tax rate areas by a county-wide mathematical formula rather than assignment of state assessed value according to the location of those values in individual tax rate areas.

Commencing with the 1988/89 fiscal year, each county has established one county-wide tax rate area. The assessed value of all unitary property in the county has been assigned to this tax rate area and one tax rate is levied against all such property (“Unitary Revenues”).

The property tax revenue derived from the assessed value assigned to the county-wide tax rate area shall be allocated as follows: (1) each jurisdiction will be allocated up to 2% of the increase in Unitary Revenues on a pro rata basis county-wide; and (2) any decrease in Unitary Revenues or increases less than 2%, or any increase in Unitary Revenues above 2% will be allocated among jurisdictions in the same proportion of each jurisdiction’s Unitary Revenues received in the prior year to the total Unitary Revenues county-wide.

Legislation adopted in 2006 (SB 1317, Chapter 872) provides that, commencing with Fiscal Year 2007/08, certain property related to new electrical facilities shall be allocated entirely to the county in which such property is located and property tax revenues derived from such property shall be allocated to such county and certain taxing entities with such county.

Property Tax Rate. There are numerous tax rate areas within the Project Area. The differences between the \$1.00 tax rate and those actually levied (referred to as the “tax override rate”) represents the tax levied by overlapping entities to pay debt service on bonded indebtedness approved by the voters.

Tax override rates typically decline each year. A declining tax override rate is the result of several factors: an effective limit, established by Article XIII A of the California Constitution, on the amount of property taxes that can be levied; rising taxable values within the jurisdictions of taxing entities levying the approved override rate (which reduces the tax rate needed to be levied by the taxing entity to meet debt service requirements); and the eventual retirement, over time, of the voter-approved debt.

For fiscal year 2009/10 the effective tax rate, including the tax override rate, for the majority of the property in the Redevelopment Project was approximately \$1.07085 per \$100 of taxable value. The Agency is not eligible to receive any property tax generated by the rate over \$1.00 except for the Metropolitan Water District rate of \$0.0043, and future Tax Increment Revenues have been projected

herein by applying only the \$1.00 per \$100 of taxable value general levy to projected incremental taxable values beginning in 2011/12.

Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. For Fiscal Year 2010/11, the County administrative fees charged to the Project Area were \$92,870 (approximately 0.8% of Tax Increment Revenues).

Redevelopment Plans

Community Development Project

The City Council approved and adopted the Redevelopment Plan for the Community Development Project on December 13, 1983, pursuant to Ordinance No. 582. It was subsequently amended on July 14, 1987 pursuant to Ordinance No. 653 to include additional area (referred to herein as “Amendment No. 1 Area”) and again on July 14, 1992 pursuant to Ordinance No. 733 to include additional area (referred to herein as “Amendment No. 2 Area”). The Redevelopment Plan was also amended on November 22, 1994 pursuant to Ordinance No. 762 to add limitations prescribed by AB 1290 (see “Plan Limitations” below), on January 25, 2005 pursuant to Ordinance No. 906 to eliminate the time limit to incur debt, on July 27, 2004 pursuant to Ordinance No. 899 to extend the plan limits by one year under the provisions of SB 1045.

The City Council also adopted Ordinance No. 884 on March 4, 2004 reinstating and extending the authority of the Agency to use eminent domain in the Community Development Project except for properties designated for residential land use.

Stanton 2000 Redevelopment Project

The City Council approved and adopted the Redevelopment Plan for the Stanton 2000 Redevelopment Project on July 5, 2000, pursuant to Ordinance No. 831. The Redevelopment Plan was amended on January 25, 2005 to eliminate the time limit to incur debt.

Project Area Merger

The City Council concluded proceedings to merge the two redevelopment projects on November 23, 2004 pursuant to Ordinance No. 903, creating the Stanton Consolidated Redevelopment Project.

Plan Limitations

The Redevelopment Plans for component areas of the Project Area impose certain limitations on the amount of Tax Increment Revenues that the Agency may be allocated from the constituent redevelopment projects. In 1993, the State Legislature adopted Assembly Bill 1290 (AB 1290), which imposed certain time limitations on (1) the allocation of Tax Increment Revenues to a redevelopment project, (2) the effectiveness of a redevelopment plan and (3) the incurrence of debt. Prior to subsequent changes, Section 33333.6 of the Redevelopment Law provided that a redevelopment agency may not pay indebtedness or receive property taxes pursuant to Section 33670 of the Redevelopment Law after ten years from the termination of the effectiveness of a redevelopment plan (which was limited to the later of January 1, 2009 or 40 years after the adoption of such redevelopment plan). Subsequent changes to the Redevelopment Law affecting plan limitations are as follows:

- In 1998, the State Legislature adopted Assembly Bill 1342 (AB 1342), which allowed redevelopment agencies to extend plan limitations to such maximum terms without having to comply with the statutory plan amendment process if such agency’s existing plan limits were shorter.

- In 2001, the State Legislature adopted Senate Bill 211 (SB 211), effective January 1, 2002, allowing the elimination of an agency’s limitation on incurring debt. The City Council adopted Ordinance No. 906 pursuant to SB 211.
- In 2003, the State legislature adopted Senate Bill 1045 (SB 1045), which provided that the governing body could adopt an ordinance to extend the limits on the termination of redevelopment plans approved prior to 1994 and the authority to collect Tax Increment Revenues by one additional year if the agency was required to make a payment to the Educational Revenue Augmentation Fund (“ERAF”) in 2003/04. The City Council adopted Ordinance No. 899 pursuant to SB 1045.
- In 2004, the State legislature adopted Senate Bill 1096 (SB 1096), which provided that the governing body could, with respect to redevelopment plans with less than 20 years remaining, adopt an ordinance to extend the limits on the termination of redevelopment plans and the authority to collect Tax Increment Revenues by one additional year for each ERAF payment if the agency was required to make a payment to ERAF in 2004/05 and 2005/06 and with respect to plans with 10-20 years remaining, such limits may be extended if the legislative body finds the Agency is in compliance with major housing requirements under the Redevelopment Law. The provisions of SB 1096 only apply to the Original Area of the Community Development Project.
- In July 2009, the State legislature adopted Assembly Bill 26 (AB 26), which provided that the governing body could adopt an ordinance to extend the limits on the termination of redevelopment plans approved prior to 1994 and the authority to collect Tax Increment Revenues by one additional year if the agency makes a payment to the Supplemental Educational Revenue Augmentation Fund (“SERAF”) in 2009/10. The SERAF payment is described in detail under the caption “RISK FACTORS - State of California Fiscal Issues.” The City Council has not yet adopted an ordinance pursuant to AB 26 to extend plan limits.

The current limitations imposed by the Redevelopment Plan are as follows.

**STANTON CONSOLIDATED PROJECT AREA
REDEVELOPMENT PLAN LIMITATIONS**

	<u>Community Development Project</u>			<u>2000 Project</u>
	<u>Original Area</u>	<u>Amendment No. 1</u>	<u>Amendment No. 2</u>	
Last Date for Redevelopment Activities	12/13/24*	7/14/28	7/14/33	7/5/31
Last Date to Repay Debt with Tax Increment	12/13/34*	7/14/38	7/14/43	7/5/46
Tax Increment Limit	\$150 Million	\$35 Million	\$115 Million	No limit

* The last date for redevelopment activities and the last date to repay debt with tax increment can be extended for two years pursuant to SB 1096 if the City Council adopts an ordinance.

The maximum bonded indebtedness for the Project Area is \$149,000,000. The Agency has eliminated the limits in each Redevelopment Plan on incurrence of debt in accordance with SB 211 and the Agency can incur debt as long as the Redevelopment Plan is effective.

As of June 30, 2010, the Agency had received Tax Increment Revenues of approximately \$36.675 million with respect to the Original Area of the Community Development Project, \$7.36 million with respect to the Amendment No. 1 Area, \$4.95 million with respect to the Amendment No. 2 Area, and \$15.6 million with respect to the 2000 Project.

Low and Moderate Income Housing

In 1976, the Redevelopment Law was amended to require that for every redevelopment plan adopted after January 1, 1977, or any area which is added to a redevelopment project by an amendment to a redevelopment plan after January 1, 1977, not less than 20% of Tax Increment Revenues must be set aside annually for the purpose of increasing and improving the community's supply of low and moderate income housing available at affordable housing costs to persons and families of very low, low or moderate income households. In 1985, the Redevelopment Law was further amended to add substantially the same requirements with respect to plans adopted prior to January 1, 1977.

Historical Assessed Value

Historical assessed value (taxable valuation as of the annual August 20 equalized tax roll) for each constituent Redevelopment Project are shown in the tables below.

**TABLE NO. B-1
STANTON COMMUNITY DEVELOPMENT PROJECT
ORIGINAL AREA
HISTORICAL ASSESSED VALUATIONS
2006/07 through 2010/11**

	2006/07	2007/08	2008/09	2009/10	2010/11
Secured	\$226,054,113	\$291,876,675	\$282,840,473	\$278,199,162	\$285,012,377
Unsecured	<u>24,121,095</u>	<u>25,312,751</u>	<u>22,504,226</u>	<u>22,097,701</u>	<u>22,461,669</u>
Total	\$250,175,208	\$317,189,426	\$305,344,699	\$300,296,863	\$307,474,046

Source: Orange County Auditor-Controller.

**TABLE NO. B-2
STANTON COMMUNITY DEVELOPMENT PROJECT
AMENDMENT NO. 1 AREA
HISTORICAL ASSESSED VALUATIONS
2006/07 through 2010/11**

	2006/07	2007/08	2008/09	2009/10	2010/11
Secured	\$66,424,185	\$73,951,535	\$74,431,858	\$76,908,435	\$75,335,936
Unsecured	<u>7,036,649</u>	<u>8,624,559</u>	<u>9,417,730</u>	<u>10,260,784</u>	<u>10,830,558</u>
Total	\$73,460,834	\$82,576,094	\$83,849,588	\$87,169,219	\$86,166,494

Source: Orange County Auditor-Controller.

**TABLE NO. B-3
STANTON COMMUNITY DEVELOPMENT PROJECT
AMENDMENT NO. 2 AREA
HISTORICAL ASSESSED VALUATIONS
2006/07 through 2010/11**

	2006/07	2007/08	2008/09	2009/10	2010/11
Secured	\$121,582,508	\$130,284,854	\$135,874,952	\$136,599,121	\$135,313,824
Unsecured	<u>17,374,284</u>	<u>17,361,405</u>	<u>19,945,034</u>	<u>20,368,990</u>	<u>16,849,425</u>
Total	\$138,956,792	\$147,646,259	\$155,819,986	\$156,968,111	\$152,163,249

Source: Orange County Auditor-Controller.

**TABLE NO. B-4
STANTON 2000 REDEVELOPMENT PROJECT
HISTORICAL ASSESSED VALUATIONS
2006/07 through 2010/11**

	2006/07	2007/08	2008/09	2009/10	2010/11
Secured	\$1,446,387,992	\$1,570,380,891	\$1,584,691,538	\$1,455,878,318	\$1,430,060,251
Unsecured	<u>36,862,453</u>	<u>38,455,632</u>	<u>38,137,725</u>	<u>45,701,879</u>	<u>40,777,877</u>
Total	\$1,483,250,445	\$1,608,836,523	\$1,622,829,263	\$1,501,580,197	\$1,470,838,128

Source: Orange County Auditor-Controller.

**TABLE NO. B-5
STANTON CONSOLIDATED PROJECT AREA
BASE YEAR AND HISTORICAL ASSESSED VALUATIONS BY COMPONENT PROJECT
2006/07 through 2010/11**

	Base Value	2006/07	2007/08	2008/09	2009/10	2010/11
Community Development:						
Original Area	\$ 32,106,046	\$ 250,175,208	\$ 317,189,426	\$ 305,344,699	\$ 300,296,863	\$ 307,474,046
Amendment No. 1	29,605,164	73,460,834	82,576,094	83,849,588	87,169,219	86,166,494
Amendment No. 2	79,997,721	138,956,792	147,646,259	155,819,986	156,968,111	152,163,249
2000 Project	<u>794,426,125</u>	<u>1,483,250,445</u>	<u>1,608,836,523</u>	<u>1,622,829,263</u>	<u>1,501,580,197</u>	<u>1,470,838,128</u>
Total	\$ 936,135,056	\$1,945,843,279	\$2,156,248,302	\$2,167,843,536	\$2,046,014,390	\$2,016,641,917

Source: Orange County Auditor-Controller.

Major Taxpayers

The ten largest property taxpayers represent 9.0% of the 2010/11 total assessed value of the Project Area.

**TABLE NO. B-6
STANTON CONSOLIDATED PROJECT AREA
TEN LARGEST TAXPAYERS AS A PERCENT OF 2010/11 ASSESSED VALUE**

Taxpayer	2010/11 Assessed Value	% of Assessed Value	Land Use
CR & R Inc. ⁽¹⁾	\$ 32,713,578	1.6%	Transfer Station
CP Briarwood LLC	27,516,177	1.4	Multi-Family
Shapell Commercial & Industrial Corp.	21,841,693	1.1	Commercial
Arrowhead Apartment Investment LLC	19,500,000	1.0	Multi-Family
Walton CWCA Hoover 52 LLC ⁽¹⁾	18,496,315	0.9	Industrial
Continental Gardens LP ⁽¹⁾	15,772,054	0.8	Multi-Family
Faircrest Inc.	12,265,859	0.6	Residential
Mideb Nominees Inc.	12,034,392	0.6	Commercial
Gilbert R. Shuman	11,013,337	0.5	Commercial
Katella III Partners LLC	<u>10,014,704</u>	<u>0.5</u>	Commercial
Total	\$181,168,109	9.0%	

Source: Stanton Redevelopment Agency.

⁽¹⁾ Appeals pending. See "Assessment Appeals" below.

Tax Collections

Actual Tax Revenues paid to the Agency vary from tax revenues initially levied because of supplemental taxes, appeals or refunds, redemption of prior year delinquencies and penalties and deductions for current year delinquencies. The table below provides the taxes received by the Project Area for the last five years.

**TABLE NO. B-7
STANTON CONSOLIDATED REDEVELOPMENT PROJECT AREA
TAXES LEVIED AND COLLECTED
2005/06 THROUGH 2009/10**

Fiscal Year	Adjusted Tax Levy	Current Year Apportioned	Prior Year Collections/ Refunds	Supplemental Taxes	Total	Current Year Collection %	Total Collection %
2005/06	\$ 8,122,492	\$ 7,918,255	\$236,203	\$1,297,939	\$ 9,452,396	97.5%	116.4%
2006/07	10,085,635	9,652,934	109,868	965,490	10,728,293	95.7%	106.4%
2007/08	11,842,767	11,146,786	874,751	597,555	12,619,092	94.1%	106.6%
2008/09	12,303,408	11,841,217	621,525	(24,427)	12,438,315	96.2%	101.1%
2009/10	11,071,596	10,753,359	396,634	296,025	11,446,018	97.1%	103.4%

Source: Orange County Auditor-Controller's Office.

Assessment Appeals

As of January 2011, there were pending appeals of 2010/11 assessed values filed for by 53 separate property owners in the Project Area, pending appeals of 2009/10 assessed values filed for by 31 separate property owners in the Project Area and pending appeals of 2008/09 assessed values filed for by 24 separate property owners in the Project Area. There were a total of 115 appeals pending including all prior years. The total value of property under appeal is \$190.4 million, of which \$111.7 million relates to the 2010/11 tax roll, \$62 million relates to the 2009/10 tax roll, \$14.3 million relates to the 2008/09 tax roll, and the remaining \$2.4 million relates to previous years' tax rolls. A summary of all pending appeals is shown below:

<u>Component Area</u>	<u># of Appeals</u>	<u>Tax Roll Value</u>	<u>Appeal Value</u>	<u>Requested Reduction</u>
<u>2010/11 Tax Roll:</u>				
Community Development	21	\$ 58,800,616	\$ 29,463,922	50%
2000 Project	<u>32</u>	<u>52,880,045</u>	<u>28,470,110</u>	46%
Appeals for 2010/11	53	\$ 111,680,661	\$ 57,934,032	48%
<u>2009/10 Tax Roll:</u>				
Community Development	11	\$ 29,295,062	\$ 7,374,352	75%
2000 Project	<u>20</u>	<u>32,683,380</u>	<u>16,873,081</u>	48%
Appeals for 2009/10	31	\$ 61,978,442	\$ 24,247,433	61%
<u>2008/09 Tax Roll:</u>				
Community Development	7	\$ 4,768,553	\$ 2,282,350	52%
2000 Project	<u>17</u>	<u>9,496,889</u>	<u>5,098,380</u>	46%
Appeals for 2008/09	24	\$ 14,265,442	\$ 7,380,730	48%
<u>Prior Tax Roll:</u>				
Community Development	2	\$ 634,713	\$ 182,000	71%
2000 Project	<u>5</u>	<u>1,806,830</u>	<u>160,000</u>	91%
Appeals for Prior Years	7	\$ 2,441,543	\$ 342,000	86%
Total	115	\$ 190,366,088	\$ 89,904,195	53%

Since July 2010, 12 appeals filed for 2009/10 totaling \$56,913,000 are no longer pending. 5 appeals with a total value of \$43.5 million were withdrawn, 6 appeals with a total value of \$13.2 million were successful in obtaining an average 11.3% reduction, and 1 appeal with a value of \$209,000 was finalized with no value change. Three pending appeals related to property owners shown in "TABLE NO. 6 - TEN LARGEST TAXPAYERS AS A PERCENT OF 2010/11 ASSESSED VALUE."

- CR & R Inc. has filed appeals of the value of a portion of property it owns. This property owner is requesting a 100% reduction in the 2009/10 assessed value of one property valued at \$6,183,232 and a 33% reduction in the 2010/11 assessed value of one property valued at \$1,795,935.

- Walton CWCA Hoover 52 LLC has filed an appeal of the value of property it owns. This property owner is requesting a 32% reduction in the 2010/11 assessed value of such property, from \$18,496,315 to \$12,500,000. This property owner's pending appeal for 2009/10 was withdrawn on December 16, 2010.
- Continental Gardens LP has filed an appeal of the value of property it owns. This property owner is requesting a 40% reduction in the 2010/11 assessed value of such property, from \$15,772,054 to \$9,463,000. This property owner's pending appeal for 2009/10 was withdrawn on August 2, 2010.

Shappell Commercial & Industrial Corp. had filed an appeal of the 2009/10 value of a portion of property it owns. This property owner withdrew the appeal on September 28, 2010.

With respect to the Project Area, over the last five years, the average reduction in assessed value was 15% when an appeal was successful. Appeals were successful in approximately 80% of cases (289 of 363 resolved appeals).

While the Agency expects some decline in total assessed valuation relating to pending or potential future appeals, no prediction can be made as to the amount of the decline in total assessed valuation, if any, within the Project Area, although if all pending appeals were granted at the average rate of 15%, such reduction would reduce total 2010/11 assessed value by \$28.5 million (1.4%) and net Tax Revenues by approximately \$173,000 (2.5% of 2010/11 Tax Revenues). No reduction for pending appeals has been incorporated in the projections. Reductions in revenue for refunds resulting from successful appeals or current or prior year appeals have also not been incorporated into the projections. Further, the success rate of appeals, reductions granted and refunds may vary from historical averages.

Tax Sharing Agreements

Pursuant to prior Section 33401(b) of the Redevelopment Law, a redevelopment agency could enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project to alleviate any financial burden or detriment caused by the redevelopment project. These agreements are commonly referred to as "tax sharing agreements" or "passthrough agreements."

In addition, pursuant to former Section 33676 of the Redevelopment Law, any affected taxing agency that had not entered into a tax sharing agreement with the redevelopment agency prior to the adoption of a redevelopment plan could elect, by resolution adopted prior to the adoption of a redevelopment plan, to receive the portion of Tax Increment Revenues attributed to one or both of the following:

- (a) Increases in the rate of tax imposed for the benefit of the taxing agency which levy occurs after the tax year in which the ordinance adopting the redevelopment plan becomes effective; and
- (b) Increases in the assessed value of the taxable property in the redevelopment project area, as the assessed value is established by the assessment roll last equalized prior to the effective date of the ordinance adopting the redevelopment plan pursuant to subdivision (a) of Section 33670, which are, or otherwise would be, calculated annually pursuant to subdivision (f) of Section 110.1 of the Revenue and Taxation Code.

Payments due under Section 33676(b) are referred to herein as "inflationary growth."

The Agency has entered into the tax sharing agreements with payment provisions described below:

Community Development Project – Original Area

Orange County Water District. Orange County Water District receives 0.37294% of the general levy tax increment.

Orange County General Fund, Flood Control District and Parks, Beaches and Harbors. Orange County taxing entities receive a combined 10.14% of the general levy tax increment. Payment of the amounts due to the Orange County taxing entities are subordinated to bond indebtedness.

Anaheim Union High School District. The Anaheim Union High School District receives tax increment generated by tax rate increases levied by the District for the purpose of paying any of its voter-approved bonded indebtedness. In the event that, in any future year(s), the current system of state school district financing changes such that the District is adversely affected by the allocation of and payment to the Agency of tax increment revenues generated by the application of the general levy to the incremental assessed valuation in the Redevelopment Project, the Agency, upon written request by the District satisfactorily documenting any amounts which may thereafter be due, shall pay to the District, from Tax Revenues thereafter received by the Agency an amount equal to the lesser of (i) the District's 1.355% share of the general levy tax increment or (ii) an amount equal to the actual financial loss of the District from such cause.

Community Development Project – Amendment No. 1 Area

Orange County Water District. Orange County Water District receives 80% of its 0.83% share of the general levy tax increment.

Orange County General Fund, Flood Control District and Parks, Beaches and Harbors. Orange County taxing entities receive a combined 9.86% of the general levy tax increment. Payment of the amounts due to the Orange County taxing entities are subordinated to bond indebtedness.

Local Educational Agencies. The following local educational agencies receive their weighted average proportionate share of inflationary growth:

- Coast Community College District
- North Orange County Community College District
- Orange County Department of Education
- Savanna Elementary School District
- Magnolia Elementary School District
- Anaheim Union High School District
- Garden Grove Unified School District

The weighted average of the local educational agencies share of the inflationary approximately 55.4%.

Community Development Project – Amendment No. 2 Area

Orange County Water District. Orange County Water District receives 80% of its 0.67% share of the general levy tax increment.

Orange County Sanitation District. Orange County Sanitation District receives 80% of its 3.10% share of the general levy tax increment.

Coast Community College District. Coast Community College District receives its 0.32% weighted average share of inflationary growth plus 35% of its 1.63% weighted average share of general levy tax increment net of the inflationary amount.

North Orange County Community College District. North Orange County Community College District receives its 6.00 % weighted average share of inflationary growth plus 35% of its 5.09% weighted average share of general levy tax increment net of the inflationary amount.

Orange County Department of Education. Orange County Department of Education receives its 2.78% share of inflationary growth plus 35% of its 2.78% share of general levy tax increment net of the inflationary amount.

Savanna Elementary School District. Savanna Elementary School District receives its 3.51% weighted average share of inflationary growth.

Magnolia Elementary School District. Magnolia Elementary School District receives 30% of its 16.17% weighted average share of the general levy tax increment.

Anaheim Union High School District. Anaheim Union High School District receives 30% of its 10.54% weighted average share of the general levy tax increment.

Garden Grove Unified School District. Garden Grove Unified School District receives its 10.1% weighted average share of inflationary growth plus 40% of its 14.03% weighted average share of general levy tax increment net of the inflationary amount.

Orange County General Fund, Flood Control District and Parks, Beaches and Harbors. Orange County taxing entities receive 75% of their combined 10.77% share of the general levy tax increment.

Tax Sharing Statutes

Certain provisions were added to the Redevelopment Law by the adoption of AB 1290 in 1994. A discussion of these provisions as they relate to the Project Area follows. If new territory should be added to the Project Area, under Section 33607.5 of the Redevelopment Law, any affected taxing entity will share in the Tax Increment Revenues generated by such added area pursuant to a statutory formula (“Statutory Tax Sharing”).

In addition, (i) pursuant to Section 33333.6(e)(2) of the Redevelopment Law, if the Agency deletes the time limit to incur indebtedness in the Redevelopment Project (pursuant to SB 211) or (ii) pursuant to Section 33607.7 of the Redevelopment Law, as to any redevelopment plan adopted prior to January 1, 1994, if the Agency increases the total amount of Tax Increment Revenues to be allocated to the project area or increases the duration of the Redevelopment Plan and the period for receipt of Tax Increment Revenues, Statutory Tax Sharing will also be required under Section 33607.7 of the Law with all affected taxing agencies not already a party to a tax sharing agreement, once the original limitations have been reached. In general, the amounts to be paid pursuant to Statutory Tax Sharing are as follows:

- (a) commencing in the first fiscal year after the limitation has been reached, an amount equal to 25% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted;
- (b) in addition to amounts payable as described in (a) above, commencing in the 11th fiscal year after the limitation has been reached, an amount equal to 21% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding (10th) fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted; and

- (c) in addition to amounts payable as described in (a) and (b) above, commencing in the 31st fiscal year after the limitation has been reached, an amount equal to 14% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding (30th) fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.
- (d) The City may elect to receive a portion of the tax increment generated in (a) above, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.
- (e) The Agency may subordinate the amount required to be paid to an affected taxing entity to any indebtedness after receiving the consent of the taxing entity.

With respect to a taxing entity that is a party to a tax sharing agreement, tax sharing payments would continue pursuant to the Tax Sharing Agreement after the original limitations in the Redevelopment Plan were passed unless otherwise terminated pursuant to the terms of the Agreement.

Tax Increment Revenue generated in the 2000 Project has been subject to Statutory Tax Sharing since its inception (having been adopted after January 1, 1994). Payments are currently made pursuant to (a) above, and payments pursuant to (b) above will commence in fiscal year 2010/11.

The Agency eliminated the time limit to incur debt for the Community Development Project. Payments to certain taxing entities pursuant to Section 33607.7 commenced in fiscal year 2004/05 with respect to the Original Area and in fiscal year 2008/09 with respect to the Amendment No. 1 Area. Payments with respect to Amendment No. 2 Area will not commence until 2013/14.

As noted above, with the consent of the Taxing Entity, the payments under the Tax Sharing Statutes may be subordinated to certain Agency obligations. No payments to Taxing Entities with respect to Statutory Tax Sharing have been subordinated and the projections of Tax Revenues are reduced by the estimated amounts shown in tables herein.

Projected Tax Revenues

Receipt of projected Housing Tax Revenues and Tax Revenues in the amounts and at the times projected by the Agency depends on the realization of certain assumptions relating to the Tax Increment Revenues. The projections of Tax Increment Revenues and the corresponding Housing Tax Revenues and Tax Revenues from the component areas of the Redevelopment Projects shown on the following table were based on the assumptions shown below. The Agency believes the assumptions upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur.

- (a) The 2011/12 secured roll is assumed to be equal to the secured roll for 201/11 and to increase 2% annually for inflation thereafter (see “Tax Increment Revenues - Manner in Which Property Valuations and Assessments are Determined (Article XIII A)” herein).
- (b) The values of unsecured personal property and state assessed utility property and the amount of unitary revenues have been maintained throughout the projections at their 2010/11 levels (see “Tax Increment Revenues - Unsecured and Secured Property” and “Unitary Property” herein).
- (c) No pending assessment appeals or Proposition 8 adjustments, if any, are reflected in the projections.

- (d) A tax rate of \$1.0043 per \$100 of assessed value applied to the taxable property in the component areas of the Redevelopment Projects was used to determine Tax Increment Revenues for 2010/11 and a rate of \$1.00 per \$100 of assessed value was used in subsequent years.
- (e) Projected Tax Revenues do not reflect delinquencies.
- (f) Projected Tax Revenues include a deduction for administrative costs charged by Orange County.
- (g) Amounts required to be deposited in the Agency's Low and Moderate Income Housing Fund have been deducted for purposes of calculating Tax Revenues.
- (h) Projected Tax Revenues include a deduction for payments due to Taxing Entities under Tax Sharing Agreements or applicable Tax Sharing Statutes, to the extent not subordinated to the Series B Bonds.
- (i) Projected Tax Increment Revenues do not include supplemental property tax revenues which may be received by the Agency.

**TABLE NO. B-8
PROJECTED TAX REVENUES
STANTON CONSOLIDATED PROJECT AREA**

	Tax Revenues				
	Community Development Project			2000	
	<u>Original Area</u>	<u>Amendment No. 1</u>	<u>Amendment No. 2</u>	<u>Project</u>	<u>Total</u>
2011	\$2,015,300	\$390,500	\$378,700	\$4,029,000	\$ 6,813,500
2012	2,007,900	386,700	372,100	4,011,600	6,778,300
2013	2,042,300	393,600	383,800	4,181,200	7,000,900
2014	2,078,100	401,100	393,900	4,328,700	7,201,800
2015	2,105,000	408,500	404,500	4,455,000	7,373,000
2016	2,133,800	416,000	414,500	4,583,300	7,547,600
2017	2,162,200	423,300	425,400	4,714,800	7,725,700
2018	2,191,700	430,600	436,700	4,848,300	7,907,300
2019	2,221,000	436,000	448,500	4,985,400	8,090,900
2020	2,251,600	440,500	459,200	5,124,500	8,275,800
2021	2,282,300	446,500	471,300	5,266,300	8,466,400
2022	2,314,300	451,600	483,400	5,412,000	8,661,300
2023	2,346,500	457,600	495,900	5,559,300	8,859,300
2024	2,380,000	463,100	506,000	5,710,100	9,059,200
2025	2,412,900	469,600	517,200	5,863,900	9,263,600
2026	2,447,800	475,600	528,700	6,020,800	9,472,900
2027	2,482,200	480,100	539,700	6,180,600	9,682,600
2028	2,517,100	486,800	551,300	6,344,000	9,899,200
2029	2,554,400	492,800	563,500	6,510,700	10,121,400
2030	2,591,100	500,000	575,000	6,680,500	10,346,600
2031	2,628,400	506,200	587,900	6,808,400	10,530,900
2032	2,667,600	513,200	600,600	6,937,500	10,718,900
2033	2,706,700	519,200	612,700	7,070,500	10,909,100
2034	2,746,200	526,700	626,200	7,205,400	11,104,500
2035	-	533,300	639,000	7,343,900	8,516,200
2036	-	541,200	653,200	7,484,200	8,678,600
2037	-	548,400	667,200	7,628,400	8,844,000
2038	-	555,800	681,100	7,774,400	9,011,300
2039	-	-	695,800	7,923,800	8,619,600
2040	-	-	710,000	8,075,900	8,785,900

Source: Financial Advisor.

TABLE NO. B-9
PROJECTED HOUSING TAX REVENUES
STANTON CONSOLIDATED PROJECT AREA

	Housing Tax Revenues				
	Community Development Project			2000	
	<u>Original Area</u>	<u>Amendment No. 1</u>	<u>Amendment No. 2</u>	<u>Project</u>	<u>Total</u>
2011	\$556,600	\$104,200	\$145,200	\$1,361,000	\$2,167,000
2012	554,200	103,200	144,600	1,355,200	2,157,200
2013	565,600	105,600	150,000	1,412,400	2,233,600
2014	577,200	108,200	155,400	1,470,800	2,311,600
2015	589,000	110,800	161,000	1,530,200	2,391,000
2016	601,200	113,400	166,800	1,591,000	2,472,400
2017	613,600	116,000	172,600	1,652,800	2,555,000
2018	626,200	118,600	178,600	1,716,000	2,639,400
2019	639,000	121,400	184,800	1,780,400	2,725,600
2020	652,000	124,200	191,000	1,846,200	2,813,400
2021	665,400	127,200	197,400	1,913,200	2,903,200
2022	679,000	130,000	203,800	1,981,600	2,994,400
2023	693,000	133,000	210,400	2,051,200	3,087,600
2024	707,200	136,000	217,200	2,122,400	3,182,800
2025	721,600	139,200	224,000	2,195,000	3,279,800
2026	736,400	142,400	231,000	2,269,000	3,378,800
2027	751,400	145,400	238,200	2,344,400	3,479,400
2028	766,600	148,800	245,400	2,421,400	3,582,200
2029	782,400	152,000	252,800	2,500,000	3,687,200
2030	798,400	155,600	260,400	2,580,000	3,794,400
2031	814,600	159,000	268,200	2,661,800	3,903,600
2032	831,200	162,600	276,000	2,745,000	4,014,800
2033	848,200	166,200	284,000	2,830,000	4,128,400
2034	865,400	170,000	292,200	2,916,800	4,244,400
2035	-	173,600	300,600	3,005,200	3,479,400
2036	-	177,600	309,200	3,095,400	3,582,200
2037	-	181,400	317,800	3,187,400	3,686,600
2038	-	185,600	326,800	3,281,200	3,793,600
2039	-	-	335,800	3,377,000	3,712,800
2040	-	-	345,000	3,474,600	3,819,600

Source: Financial Advisor.

**TABLE NO. B-10
PROJECTED TAX REVENUES
COMMUNITY DEVELOPMENT PROJECT - ORIGINAL AREA**

	Gross Tax <u>Increment</u>	Housing <u>Set-Aside</u>	County Admin <u>Costs</u>	Contractual Tax <u>Sharing</u>	Statutory Tax <u>Sharing</u>	Tax <u>Revenues</u>
2011	\$2,783,000	\$(556,600)	\$(22,000)	\$(10,400)	\$(178,700)	\$2,015,300
2012	2,771,000	(554,200)	(22,000)	(10,300)	(176,600)	2,007,900
2013	2,828,000	(565,600)	(23,000)	(10,500)	(186,600)	2,042,300
2014	2,886,000	(577,200)	(23,000)	(10,800)	(196,900)	2,078,100
2015	2,945,000	(589,000)	(24,000)	(11,000)	(216,000)	2,105,000
2016	3,006,000	(601,200)	(24,000)	(11,200)	(235,800)	2,133,800
2017	3,068,000	(613,600)	(25,000)	(11,400)	(255,800)	2,162,200
2018	3,131,000	(626,200)	(25,000)	(11,700)	(276,400)	2,191,700
2019	3,195,000	(639,000)	(26,000)	(11,900)	(297,100)	2,221,000
2020	3,260,000	(652,000)	(26,000)	(12,200)	(318,200)	2,251,600
2021	3,327,000	(665,400)	(27,000)	(12,400)	(339,900)	2,282,300
2022	3,395,000	(679,000)	(27,000)	(12,700)	(362,000)	2,314,300
2023	3,465,000	(693,000)	(28,000)	(12,900)	(384,600)	2,346,500
2024	3,536,000	(707,200)	(28,000)	(13,200)	(407,600)	2,380,000
2025	3,608,000	(721,600)	(29,000)	(13,500)	(431,000)	2,412,900
2026	3,682,000	(736,400)	(29,000)	(13,700)	(455,100)	2,447,800
2027	3,757,000	(751,400)	(30,000)	(14,000)	(479,400)	2,482,200
2028	3,833,000	(766,600)	(31,000)	(14,300)	(504,000)	2,517,100
2029	3,912,000	(782,400)	(31,000)	(14,600)	(529,600)	2,554,400
2030	3,992,000	(798,400)	(32,000)	(14,900)	(555,600)	2,591,100
2031	4,073,000	(814,600)	(33,000)	(15,200)	(581,800)	2,628,400
2032	4,156,000	(831,200)	(33,000)	(15,500)	(608,700)	2,667,600
2033	4,241,000	(848,200)	(34,000)	(15,800)	(636,300)	2,706,700
2034	4,327,000	(865,400)	(35,000)	(16,100)	(664,300)	2,746,200

Source: Financial Advisor.

TABLE NO. B-11
PROJECTED TAX REVENUES
COMMUNITY DEVELOPMENT PROJECT – AMENDMENT NO. 1 AREA

	Gross Tax <u>Increment</u>	33676 Inflationary <u>Growth</u>	Housing <u>Set-Aside</u>	County Admin <u>Costs</u>	Contractual Tax <u>Sharing</u>	Statutory Tax <u>Sharing</u>	Tax <u>Revenues</u>
2011	\$570,000	\$ (49,000)	\$(104,200)	\$(5,000)	\$(4,700)	\$ (16,600)	\$390,500
2012	568,000	(52,000)	(103,200)	(5,000)	(4,700)	(16,400)	386,700
2013	583,000	(55,000)	(105,600)	(5,000)	(4,800)	(19,000)	393,600
2014	598,000	(57,000)	(108,200)	(5,000)	(5,000)	(21,700)	401,100
2015	614,000	(60,000)	(110,800)	(5,000)	(5,100)	(24,600)	408,500
2016	630,000	(63,000)	(113,400)	(5,000)	(5,200)	(27,400)	416,000
2017	646,000	(66,000)	(116,000)	(5,000)	(5,400)	(30,300)	423,300
2018	663,000	(70,000)	(118,600)	(5,000)	(5,500)	(33,300)	430,600
2019	680,000	(73,000)	(121,400)	(5,000)	(5,600)	(39,000)	436,000
2020	697,000	(76,000)	(124,200)	(6,000)	(5,800)	(44,500)	440,500
2021	715,000	(79,000)	(127,200)	(6,000)	(5,900)	(50,400)	446,500
2022	733,000	(83,000)	(130,000)	(6,000)	(6,100)	(56,300)	451,600
2023	751,000	(86,000)	(133,000)	(6,000)	(6,200)	(62,200)	457,600
2024	770,000	(90,000)	(136,000)	(6,000)	(6,400)	(68,500)	463,100
2025	789,000	(93,000)	(139,200)	(6,000)	(6,500)	(74,700)	469,600
2026	809,000	(97,000)	(142,400)	(6,000)	(6,700)	(81,300)	475,600
2027	828,000	(101,000)	(145,400)	(7,000)	(6,900)	(87,600)	480,100
2028	849,000	(105,000)	(148,800)	(7,000)	(7,000)	(94,400)	486,800
2029	869,000	(109,000)	(152,000)	(7,000)	(7,200)	(101,000)	492,800
2030	890,000	(112,000)	(155,600)	(7,000)	(7,400)	(108,000)	500,000
2031	912,000	(117,000)	(159,000)	(7,000)	(7,600)	(115,200)	506,200
2032	934,000	(121,000)	(162,600)	(7,000)	(7,800)	(122,400)	513,200
2033	956,000	(125,000)	(166,200)	(8,000)	(7,900)	(129,700)	519,200
2034	979,000	(129,000)	(170,000)	(8,000)	(8,100)	(137,200)	526,700
2035	1,002,000	(134,000)	(173,600)	(8,000)	(8,300)	(144,800)	533,300
2036	1,026,000	(138,000)	(177,600)	(8,000)	(8,500)	(152,700)	541,200
2037	1,050,000	(143,000)	(181,400)	(8,000)	(8,700)	(160,500)	548,400
2038	1,075,000	(147,000)	(185,600)	(9,000)	(8,900)	(168,700)	555,800

Source: Financial Advisor.

TABLE NO. B-12
PROJECTED TAX REVENUES
COMMUNITY DEVELOPMENT PROJECT – AMENDMENT NO. 2 AREA

	Gross Tax <u>Increment</u>	Housing <u>Set-Aside</u>	County Admin <u>Costs</u>	Contractual Tax <u>Sharing</u>	Statutory Tax <u>Sharing</u> ⁽¹⁾	Tax <u>Revenues</u>
2011	\$ 726,000	\$(145,200)	\$ (6,000)	\$(196,100)	\$ -	\$378,700
2012	723,000	(144,600)	(7,000)	(199,300)	-	372,100
2013	750,000	(150,000)	(7,000)	(209,200)	-	383,800
2014	777,000	(155,400)	(7,000)	(219,100)	(1,600)	393,900
2015	805,000	(161,000)	(7,000)	(229,300)	(3,200)	404,500
2016	834,000	(166,800)	(8,000)	(239,800)	(4,900)	414,500
2017	863,000	(172,600)	(8,000)	(250,400)	(6,600)	425,400
2018	893,000	(178,600)	(8,000)	(261,300)	(8,400)	436,700
2019	924,000	(184,800)	(8,000)	(272,500)	(10,200)	448,500
2020	955,000	(191,000)	(9,000)	(283,800)	(12,000)	459,200
2021	987,000	(197,400)	(9,000)	(295,400)	(13,900)	471,300
2022	1,019,000	(203,800)	(9,000)	(307,000)	(15,800)	483,400
2023	1,052,000	(210,400)	(9,000)	(319,000)	(17,700)	495,900
2024	1,086,000	(217,200)	(10,000)	(331,400)	(21,400)	506,000
2025	1,120,000	(224,000)	(10,000)	(343,800)	(25,000)	517,200
2026	1,155,000	(231,000)	(10,000)	(356,500)	(28,800)	528,700
2027	1,191,000	(238,200)	(11,000)	(369,500)	(32,600)	539,700
2028	1,227,000	(245,400)	(11,000)	(382,700)	(36,600)	551,300
2029	1,264,000	(252,800)	(11,000)	(396,200)	(40,500)	563,500
2030	1,302,000	(260,400)	(12,000)	(410,000)	(44,600)	575,000
2031	1,341,000	(268,200)	(12,000)	(424,100)	(48,800)	587,900
2032	1,380,000	(276,000)	(12,000)	(438,400)	(53,000)	600,600
2033	1,420,000	(284,000)	(13,000)	(452,900)	(57,400)	612,700
2034	1,461,000	(292,200)	(13,000)	(467,800)	(61,800)	626,200
2035	1,503,000	(300,600)	(14,000)	(483,100)	(66,300)	639,000
2036	1,546,000	(309,200)	(14,000)	(498,700)	(70,900)	653,200
2037	1,589,000	(317,800)	(14,000)	(514,400)	(75,600)	667,200
2038	1,634,000	(326,800)	(15,000)	(530,700)	(80,400)	681,100
2039	1,679,000	(335,800)	(15,000)	(547,100)	(85,300)	695,800
2040	1,725,000	(345,000)	(16,000)	(563,800)	(90,200)	710,000

Source: Financial Advisor.

⁽¹⁾ Statutory Tax Sharing commences in Fiscal Year 2010/11 based on incremental increases in assessed value above the 2009/10 tax roll value. However, the payments are not projected to be made until the fiscal year that assessed value actually exceeds the 2009/10 assessed value.

**TABLE NO. B-13
PROJECTED TAX REVENUES
2000 PROJECT**

	<u>Gross Tax Increment</u>	<u>Housing Set-Aside</u>	<u>County Admin Costs</u>	<u>Statutory Tax Sharing</u>	<u>Tax Revenues</u>
2011	\$ 6,805,000	\$(1,361,000)	\$ (54,000)	\$(1,361,000)	\$4,029,000
2012	6,776,000	(1,355,200)	(54,000)	(1,355,200)	4,011,600
2013	7,062,000	(1,412,400)	(56,000)	(1,412,400)	4,181,200
2014	7,354,000	(1,470,800)	(59,000)	(1,495,500)	4,328,700
2015	7,651,000	(1,530,200)	(61,000)	(1,604,800)	4,455,000
2016	7,955,000	(1,591,000)	(64,000)	(1,716,700)	4,583,300
2017	8,264,000	(1,652,800)	(66,000)	(1,830,400)	4,714,800
2018	8,580,000	(1,716,000)	(69,000)	(1,946,700)	4,848,300
2019	8,902,000	(1,780,400)	(71,000)	(2,065,200)	4,985,400
2020	9,231,000	(1,846,200)	(74,000)	(2,186,300)	5,124,500
2021	9,566,000	(1,913,200)	(77,000)	(2,309,500)	5,266,300
2022	9,908,000	(1,981,600)	(79,000)	(2,435,400)	5,412,000
2023	10,256,000	(2,051,200)	(82,000)	(2,563,500)	5,559,300
2024	10,612,000	(2,122,400)	(85,000)	(2,694,500)	5,710,100
2025	10,975,000	(2,195,000)	(88,000)	(2,828,100)	5,863,900
2026	11,345,000	(2,269,000)	(91,000)	(2,964,200)	6,020,800
2027	11,722,000	(2,344,400)	(94,000)	(3,103,000)	6,180,600
2028	12,107,000	(2,421,400)	(97,000)	(3,244,600)	6,344,000
2029	12,500,000	(2,500,000)	(100,000)	(3,389,300)	6,510,700
2030	12,900,000	(2,580,000)	(103,000)	(3,536,500)	6,680,500
2031	13,309,000	(2,661,800)	(106,000)	(3,732,800)	6,808,400
2032	13,725,000	(2,745,000)	(110,000)	(3,932,500)	6,937,500
2033	14,150,000	(2,830,000)	(113,000)	(4,136,500)	7,070,500
2034	14,584,000	(2,916,800)	(117,000)	(4,344,800)	7,205,400
2035	15,026,000	(3,005,200)	(120,000)	(4,556,900)	7,343,900
2036	15,477,000	(3,095,400)	(124,000)	(4,773,400)	7,484,200
2037	15,937,000	(3,187,400)	(127,000)	(4,994,200)	7,628,400
2038	16,406,000	(3,281,200)	(131,000)	(5,219,400)	7,774,400
2039	16,885,000	(3,377,000)	(135,000)	(5,449,200)	7,923,800
2040	17,373,000	(3,474,600)	(139,000)	(5,683,500)	8,075,900

Source: Financial Advisor.

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APPENDIX C

CITY OF STANTON INFORMATION STATEMENT

The following information concerning the City of Stanton is presented as general background data. The Bonds are payable solely from Housing Tax Revenues or Tax Revenues, as the case may be, as described in the Official Statement. The Bonds are not an obligation of the City, and the taxing power of the City is not pledged to the payment of the Bonds.

General Information

The City of Stanton was incorporated on June 4, 1956 as a general law city and operates under the council-manager form of government. The City encompasses 3.1 square miles and is located in central Orange County, approximately 23 miles southeast of Los Angeles and 9 miles northwest of Santa Ana. Nearby cities include Anaheim, Buena Park, Garden Grove, Cypress, and La Palma.

Governmental Services

Stanton provides a broad range of municipal services to its citizens, including planning, zoning and building safety, code enforcement, parking control, recreation and community services, engineering, public works, streets and park maintenance, street sweeping, graffiti abatement and general administration. Police and fire service are provided by contracts with the Orange County Sheriff's Department and Orange County Fire Authority, respectively. The public library located in Stanton is a part of the Orange County Library System.

Stanton is served by the Garden Grove Unified School District, the Magnolia Elementary School District, the Savanna School District, and the Anaheim Union High School District. The Garden Grove Unified School District provides access to four elementary schools, one middle school and two high schools for Stanton residents. The Magnolia Elementary School District provides access to four elementary schools for Stanton residents. The Savanna School District provides access to four elementary schools for Stanton residents. The Anaheim Union High School District provides access to three junior high and middle schools and one high school for Stanton residents. There is also one parochial school in Stanton serving the area.

Transportation

Stanton's location near two interstate freeways and two highways affords easy access to the extensive Southern California freeway network. The City is in close proximity to four freeways: the Garden Grove Freeway (State Highway 22) passes just south of the City; the San Gabriel River Freeway (Interstate 605) runs north and south to the west of the City; the Santa Ana Freeway (Interstate 5) runs in a northwest-southeast course to the east of the City; and the Artesia Freeway (State Highway 91) runs east and west about two and a half miles north of the City.

Population

The following table provides a comparison of population growth for Stanton, surrounding cities and Orange County between 2006 and 2010.

**TABLE NO. C-1
CHANGE IN POPULATION
STANTON, SURROUNDING CITIES AND ORANGE COUNTY
2006 – 2010**

Year	STANTON		SURROUNDING CITIES		ORANGE COUNTY	
	Population	Percentage Change	Population	Percentage Change	Population	Percentage Change
2006	38,365		219,899		3,061,535	
2007	38,662	0.8%	220,247	0.2%	3,077,656	0.5%
2008	39,069	1.1%	221,440	0.5%	3,104,046	0.9%
2009	39,432	0.9%	224,084	1.2%	3,134,858	1.0%
2010	39,799	0.9%	225,599	0.7%	3,166,461	1.0%
% Increase Between 2006 - 2010		3.7%			2.6%	3.4%

Source: State of California, Department of Finance, “E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 Benchmark.”

Surrounding cities include Cypress and Garden Grove.

Per Capita Income

Per capita income information for Stanton, Orange County, the State of California and the United States are summarized in the following table.

**TABLE NO. C-2
PER CAPITA INCOME
STANTON, ORANGE COUNTY, CALIFORNIA AND UNITED STATES
2005 – 2009**

Year	Stanton	Orange County	State of California	United States
2005	(1)	\$44,453	\$38,767	\$35,424
2006	\$40,538	48,209	41,567	37,698
2007	42,278	48,486	43,402	39,392
2008	42,916	49,286	43,852	40,166
2009	(1)	49,171	(1)	(1)

Source: City of Stanton, County of Orange Comprehensive Annual Financial Report, and U.S. Department of Commerce, Bureau of Economic Analysis.

(1) Not available.

Employment and Industry

The City is located in the Santa Ana-Anaheim-Irvine Metropolitan Division. Six major job categories constitute 80.6% of the work force. They are professional and business services (17.9%), service producing (16.3%), leisure and hospitality (12.9%), educational and health services (11.3%), government (11.2%), and manufacturing (11.0%). The November 2010 unemployment rate in the Santa Ana-Anaheim-Irvine Metropolitan Division was 9.3%. The State of California November 2010 unemployment rate (unadjusted) was 12.4%.

TABLE NO. C-3
SANTA ANA-ANAHEIM-IRVINE METROPOLITAN DIVISION
WAGE AND SALARY WORKERS BY INDUSTRY ⁽¹⁾
(in thousands)

Industry	2006	2007	2008	2009	2010
Government	160.8	163.6	163.4	157.6	154.4
Other Services	47.4	47.7	45.6	41.6	42.3
Leisure and Hospitality	169.4	174.4	172.6	169.1	177.5
Educational and Health Services	140.8	146.4	153.5	151.5	154.7
Professional and Business Services	278.0	277.2	259.5	236.2	246.3
Financial Activities	136.2	119.8	109.3	103.5	105.9
Information	31.8	30.8	29.0	26.2	24.8
Transportation, Warehousing and Utilities	28.3	29.7	29.0	27.8	27.8
Service Producing					
Retail Trade	168.1	167.2	155.3	143.0	145.1
Wholesale Trade	84.7	87.0	85.3	79.4	78.5
Manufacturing					
Nondurable Goods	54.6	53.4	49.7	43.8	45.5
Durable Goods	127.5	124.8	119.8	105.1	105.9
Goods Producing					
Construction	107.0	100.1	86.5	67.9	63.0
Mining and Logging	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.5</u>	<u>0.6</u>
Total Nonfarm	1,535.2	1,522.7	1,459.1	1,353.2	1,372.3
Farm	<u>4.1</u>	<u>4.5</u>	<u>3.6</u>	<u>3.3</u>	<u>2.5</u>
Total (all industries)	<u>1,539.3</u>	<u>1,527.2</u>	<u>1,462.7</u>	<u>1,356.5</u>	<u>1,374.8</u>

Source: State of California Employment Development Department, Labor Market Information Division, "Industry Employment & Labor Force - by month March 2009 Benchmark."

⁽¹⁾ Annually, as of November.

The major employers operating within the City and their respective number of employees as of June 30, 2010 are as follows:

**TABLE NO. C-4
CITY OF STANTON
MAJOR EMPLOYERS**

Name of Company	Employment	Type of Business/Product
CR & R	208	Waste Disposal
Sam's Club	131	Discount Retailer
Home Depot	125	Home Improvement Retailer
All Metals Processing	125	Fabricated Metal Products
Adventure City	125	Amusement Park
Food 4 Less	95	Grocery Store
Custom Pipe & Coupling	75	Pipe Bending and Fabricating
Garden Fresh Market	70	Grocery Store
Cameron Welding Supply	65	Welding, Industrial
Primus Inc.	60	Manufacturer/Exporter/Importer

Source: City of Stanton.

Commercial Activity

The following table summarizes the volume of retail and food services and taxable transactions for the City of Stanton for 2005 through 2009.

**TABLE NO. C-5
CITY OF STANTON
TOTAL TAXABLE TRANSACTIONS
(in thousands)
2005 – 2009**

Year	Retail and Food Services (\$000's)	% Change	Retail and Food Services Permits	Total Taxable Transactions (\$000's)	% Change	Issued Sales Permits
2005	\$266,657		442	\$368,769		853
2006	272,955	2.4%	435	371,325	0.7%	855
2007	251,885	(7.7)%	441	343,667	(7.5)%	837
2008	242,746	(3.6)%	450	316,826	(7.8)%	836
2009	212,785	(12.3)%	444	267,005	(15.7)%	755

The following table compares taxable transactions for the City of Stanton and surrounding cities.

**TABLE NO. C-6
CHANGE IN TOTAL TAXABLE TRANSACTIONS
STANTON AND SURROUNDING CITIES
(in thousands)
2005 – 2009**

City	2005	2006	2007	2008	2009	% Change from 2005 - 2009
STANTON	\$ 368,769	\$ 371,325	\$ 343,667	\$ 316,826	\$ 267,005	(27.6)%
Cypress	1,112,357	1,198,177	1,189,026	1,108,449	953,894	(14.2)%
Garden Grove	1,788,182	1,789,812	1,751,333	1,642,666	1,361,395	(23.9)%

Source: California State Board of Equalization, "Taxable Sales in California."

Taxable transactions by type of business for the City of Stanton for 2005 through 2009 are summarized in Table No. C-7.

**TABLE NO. C-7
CITY OF STANTON
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(in thousands)
2005 – 2009**

	2005	2006	2007	2008	2009
<i>Retail and Food Services</i>					
Clothing and Clothing					
Accessories Stores	\$ 2,737	\$ 2,717	\$ 3,233	\$ 2,889	\$ 2,257
General Merchandise Stores	#	#	#	#	#
Food and Beverage Stores	19,499	16,419	13,716	12,290	16,477
Food Services and Drinking Places	39,167	40,527	41,238	41,957	39,017
Home Furnishings and					
Appliance Stores	2,739	2,685	2,680	5,472	#
Building Materials and Garden					
Equipment and Supplies	65,344	67,628	58,759	46,341	40,582
Motor Vehicles and Parts Dealers	21,431	35,327	40,788	31,482	26,142
Gasoline Stations	44,416	42,670	44,276	57,928	41,349
Other Retail Group	<u>71,324#</u>	<u>64,982#</u>	<u>47,195#</u>	<u>44,387#</u>	<u>46,959#</u>
Total Retail and Food Services	266,657	272,955	251,885	242,746	212,783
<i>All Other Outlets</i>	<u>102,112</u>	<u>98,370</u>	<u>91,782</u>	<u>74,080</u>	<u>54,220</u>
Total All Outlets	<u>\$368,769</u>	<u>\$371,325</u>	<u>\$343,667</u>	<u>\$316,826</u>	<u>\$267,003</u>

Source: California State Board of Equalization, "Taxable Sales in California."

Sales omitted because their publication would result in the disclosure of confidential information. These are included with "Other Retail Group" when possible.

Note: Detail may not compute to total due to rounding.

Building Activity

The following table summarizes building activity valuations for the City of Stanton for the five-year period from 2005 through 2009.

TABLE NO. C-8
CITY OF STANTON
BUILDING PERMIT VALUATION
(in thousands)
2005 – 2009

	2005	2006	2007	2008	2009
Residential	\$ 6,450,128	\$11,175,590	\$16,001,057	\$11,805,467	\$12,022,730
Non-Residential	<u>2,149,618</u>	<u>3,618,456</u>	<u>2,584,910</u>	<u>3,754,933</u>	<u>7,043,071</u>
Total Valuation	<u>\$ 8,599,746</u>	<u>\$14,794,046</u>	<u>\$18,585,967</u>	<u>\$15,560,400</u>	<u>\$19,065,801</u>

Source: City of Stanton.

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APPENDIX D
AGENCY AUDITED FINANCIAL STATEMENTS FOR THE
FISCAL YEAR ENDING JUNE 30, 2010

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Stanton Redevelopment Agency

Stanton, California

*Basic Financial Statements
And Independent Auditors' Reports*

For the fiscal year ended June 30, 2010

Stanton Redevelopment Agency
Basic Financial Statements
For the year ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Stanton Redevelopment Agency
Stanton, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Stanton Redevelopment Agency (Agency), a component unit of the City of Stanton, California (City), as of and for the year ended June 30, 2010, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2010, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the Financial Statements, the Agency has restated its loans receivables in the Low and Moderate Income Housing Fund and its capital assets in the Government-Wide Financials Statements. Accordingly, the Agency restated its net assets at July 1, 2009.

To the Board of Directors
of the Stanton Redevelopment Agency
Stanton, California
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Agency has not presented a Management's Discussion and Analysis required by Governmental Accounting Standards Board (GASB) Statement No. 34 that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
December 14, 2010

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Stanton Redevelopment Agency
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 11,064,746
Restricted Cash and investments with fiscal agents	2,752,878
Receivables	658,576
Prepaid items	22,431
Notes and loans receivable	2,485,544
Land held for resale	6,393,141
Capital assets:	
Not being depreciated	25,716,780
Being depreciated, net of accumulated depreciation	10,844,694
Total assets	<u>59,938,790</u>
LIABILITIES	
Accounts payable	1,923,741
Accrued liabilities	18,953
Unearned revenue	60,364
Interest payable	152,383
Advance from the City	8,586,029
Noncurrent liabilities:	
Due within one year	650,000
Due in more than one year	25,794,717
Total liabilities	<u>37,186,187</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,186,892
Restricted for:	
Low and moderate income housing	4,811,238
Debt service	9,991,459
Unrestricted	(1,236,986)
Total net assets	<u>\$ 22,752,603</u>

See accompanying Notes to Basic Financial Statements.

Stanton Redevelopment Agency
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:		
Urban development	\$ 9,415,288	\$ (9,415,288)
Interest and fiscal charges	1,797,214	(1,797,214)
Total	\$ 11,212,502	(11,212,502)
General Revenues:		
Property taxes		11,390,416
Investment earnings		436,629
Miscellaneous		506,494
Total general revenues and transfers		12,333,539
Changes in net assets		1,121,037
Net assets - beginning of year, as restated		21,631,566
Net assets - end of year		\$ 22,752,603

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FUND FINANCIAL STATEMENTS

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Stanton Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2010

	Debt Service Fund Stanton Consolidated Redevelopment Project	Capital Projects Fund Stanton Consolidated Redevelopment Project	Special Revenue Fund Low and Moderate Income Housing	Total Governmental Funds
ASSETS				
Cash and investments	\$ 7,186,866	\$ 1,145,460	\$ 2,732,420	\$ 11,064,746
Restricted Cash and investments with fiscal agents Receivable:	2,748,565	4,313	-	2,752,878
Interest	2,695	-	7,174	9,869
Taxes	547,706	-	-	547,706
Grants	-	101,001	-	101,001
Prepaid items	-	-	22,431	22,431
Advances to other funds	10,000,000	-	-	10,000,000
Notes and loans receivable	-	124,759	2,360,785	2,485,544
Land held for resale	-	6,393,141	-	6,393,141
Total assets	\$ 20,485,832	\$ 7,768,674	\$ 5,122,810	\$ 33,377,316
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,865,243	\$ 51,924	\$ 6,574	\$ 1,923,741
Accrued liabilities	-	17,137	1,816	18,953
Interest payable	43,101	-	-	43,101
Deferred revenue	-	60,364	303,182	363,546
Advances from the City	8,586,029	-	-	8,586,029
Advances from other funds	-	10,000,000	-	10,000,000
Total liabilities	10,494,373	10,129,425	311,572	20,935,370
Fund Balances:				
Reserved:				
Encumbrances	-	4,483,105	435	4,483,540
Loans receivable	-	124,759	2,360,785	2,485,544
Advance to other funds	10,000,000	-	-	10,000,000
Low and moderate income housing	-	-	2,450,018	2,450,018
Debt service	(8,541)	-	-	(8,541)
Land held for resale	-	6,393,141	-	6,393,141
Unreserved:				
Undesignated:				
Capital projects	-	(13,361,756)	-	(13,361,756)
Total fund balances	9,991,459	(2,360,751)	4,811,238	12,441,946
Total liabilities and fund balances	\$ 20,485,832	\$ 7,768,674	\$ 5,122,810	\$ 33,377,316

See accompanying Notes to Basic Financial Statements.

Stanton Redevelopment Agency
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2010

Total Fund Balances - Total Governmental Funds	\$ 12,441,946
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Not being depreciated	\$ 25,716,780	
Being depreciated	<u>10,844,694</u>	36,561,474

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

Bonds payable	\$ (27,555,000)	
Deferred bond issuance costs	929,865	
Issuance discount	<u>180,418</u>	(26,444,717)

Interest expenditures are recognized when due, and therefore, interest payable is not recorded in the governmental funds. This amount does not include \$43,101 of Stanton Consolidated Redevelopment Project Debt Service Fund interest payable. (109,282)

Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements.

Change in deferred revenue and unearned revenue	<u>303,182</u>
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Net assets of governmental activities	\$ <u>22,752,603</u>
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Stanton Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Debt Service Fund Stanton Consolidated Redevelopment Project	Capital Project Fund Stanton Consolidated Redevelopment Project	Special Revenue Fund Low and Moderate Income Housing	Total Governmental Funds
REVENUES:				
Taxes and assessments	\$ 11,390,416	\$ -	\$ -	\$ 11,390,416
Intergovernmental	-	204,176	48,700	252,876
Interest income	230,638	706	197,541	428,885
Rental income	-	6,847	110,898	117,745
Miscellaneous	12,682	123,191	-	135,873
Total revenues	11,633,736	334,920	357,139	12,325,795
EXPENDITURES:				
Current:				
Urban development	6,662,616	1,719,853	937,810	9,320,279
Capital outlay	-	3,484,766	7,261,295	10,746,061
Debt service:				
Principal	615,000	-	-	615,000
Interest and fiscal charges	1,755,972	-	-	1,755,972
Total expenditures	9,033,588	5,204,619	8,199,105	22,437,312
REVENUES OVER (UNDER) EXPENDITURES	2,600,148	(4,869,699)	(7,841,966)	(10,111,517)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	3,297,576	2,289,204	5,586,780
Transfers out	(5,586,780)	-	-	(5,586,780)
Total other financing sources (uses)	(5,586,780)	3,297,576	2,289,204	-
Net change in fund balances	(2,986,632)	(1,572,123)	(5,552,762)	(10,111,517)
FUND BALANCES:				
Beginning of year, as restated	12,978,091	(788,628)	10,364,000	22,553,463
End of year	\$ 9,991,459	\$ (2,360,751)	\$ 4,811,238	\$ 12,441,946

See accompanying Notes to Basic Financial Statements.

Stanton Redevelopment Agency
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2010

Net change in fund balance - total governmental funds: \$ (10,111,517)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and retirements in the current period.

Capital outlay	\$ 10,746,061	
Depreciation	<u>(95,009)</u>	10,651,052

The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities, consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of long-term liabilities and related items is as follows:

Principal payments	\$ 615,000	
Amortization costs	<u>(44,412)</u>	570,588

Some expenses reported in the Governmental-Wide Statement of Activities and Changes in Net Assets do not require the use of current financial resources. Therefore, they are not reported as expenditures in governmental funds:

Change in accrued interest payable	3,170
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Certain revenues in the governmental funds are deferred, because they are not collected within the prescribed time period after year-end. However, these revenues are included in the accrual basis used in the government-wide statements.

	<u>7,744</u>
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Change in net assets of governmental activities \$ 1,121,037

NOTES TO BASIC FINANCIAL STATEMENTS

Stanton Redevelopment Agency
Notes to Basic Financial Statements
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Redevelopment Agency (Agency) of the City of Stanton, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

A. *The Financial Reporting Entity*

The Agency was organized on February 20, 1979 for the purposes of developing and rehabilitating certain areas within the City. The ordinance adopting the Redevelopment Plan for the Stanton Community Development Project was passed on December 13, 1983. The ordinance adopting the Redevelopment Plan for the Stanton Redevelopment Project 2000 was passed on July 5, 2000. The ordinance adopting the Redevelopment Plan for the Stanton Consolidated Redevelopment Project was passed on November 23, 2004, which merged the Stanton Community Development Project and the Stanton Redevelopment Plan 2000. The Agency is a separate government entity established pursuant to the State of California Health and Safety Code; Section 33000 entitled "Community Redevelopment Law." Planned project activities include the acquisition, development and sale of real properties within the project area, the relocation of displaced individuals, providing rehabilitation loans and rebates, and the development of housing for low and moderate income level families.

GASB Statement No. 14, *The Financial Reporting Entity*, defines the reporting entity as the primary government and those component units for which the primary government is, or has the potential to be, financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's Board and either (a) the primary government has the ability to impose its will or (b) the possibility that the component unit will provide a financial benefit to, or impose a financial burden on, the primary government. Since the City Council of the City also serves as the Board of Directors of the Agency, the City, in effect, has the ability to influence and control operations. Therefore, the City has oversight responsibility for the Agency. Accordingly, in applying the criteria of GASB Statement No. 14, the financial statements of the Agency are included in the City's Comprehensive Annual Financial Report. The Agency has the same fiscal year as the City. The Comprehensive Annual Financial Report of the City can be obtained from the Finance Department of the City.

B. *Basis of Accounting and Measurement Focus*

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and measurement Focus, Continued

Government - Wide Financial Statements

The Agency's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the Agency accompanied by a total column. The Agency does not have any business-type activities, therefore only governmental activities are reported.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. The following interfund activities have been eliminated:

- Advances to and from
- Transfers in and out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds.

All governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are increment property tax, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

The Agency reports the following governmental funds as major funds:

Stanton Consolidated Redevelopment Project Debt Service Fund - is used to account for the accumulation of resources and payment of long-term debt principal and interest related to the Stanton Consolidated Redevelopment Project.

Stanton Consolidated Redevelopment Project Capital Projects Fund - is used to account for financial resources segregated for redevelopment and public improvements within the Stanton Consolidated Redevelopment Project areas.

Low and Moderate Income Housing Special Revenue Fund - is used to account for the expenditure of Redevelopment Agency tax increment revenues set aside for low and moderate income housing purpose.

C. Cash and Investments

The Agency pools cash resources from all funds with the City in order to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these investments are subject to market risk as to change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the Agency and are presented as "Cash and Investments" in the accompanying basic financial statements.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash and Investments, Continued

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, certain disclosure requirements, if applicable, for deposit and investment risks are specified as follows:

- Interest Rate Risk
- Credit Risk
 - ◆ Overall
 - ◆ Custodial Credit Risk
 - ◆ Concentration of Credit Risk
- Foreign Currency Risk

The Agency pools its cash with the City. Consequently, the above disclosures are noted in the City's basic financial statements.

D. Cash and Investments with Fiscal Agents

Cash and investments with fiscal agents are restricted for the redemption of bonded debt and for acquisition and construction of capital projects.

E. Land Held for Resale

Land held for resale is recorded at the lower of acquisition cost or market value, but not greater than net realizable value. Reported amounts are fully reserved, which indicates that they do not constitute available spendable resources.

F. Capital Assets

Government-Wide Financial Statements

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental activities column in the government-wide financial statements. Assets purchased or constructed are recorded at historical cost or estimated historical cost. Donated assets are valued at the fair market value of the assets on the date on which they were contributed. The costs of normal maintenance and repairs that do not add value to the assets or materially extend the life are not capitalized. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Depreciation is charged to operations using the straight-line method of depreciation over the estimated useful lives of the assets as follows:

Structures and improvements	20-50 years
Machinery and equipment	5-20 years
Infrastructure	20-50 years

Fund Financial Statements

The fund financial statements do not present capital assets. As such, capital assets are shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financed obligations are reported as liabilities in the Government-Wide Financial Statements.

Bonds premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable premium or discount.

Fund Financial Statements

The fund financial statements do not present long-term debt. Consequently, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

H. Risk Management

The Agency participated in the City's self-insurance programs for workers' compensation and liability losses. Excess insurance is purchased to protect the City from losses above the self-insured retention. At no time during the past three years have insurance claims exceeded insurance coverage.

I. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

J. Fund Balance

In the fund financial statements, reservations of fund balance are created to either satisfy legal covenants, including State laws, that require a portion of the fund balance be segregated or identify the portion of the fund balance not available for future expenditures.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Property Taxes

Incremental property tax revenues are established pursuant to California Community Redevelopment Law. They result from the excess of taxes levied and collected each year in designated project areas over and above the amount which would have been produced, at current rates, by the assessed value as shown on the last equalized property tax assessment roll prior to the effective date of the ordinance establishing the designated project areas.

L. Low and Moderate Income Housing

The California Health and Safety Code requires Agency project areas to deposit 20% of allocated incremental property tax revenues (or 20% of net bond proceeds plus 20% of tax incremental revenues in excess of debt service payments on the bond) into a Low and Moderate Income Housing Fund. This money is restricted for the purpose of increasing or improving the community's supply of low and moderate income housing. The Agency accounts for these revenues in a special revenue fund.

M. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget and Budgetary Accounting

The Agency adopts an annual budget prepared on the modified accrual basis for all of its governmental funds. The Executive Director is required, under City Code Section 2.08.50, to prepare and submit to the Agency Board the annual budget of the Agency and administer it after adoption. Legally, expenditures may not exceed total appropriations at the fund level. The Executive Director is authorized to transfer budgeted amounts within the accounts of any fund; however, any revisions between funds must be approved by the Agency Board. Prior year appropriations lapse unless they are encumbered at year-end and reappropriated through the formal budget process.

The budgetary information shown for revenues and expenditures represent the original adopted budget adjusted for any changes made by the Agency Board or Executive Director.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Agency had the following cash and investments at June 30, 2010:

Cash and Investments	\$	11,064,746
Restricted Cash and Investments with Fiscal Agents		<u>2,752,878</u>
Total	\$	<u><u>13,817,624</u></u>

The Agency's funds are pooled with the City's cash and investments in order to generate optimum interest income.

Investments Authorized by the City's Investment Policy

The City's Investment Policy is reviewed and adopted by the City Council each year. Regarding allowable investment types, the investment policy is more conservative and restrictive than the investment vehicles authorized by Section 53600.5 of the California Government Code. Investment vehicles not specifically mentioned in the City's investment policy, are not authorized unless the policy is amended by the City Council or is approved as part of the provisions of the bond indentures. Investments are limited to:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentages of Portfolio *</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bills	5 years	60%	None
U.S. Treasury Notes	5 years	40%	None
Federal Agency Issues	5 years	40%	None
Certificate of Deposit	5 years	10%	None
Bankers' Acceptances	270 days	10%	None
Commercial Paper	180 days	10%	10%
County Pool Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Negotiable CD's	N/A	30%	None

* Excluding amounts held by bond trustees that are subject to California Government Code restrictions.

The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk and concentration of credit risk.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. DETAILED NOTES ON ALL FUNDS, Continued

A. Cash and Investments, Continued

Investments Authorized by Debt Agreements

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provision of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentages of Portfolio	Maximum Investment In One Investor
U.S Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Bankers' Acceptances	270 days	None	None
Commercial Paper	180 days	None	None
Money Markey Mutual Funds	N/A	None	None
Investment Contract	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments, and by timing cash flows from maturities, so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Disclosures Relating to Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the equivalent of A1 or better issued by Standard & Poor's and Moody's Investors Service.

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one non government sponsored issuer that represent 5% or more of total City investments.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. DETAILED NOTES ON ALL FUNDS, Continued

A. Cash and Investments, Continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Any deposits in excess of depository insurance limits at the end of the year are collateralized by securities held at the depository financial institution's trust department.

Investment in State Investment Pool

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2010, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2010, the City invested in LAIF, which had invested 5.42% of the pool investment funds in structured notes and asset-backed securities. As of June 30, 2010 the LAIF fair value factor of 1.001643776 was used to calculate the fair values of the investments in LAIF.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. DETAILED NOTES ON ALL FUNDS, Continued

B. Interfund Receivables, Payables and Transfers

Advances to/from other funds:

In the prior years, the City advanced \$4,500,000 to the Agency. This loan was made for purposes of carving out activities of the Consolidated Redevelopment Project Area. This advance bears interest at 7% and is due when sufficient tax increment is available for operations. In the current fiscal year, the City advanced \$4,086,029 to the Agency for the purpose of paying the SERAF payment required by the State. This advance bears interest at 7% and is due when sufficient tax increment is available for operations. The total advances payable at June 30, 2010 was \$8,586,029.

<u>Advances from the City</u>	
Stanton Consolidated	
Redevelopment Debt Service	\$ 8,586,029
Total	\$ 8,586,029

The Stanton Consolidated Redevelopment Debt Service Fund advanced the Stanton Consolidated Capital Projects Fund \$10,000,000. A loan was made for the purpose of balancing out the negative cash balance in the Capital Projects Fund.

<u>Advances from Other Funds</u>	<u>Advances to Other Funds</u>	
	Stanton Consolidated Redevelopment Debt Service	Total
Stanton Consolidated		
Redevelopment Capital Projects	\$ 10,000,000	\$ 10,000,000
Total	\$ 10,000,000	\$ 10,000,000

Interfund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	
	<u>Debt Service Fund</u>	
	<u>Stanton Consolidated</u>	
	<u>Redevelopment Project</u>	
Capital Projects:		
Stanton Consolidated Redevelopment	\$	3,297,576
Special Revenues:		
Low and Moderate Income Housing		2,289,204
Totals	\$	5,586,780

Transfers were primarily made for the purpose of making debt service payments and transferring the 20% set-aside for the tax increment monies.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. DETAILED NOTES ON ALL FUNDS, Continued

C. Capital Assets

The changes in capital assets for the year ended June 30, 2010 were as follows:

	Balance at July 1, 2009	Additions	Reclassification	Prior Period Adjustment	Balance at June 30, 2010
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 20,306,431	\$ 7,261,295	\$ (2,246,026)	\$ -	\$ 25,321,700
Construction in progress	-	162,204	-	232,876	395,080
Total capital assets, not being depreciated	20,306,431	7,423,499	(2,246,026)	232,876	25,716,780
Capital assets, being depreciated:					
Buildings and improvements	1,239,211	3,309,964	2,246,026	4,208,280	11,003,481
Equipment	-	12,598	-	-	12,598
Total capital assets, being depreciated	1,239,211	3,322,562	2,246,026	4,208,280	11,016,079
Less accumulated depreciation for:					
Buildings and improvements	(76,376)	(93,749)	-	-	(170,125)
Equipment	-	(1,260)	-	-	(1,260)
Total accumulated depreciation	(76,376)	(95,009)	-	-	(171,385)
Total capital assets, being depreciated, net	1,162,835	3,227,553	2,246,026	4,208,280	10,844,694
Governmental activities capital assets, net	\$ 21,469,266	\$ 10,651,052	\$ -	\$ 4,441,156	\$ 36,561,474

In fiscal year 2010, the Agency reevaluated its policy regarding certain assets recorded as land and assessed that these items are more appropriately treated as buildings and improvements. As a result, the Agency reclassified these assets in the current year.

Depreciation expense of the Agency for the year ended June 30, 2010 was \$95,009 and was charged entirely to the urban development function of the Agency.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. DETAILED NOTES ON ALL FUNDS, Continued

D. Notes and Loans Receivable

The notes and loans receivable balance at June 30, 2010 was as follows:

Plaza Patria	\$	596,575
Stanton Accessible Apartments		298,210
1st Time Homebuyer		40,000
Home Rehab		1,426,000
Boyd's Wheel		4,500
Boys and Girls Club		120,259
		<hr/>
Totals	\$	2,485,544
		<hr/> <hr/>

On November 26, 1996, the Agency entered into an Owner Participation Agreement (OPA) with Plaza Patria Court, Ltd. Under the terms of the agreement, the Agency loaned \$500,000 to finance the Plaza Patria Rehabilitation Project. The note commenced on February 3, 1998 and bears interest (non-compounding) at the rate of 5%. Interest is accrued and deferred in the first 5 years. The remaining balance of principal and accrued interest shall be paid in full on the maturity date, 20 years following the commencement date. Payment in full is due February 3, 2018. In fiscal 2007, a portion of the loan was forgiven. The total amount outstanding including accrued interest at June 30, 2010 was \$596,575.

In November 2004, the Agency entered into a Residual Receipts Promissory Note with Stanton Accessible Apartments Construction. Under the terms of the agreement, the Agency loaned \$258,261 to Stanton Accessible Apartments Construction. The note commenced on May 5, 2005 and bears interest rate of 3%. The total outstanding, including accrued interest at June 30, 2010 was \$298,210.

The first time homebuyer assistance program, or HOMES, was created by the Redevelopment Agency in order to help existing and new residents purchase their first home. The HOMES program provides up to \$40,000 in down payment assistance for eligible first time homebuyers of low to moderate income. Assistance is in the form of a forty-five year loan with interest and payments deferred for the first ten years of the loan. The HOMES Loan is secured by a second trust deed in conjunction with a first mortgage offered by a participating lender. The total amount outstanding at June 30, 2010 was \$40,000.

The Housing Rehabilitation Loan Program offers loans of up to \$50,000 for newer homes and up to \$75,000 for pre 1960 homes to low and moderate income households. The purpose of the program is to assist Stanton's homeowners with addressing code violations and eliminating blighted, unsafe, unsanitary, and deteriorating living conditions. The loans are interest free with deferred payments until the property is sold, refinanced, or a change in title occurs. The total outstanding at June 30, 2010 was \$1,426,000.

On April 25, 1996, the Agency entered into an OPA with Boyd Wheels, Inc. Under the terms of the agreement, the Agency loaned \$41,000 to Boyd Wheels, Inc. for property improvements. As of June 30, 2010, the amount outstanding was \$4,500.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. DETAILED NOTES ON ALL FUNDS, Continued

D. Notes and Loans Receivable, Continued

In April 2005, the Agency entered into a loan agreement with the Boys and Girls Club of Stanton to develop a new Teen Center. Under the terms of the agreement, the Agency loaned \$180,000 to the Boys and Girls Club. Annual payments of interest and principal shall be forgiven at the end of each 12 month period that the Boys & Girls Club of Stanton continues operations. The note commenced on June 16, 2005 and bears interest at the rate of 6%. The total amount outstanding including accrued interest at June 30, 2010 was \$120,259.

E. Long-Term Liabilities

The Agency had the following long-term liabilities at June 30, 2010:

	Balance			Balance June 30, 2010	Classification	
	July 1, 2009	Additions	Deletions		Due Within One Year	Due More Than One Year
1993 Tax Allocation Refunding Bonds	\$ 2,720,000	\$ -	\$ (240,000)	\$ 2,480,000	\$ 255,000	\$ 2,225,000
2005 Tax Allocation Refunding Bonds, Series A	15,905,000	-	(215,000)	15,690,000	225,000	15,465,000
2005 Tax Allocation Refunding Bonds, Series B	9,545,000	-	(160,000)	9,385,000	170,000	9,215,000
Less deferred amounts:						
Issuance discount for 2005 Tax Allocation Bonds	(187,635)	-	7,217	(180,418)	-	(180,418)
Bond issuance costs for 2005 Tax Allocation Bonds	(967,060)	-	37,195	(929,865)	-	(929,865)
Totals	<u>\$ 27,015,305</u>	<u>\$ -</u>	<u>\$ (570,588)</u>	<u>\$ 26,444,717</u>	<u>\$ 650,000</u>	<u>\$ 25,794,717</u>

Tax Allocation Refunding Bonds, Series 1993

On November 1, 1993, the Agency issued Tax Allocation Refunding Bonds, Series 1993 in the amount of \$5,250,000. The purpose of the Bonds was to refund outstanding obligations of the Agency which were issued to finance improvements in the Stanton Community Development Project of the Agency.

The Bonds bear interest rates between 2.70% to 5.45% are due June 1 and December 1 of each year and mature December 1, 2017. The Bonds maturing after August 1, 2011 are subject to mandatory redemption, in part, by lot prior to maturity from sinking account payments at a redemption price equal to the principal amount thereof plus accrued interest, if any, to the redemption date, without premium. In lieu of such sinking account redemption, the Agency may elect to purchase Series 1993 Bonds at public or private sales as and when and at such prices as the Agency may, in its discretion, determine.

The Bonds are limited obligations of the Agency payable from and secured by pledged tax revenue to be derived from the Project Area. Annual principal and interest payments on the Bonds are expected to require 9.5% percent of net revenues. The total principal and interest remaining to be paid on the Bonds is \$3,057,973 as of June 30, 2010. For the current year, principal and interest paid on the Bonds was \$381,700 and property tax increment net revenues were \$4,193,948. The Bonds required 9.5% of net revenues. The outstanding balance of the Bonds was \$2,480,000 at June 30, 2010.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. DETAILED NOTES ON ALL FUNDS, Continued

E. Long-Term Liabilities, Continued

Tax Allocation Refunding Bonds, Series 1993, Continued

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 255,000	\$ 128,211	\$ 383,211
2012	270,000	113,905	383,905
2013	285,000	98,781	383,781
2014	300,000	82,840	382,840
2015	315,000	66,081	381,081
2016-2018	1,055,000	88,155	1,143,155
Total	\$ 2,480,000	\$ 577,973	\$ 3,057,973

Tax Allocation Bonds, 2005 Series A

On July 1, 2005, the Agency issued Tax Allocation Bonds, 2005 Series A, in the amount of \$16,500,000. The purpose of the Bonds was to finance redevelopment activities of the Agency within, or of benefit to, the Agency's Stanton Consolidated Redevelopment Project, fund a portion of the reserve fund for the Bonds, and provide for the costs of issuing Series A Bonds.

The Bonds bear interest rates between 4.40% to 5.20% are due June 1 and December 1 of each year and mature December 1, 2035. The Bonds maturing on or after December 1, 2016, are subject to optional redemption prior to maturity at the option of the Agency on any date on or after December 1, 2015, as a whole or in part at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. The Bonds are subject to mandatory sinking account redemption in amounts ranging from \$190,000 to \$1,070,000 as outlined in the official statements.

Tax revenues are pledged for the payment of principal and interest on the Bonds until the Bonds and any Parity Debt have been paid, or until monies have been set-aside irrevocably for that purpose. A reserve account has been established to be held by the Trustee to further secure the timely payment of principal and interest on the Bonds. The amount required to be maintained by the trustee for the Bonds is \$1,483,435.

Annual principal and interest payments on the Bonds are expected to require 12.2% percent of net revenues. The total principal and interest remaining to be paid on the Bonds is \$28,684,800 as of June 30, 2010. For the current year, principal and interest paid on the Bonds was \$1,012,370 and property tax increment net revenues were \$7,157,246. The Bonds required 12.2% of net revenues. The outstanding balance of the Bonds was \$15,690,000 at June 30, 2010.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. DETAILED NOTES ON ALL FUNDS, Continued

E. Long-Term Liabilities, Continued

Tax Allocation Bonds, 2005 Series A, Continued

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 225,000	\$ 787,690	\$ 1,012,690
2012	235,000	777,570	1,012,570
2013	245,000	767,010	1,012,010
2014	255,000	756,010	1,011,010
2015	270,000	744,460	1,014,460
2016-2020	2,055,000	3,487,285	5,542,285
2021-2025	3,160,000	2,788,250	5,948,250
2026-2030	3,570,000	1,957,935	5,527,935
2031-2035	4,605,000	928,590	5,533,590
2036	1,070,000	-	1,070,000
Total	\$ 15,690,000	\$ 12,994,800	\$ 28,684,800

Taxable Tax Allocation Bonds, 2005 Series B

On July 1, 2005, the Agency issued Tax Allocation Bonds, 2005 Series B, in the amount of \$10,000,000. The purpose of the Bonds was to finance redevelopment activities of the Agency within or of benefit to the Agency's Stanton Consolidated Redevelopment Project, fund the remaining portion of the reserve fund for the Bonds, and provide for the costs of issuing the Series B Bonds.

The Bonds bear interest rates between 3.50% to 4.25% are due June 1 and December 1 of each year and mature December 1, 2035. The Bonds maturing on or after December 1, 2016, are subject to optional redemption prior to maturity at the option of the Agency on any date on or after December 1, 2015, as a whole or in part at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. The Bonds are subject to mandatory sinking account redemption in amounts ranging from \$430,000 to \$580,000 as outlined in the official statements.

Tax Revenues are pledged for the payment of principal and interest on the Bonds until the Bonds and any Parity Debt have been paid, or until moneys have been set-aside irrevocably for that purpose. A reserve account has been established to be held by the Trustee to further secure the timely payment of principal and interest on the Bonds. The amount required to be maintained by the trustee for the Bonds is \$821,572.

Annual principal and interest payments on the Bonds are expected to require 6.7% percent of net revenues. The total principal and interest remaining to be paid on the Bonds is \$15,686,251 as of June 30, 2010. For the current year, principal and interest paid on the Bonds was \$556,283 and property tax increment net revenues were \$7,157,246. The Bonds required 6.7% of net revenues. The outstanding balance of the Bonds was \$9,385,000 at June 30, 2010.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. DETAILED NOTES ON ALL FUNDS, Continued

E. Long-Term Liabilities, Continued

Taxable Tax Allocation Bonds, 2005 Series B, Continued

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 170,000	\$ 390,508	\$ 560,508
2012	175,000	384,470	559,470
2013	180,000	378,258	558,258
2014	185,000	371,870	556,870
2015	195,000	365,220	560,220
2016-2020	1,360,000	1,699,728	3,059,728
2021-2025	1,925,000	1,342,543	3,267,543
2026-2030	2,065,000	929,538	2,994,538
2031-2035	2,550,000	439,116	2,989,116
2036	580,000	-	580,000
Total	\$ 9,385,000	\$ 6,301,251	\$ 15,686,251

Issuance Discount

The following is a summary of bond issuance discount at June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
2005 Tax Allocation Bonds	\$ (187,635)	\$ -	\$ 7,217	\$ (180,418)

Amortization expense for the year ended June 30, 2010 was \$7,217.

Bond Issuance Costs

The following is a summary of bond issuance costs at June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
2005 Tax Allocation Bonds	\$ (967,060)	\$ -	\$ 37,195	\$ (929,865)

Amortization expense for the year ended June 30, 2010 was \$37,195.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. DETAILED NOTES ON ALL FUNDS, Continued

F. Deficit Fund Balances

The following fund had a deficit fund balance at June 30, 2010:

Stanton Consolidated Redevelopment Project	
Capital Projects	\$ (2,360,751)

This deficit is expected to be eliminated with future revenues from services and fees and reimbursements from federal agencies.

G. Excess of Expenditures over Appropriations

Expenditures for the year ended June 30, 2010 exceeded appropriations in the following fund:

	Final Budget	Actual	Variance
Stanton Consolidated Redevelopment Project	\$ 5,688,110	\$ 9,033,588	\$ (3,345,478)

H. Prior Period Adjustments

Government-Wide Financial Statements

During the fiscal year ended June 30, 2010, the Agency recorded the following prior period adjustments in the Government-Wide Financial Statements:

The Agency performed a review of its capital assets during the year ended June 30, 2010. As a result of the review, the Agency identified an error and recorded an adjustment to reclassify the prior period construction in progress amount of \$4,441,156 from the City to the Agency.

The Agency identified an error and recorded an adjustment increasing the loans receivable in the amount of \$1,466,001.

	Net Assets, as Previously Reported	Prior Period Adjustments		Net Assets, as Restated
		Capital Assets, Net	Loans Receivable	
Governmental Activities:				
Net assets	\$ 15,724,409	\$ 4,441,156	\$ 1,466,001	\$ 21,631,566

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. DETAILED NOTES ON ALL FUNDS, Continued

H. Prior Period Adjustments, Continued

Fund Financial Statements

During the fiscal year ended June 30, 2010, the Agency recorded the following prior period adjustments in the Fund Financial Statements:

Low and Moderate Income Housing Fund – The Agency identified an error and recorded an adjustment increasing the rehabilitation loans in the amount of \$1,466,001 as of June 30, 2009.

	Net Assets, as Previously Reported	<u>Prior Period Adjustments</u> Loans Receivable	Net Assets, as Restated
Low & Moderate Income Housing	\$ 8,897,999	\$ 1,466,001	\$ 10,364,000

4. OTHER INFORMATION

A. Contingent Liabilities, Commitments and Contingencies

On June 23, 1987, the City committed \$850,000 of its funds to be designated as an insurance reserve for any possible future litigation against the Agency. This commitment is held on deposit in the City's General Fund and is payable to the Agency on demand should such an insurance-related payment be needed. For the commitment of these funds as insurance reserves, the Agency has agreed to pay the City an interest rate of 6% per annum on the funds deposited with the City's General Fund and 12% per annum on any funds actually transferred to the Agency. At June 30, 2010, no funds had been transferred to the Agency.

There are various claims and legal actions pending against the Agency for which no provision has been made in the accompanying basic financial statements. In the opinion of Agency management, liabilities arising from these claims and legal actions, if any, will not have an adverse material effect on the financial position of the Agency.

The Agency has received Federal grants for specific purposes that are subject to review and audit by the Federal government. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material.

As of June 30, 2010, in the opinion of Agency Management, there were no additional outstanding matters that would have a significant effect on the financial position of the Agency.

Stanton Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

4. OTHER INFORMATION

B. Subsequent Events

On October 28, 2010, the Agency issued \$25,280,000 Tax Allocation Bonds 2010 Series A to fund activity within the Stanton Consolidated Redevelopment Project Area.

State Budget Crisis

In 2009, the State enacted legislation authorizing a two-year takeaway of Redevelopment Agency funds. The fiscal year 09/10 payment was \$4,086,029 and it is anticipated another \$841,241 would need to be submitted for fiscal year 10/11. This action was litigated by the California Redevelopment Association and other parties. This lawsuit challenges the constitutionality of ABX 4-26 and seeks to prevent the State from taking redevelopment funds for non-development purposes. As of the date of this report, the court's decision is currently being appealed and the results have not yet been determined.

SUPPLEMENTARY INFORMATION

Stanton Redevelopment Agency
Stanton Consolidated Redevelopment Project Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Taxes and assessments	\$ 11,436,000	\$ 11,436,000	\$ 11,390,416	\$ (45,584)
Interest income	200,000	200,000	230,638	30,638
Miscellaneous	-	-	12,682	12,682
Total revenues	<u>11,636,000</u>	<u>11,636,000</u>	<u>11,633,736</u>	<u>(2,264)</u>
EXPENDITURES:				
Current:				
Urban development	3,405,000	3,405,000	6,662,616	(3,257,616)
Debt service:				
Principal retirement	615,000	615,000	615,000	-
Interest and fiscal charges	1,668,110	1,668,110	1,755,972	(87,862)
Total expenditures	<u>5,688,110</u>	<u>5,688,110</u>	<u>9,033,588</u>	<u>(3,345,478)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>5,947,890</u>	<u>5,947,890</u>	<u>2,600,148</u>	<u>(3,347,742)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(5,953,140)	(5,953,140)	(5,586,780)	366,360
Total other financing sources (uses)	<u>(5,953,140)</u>	<u>(5,953,140)</u>	<u>(5,586,780)</u>	<u>366,360</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,250)</u>	<u>\$ (5,250)</u>	<u>(2,986,632)</u>	<u>\$ (2,981,382)</u>
FUND BALANCE:				
Beginning of year			<u>12,978,091</u>	
End of year			<u>\$ 9,991,459</u>	

Stanton Redevelopment Agency
Stanton Consolidated Redevelopment Project Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 204,176	\$ 204,176
Interest income	-	-	706	706
Rental income	-	-	6,847	6,847
Miscellaneous	-	-	123,191	123,191
Total revenues	<u>-</u>	<u>-</u>	<u>334,920</u>	<u>334,920</u>
EXPENDITURES:				
Current:				
Urban development	2,051,971	2,051,971	1,719,853	332,118
Capital outlay	8,985,157	8,985,157	3,484,766	5,500,391
Total expenditures	<u>11,037,128</u>	<u>11,037,128</u>	<u>5,204,619</u>	<u>5,832,509</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(11,037,128)</u>	<u>(11,037,128)</u>	<u>(4,869,699)</u>	<u>6,167,429</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,297,570	3,297,570	3,297,576	6
Transfers out	(147,900)	(147,900)	-	147,900
Total other financing sources (uses)	<u>3,149,670</u>	<u>3,149,670</u>	<u>3,297,576</u>	<u>147,906</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (7,887,458)</u></u>	<u><u>\$ (7,887,458)</u></u>	<u>(1,572,123)</u>	<u><u>\$ 6,315,335</u></u>
FUND BALANCE:				
Beginning of year			<u>(788,628)</u>	
End of year			<u><u>\$ (2,360,751)</u></u>	

Stanton Redevelopment Agency
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Low and Moderate Income Housing
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance from Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 48,700	\$ 48,700	\$ 48,700	\$ -
Interest income	-	-	197,541	197,541
Rental income	-	-	110,898	110,898
Total revenues	<u>48,700</u>	<u>48,700</u>	<u>357,139</u>	<u>308,439</u>
EXPENDITURES:				
Current:				
Urban Development	2,659,250	2,659,250	937,810	1,721,440
Capital outlay	7,889,540	7,889,540	7,261,295	628,245
Total expenditures	<u>10,548,790</u>	<u>10,548,790</u>	<u>8,199,105</u>	<u>2,349,685</u>
REVENUES OVER (UNDER) EXPENDITURES	(10,500,090)	(10,500,090)	(7,841,966)	2,658,124
OTHER FINANCING SOURCES (USES):				
Transfers in	2,327,200	2,327,200	2,289,204	(37,996)
Total other financing sources (uses)	<u>2,327,200</u>	<u>2,327,200</u>	<u>2,289,204</u>	<u>(37,996)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (8,172,890)</u>	<u>\$ (8,172,890)</u>	(5,552,762)	<u>\$ 2,620,128</u>
FUND BALANCE:				
Beginning of year, as restated			<u>10,364,000</u>	
End of year			<u>\$ 4,811,238</u>	

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

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Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
of the Stanton Redevelopment Agency
Stanton, California

We have audited the financial statements of the Stanton Redevelopment Agency (Agency), a component unit of the City of Stanton, California (City) as of and for the year ended June 30, 2010 and have issued our report thereon dated December 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, described in the accompanying schedule of findings and responses to be a material weakness (2010-1).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any instances of significant deficiencies, as defined above.

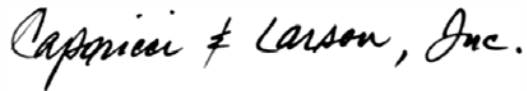
The Agency's written response to the deficiency identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

To the Board of Directors
of the Stanton Redevelopment Agency
Stanton, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors of the Agency, others within the entity, and The State Controller and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
Irvine, California
December 14, 2010

SCHEDULE OF FINDINGS AND RESPONSES

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**Stanton Redevelopment Agency
Schedule of Findings and Responses
June 30, 2010**

2010-1 Internal Controls over Financial Reporting

Condition:

We have determined that processes around the closing and reporting of the financial activity for the fiscal year ended June 30, 2009 were deficient and resulted in a restatement of the prior year financial statements.

Criteria:

An effective internal control system provides reasonable assurance, for the safeguarding of assets, the reliability of financial information and the compliance with laws and regulations.

Cause:

The Agency's policies and procedures for recording financial transactions were not effectively complied with in the prior year.

Effect:

The prior year financial statements of the Agency were restated for the following errors:

Low and Moderate Income Housing Fund – The Agency identified an error and recorded an adjustment increasing the rehabilitation loans in the amount of \$1,466,001 as of June 30, 2009.

Government-Wide Financial Statements – The Agency identified an error and recorded an adjustment to reclassify the prior period construction in progress amount of \$4,441,156 from the City to the Agency.

Recommendation:

We recommend that the Agency perform a more complete review and reconciliation over the year end general ledger accounts and closing process.

Management Response:

1. At the start of the Low Mod housing programs, the Agency only had rebate expenditures that were paid out to an escrow company. However, in the last few years, the Agency added rehab loans to its programs. The Agency expended the funds in the same manner, paying the escrow company. The omission, of reclassifying the expenditure to a receivable, was an oversight that has been corrected in the current year.
2. In the past, CIP had not been added into the RDA capital asset schedule. When the sheriff station and corporate yard projects were completed, it was discovered that their CIPs were not included in the RDA capital asset schedule. This oversight was corrected in the current year.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated March 1, 2011 (the “Disclosure Certificate”) is executed and delivered by the Stanton Redevelopment Agency (the “Issuer”) in connection with the issuance of \$15,330,000 aggregate principal amount of Stanton Consolidated Redevelopment Project Taxable Housing Tax Allocation Bonds, 2011 Series A (the “Series A Bonds”) and \$12,480,000 aggregate principal amount of Stanton Consolidated Redevelopment Project Taxable Tax Allocation Bonds, 2011 Series B (the “Series B Bonds” and together with the Series A Bonds, the “Bonds”). The Series A Bonds are being issued pursuant to an Indenture of Trust dated as of March 1, 2011 (the “Series A Indenture”), by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Series B Bonds are being issued pursuant to an Indenture of Trust dated as of July 1, 2005 as supplemented and amended by a First Supplement to Indenture of Trust dated as of October 1, 2010 and a Second Supplement to Indenture of Trust dated as of March 1, 2011 (the “Series B Indenture, and together with the Series A Indenture, the “Indentures”), by and between the Issuer and the Trustee. The proceeds of the Bonds are being used by the Issuer, in part, to finance housing and economic development activities of the Issuer. In connection therewith, the Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indentures, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

“*Annual Report*” means any Annual Report provided by the Agency under and as described in Sections 3 and 4.

“*Annual Report Date*” means the date not later than February 28 after the end of each fiscal year of the Agency (currently June 30th).

“*Dissemination Agent*” initially means the Trustee or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) or 5(b).

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Official Statement*” means the final official statement executed by the Agency in connection with the issuance of the Bonds.

“*Participating Underwriter*” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto acting as trustee for the Bonds.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than eight months after the end of the Agency's fiscal year (which currently would be February 28), commencing February 28, 2012 with the report for the 2010/11 fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4. Not later than five Business Days prior to the Annual Report Date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). If by five Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Agency to determine if the Agency is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Agency hereunder.

(b) If the Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Agency shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Trustee.

(c) With respect to each Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the Agency, file a report with the Agency, with a copy to the Trustee, certifying that the Annual Report has been provided under this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Agency's Annual Report shall contain or incorporate by reference the following:

(a) The Agency's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial information and operating data with respect to the Issuer for the prior fiscal year of the type included in the Official Statement, in the following categories (to the extent not included in the Issuer's audited financial statements):

- (i) aggregate assessed values of the Project Area in the same manner as provided in the Official Statement in Table Nos. 1 through 5;
- (ii) list of top ten largest local property taxpayers within the Project Area;
- (iii) information on any appeals by such top ten taxpayers in the Project Area;

- (iv) calculation of the coverage ratio for such fiscal year, including Parity Debt, calculated in the same manner as provided in the Official Statement under the section entitled “Projected Tax Revenues and Debt Service Coverage,” and
- (v) description of outstanding indebtedness payable from Housing Tax Revenues and Tax Revenues issued during such fiscal year. (All terms have the meaning set forth in the Indentures).

In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Agency shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which are available to the public on the MSRB’s internet web site or filed with the Securities and Exchange Commission. The Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The Agency shall, or shall cause the Dissemination (if not the Agency) to, give notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.

- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall, or shall cause the Dissemination Agent (if not the Agency) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Indentures.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the Agency and the Trustee.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indentures for amendments to the Indentures with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the Agency fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indentures, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) Article VI of the Series A Indenture and Article VI of the Series B Indenture is hereby made applicable to this Disclosure Certificate as if the Disclosure Certificate were (solely for this purpose) contained in the respective Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee under the Indentures. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Agency hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Bond holders or any other party. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Agency: Stanton Redevelopment Agency
7800 Katella Avenue
Stanton, CA 90680
Attention: Executive Director
Fax: (714) 890-1443

To the Trustee: The Bank of New York Mellon Trust Company, N.A.
700 S. Flower Street, Suite 500
Los Angeles, CA 90017
Fax: (213) 630-6215

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate inures solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and creates no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: March 1, 2011

STANTON REDEVELOPMENT AGENCY

By: _____

Executive Director

ACCEPTANCE OF DISSEMINATION AGENT:

The undersigned hereby accepts the designation of Dissemination Agent and agrees to the duties of the Dissemination Agent set forth in the foregoing Continuing Disclosure Certificate.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

By: _____

Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Stanton Redevelopment Agency
Name of Bond Issue: Stanton Consolidated Redevelopment Project
Taxable Housing Tax Allocation Bonds, 2011 Series A, and
Taxable Tax Allocation Bonds, 2011 Series B
Date of Issuance: March 1, 2011

NOTICE IS HEREBY GIVEN that the Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of March 1, 2011. The Agency anticipates that the Annual Report will be filed by _____.

Dated: _____ THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

By: _____

Authorized Officer

cc: Issuer

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APPENDIX F
FORM OF BOND COUNSEL OPINIONS

OPINION RELATING TO SERIES A BONDS

March 1, 2011

Stanton Redevelopment Agency
7800 Katella Avenue
Stanton, California 90680

OPINION: \$15,330,000 Stanton Redevelopment Agency
Stanton Consolidated Redevelopment Project
Taxable Housing Tax Allocation Bonds, 2011 Series A

Members of the Agency:

We have acted as bond counsel to the Stanton Redevelopment Agency (the "Agency") in connection with the issuance by the Agency of its \$15,330,000 aggregate principal amount of Stanton Redevelopment Agency Stanton Consolidated Redevelopment Project Taxable Housing Tax Allocation Bonds, 2011 Series A (the "Bonds"), under the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Bond Law"), and under an Indenture of Trust dated as of March 1, 2011 (the "Indenture"), between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Agency contained in the Indenture and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Agency is a public body corporate and politic duly organized and validly existing under the laws of the State of California, with the full power to enter into the Indenture, perform the agreements on its part contained therein and issue the Bonds.
2. The Indenture has been duly approved by the Agency and constitutes a valid and binding obligation of the Agency enforceable against the Agency in accordance with its terms.
3. Under the Bond Law, the Indenture establishes a valid lien on the funds pledged by the Indenture for the security of the Bonds.

4. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency, payable solely from the sources provided therefor in the Indenture.

5. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

To ensure compliance with requirements imposed by the Internal Revenue Service, we inform you that any U.S. federal tax advice contained herein is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Respectfully submitted,

A Professional Law Corporation

OPINION RELATING TO SERIES B BONDS

March 1, 2011

Stanton Redevelopment Agency
7800 Katella Avenue
Stanton, California 90680

OPINION: \$12,480,000 Stanton Redevelopment Agency
Stanton Consolidated Redevelopment Project
Taxable Tax Allocation Bonds, 2011 Series B

Members of the Agency:

We have acted as bond counsel to the Stanton Redevelopment Agency (the "Agency") in connection with the issuance by the Agency of its \$12,480,000 aggregate principal amount of Stanton Redevelopment Agency Stanton Consolidated Redevelopment Project Taxable Tax Allocation Bonds, 2011 Series B (the "Bonds"), under the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Bond Law"), and under an Indenture of Trust dated as of July 1, 2005 (the "2005 Bond Indenture"), as amended and supplemented by a Second Supplement to Indenture of Trust dated as of March 1, 2011 (the "Second Supplement"), between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Agency contained in the Indenture and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Agency is a public body corporate and politic duly organized and validly existing under the laws of the State of California, with the full power to enter into the 2005 Bond Indenture and the Second Supplement, perform the agreements on its part contained therein and issue the Bonds.

2. The 2005 Bond Indenture and the Second Supplement have been duly approved by the Agency and constitute valid and binding obligations of the Agency enforceable against the Agency in accordance with their respective terms.

3. Under the Bond Law, the 2005 Bond Indenture, as amended and supplemented by the Second Supplement, establishes a valid lien on the funds pledged thereby for the security of the Bonds.

4. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency, payable solely from the sources provided therefor in the 2005 Bond Indenture and the Second Supplement.

5. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

To ensure compliance with requirements imposed by the Internal Revenue Service, we inform you that any U.S. federal tax advice contained herein is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Respectfully submitted,

A Professional Law Corporation

APPENDIX G

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its

Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of

DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.