

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

***Garden Grove City Council
and
Garden Grove Agency for Community Development
and
Garden Grove Public Financing Authority***

To: Matthew Fertal

From: Economic Development

Dept: City Manager/Director

Subject: RESOLUTION AUTHORIZING THE
ISSUANCE AND SALE OF
SUBORDINATE TAX ALLOCATION
BONDS

Date: June 28, 2011

OBJECTIVE

The purpose of this report is to request the Garden Grove City Council (the "City"), and Garden Grove Agency for Community Development (the "Agency"), and the Garden Grove Public Financing Authority (the "Authority") adopt Resolutions authorizing the issuance and sale of 2011 Subordinate Tax Allocation Bonds (the "2011 Bonds") of approximately one hundred five million dollars (\$105,000,000).

BACKGROUND/DISCUSSION

On April 13, 2010, at a joint meeting of the City Council and the Agency, the First Amended and Restated Disposition and Development Agreement (the "DDA") between the Agency and the Garden Grove MXD, Inc., a Colorado Corporation (the "Developer") was approved.

The DDA proposed the construction of approximately six hundred (600) rooms and a water park (the "Water Park Hotel" or "Hotel"), approximately 18,000 square feet of retail, including one or more restaurants, and a parking structure. The DDA has a Covenant Consideration for the Agency to provide the Developer an all cash sum of forty-seven million dollars (\$47,000,000). The Covenant Consideration pursuant to the DDA is as follows: (a) five million dollars (\$5,000,000) concurrently with the commencement of construction of the parking structure, and (b) forty-two million dollars (\$42,000,000) thirty (30) days after the later of the date on which (i) the Hotel opens for business, or (ii) the certificate of occupancy for the Hotel.

On May 13, 2008, the Agency approved a loan agreement with Union Bank in the amount of thirty-two million dollars (\$32,000,000), which was used to purchase the

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Brookhurst Triangle and Site "C" hotel properties. The loan contains a provision that restricts the Agency from issuing additional debt until the loan is paid off. The Agency may use a portion of the bond proceeds approximately (up to \$32 million) to payoff all or a portion of the Union Bank loan, which will remove the existing Agency restriction from issuing additional debt. Additionally, the Agency may expend any proceeds to acquire real property on Harbor Boulevard for future hotel development or for any other authorized redevelopment purpose that is consistent with the Agency's Redevelopment Implementation Plan, for tax exempt purposes.

The total bond amount will be approximately one hundred five million dollars (\$105,000,000) and will be used for the following purposes.

1. Payoff of the Union Bank Loan, of up to approximately thirty-two million dollars (\$32,000,000) in proceeds.
2. Payment up to forty-seven million dollars (\$47,000,000), but not less than forty-two million dollars (\$42,000,000) for the Garden Grove MXD, Inc. Water Park Hotel Project.
3. The Agency anticipates acquisition of real property within the Redevelopment Project Area consistent with the Agency's Implementation Plan.
4. The Agency may use bond proceeds to payoff the State of California Supplemental Education Revenue Augmentation Fund (SERAF) advances from the Agency's Housing Set-Aside fund, which is nine million six hundred thousand dollars (\$9,600,000) and to pay the Education Revenue Augmentation Fund (ERAF), in the amount of four million eight hundred thousand dollars (\$4,800,000).
5. To the extent applied to (1)-(4) above, to fund other lawful redevelopment activities of the Agency for the Redevelopment Project.
6. To pay costs of issuance and to fund a reserve for the Bonds.

The 2011 Bonds shall be sold to the Garden Grove Public Financing Authority (the "Authority") for concurrent resale to Stone & Youngberg LLC (the "Underwriter") pursuant to a Bond Purchase Agreement and a Preliminary Official Statement, (b) the proceeds of the 2011 Bonds, together with other available moneys, will be applied to the prepayment of all or part of the prior loans, pursuant to the terms of certain arrangements approved herein, and (c) the Agency will undertake to provide certain continuing disclosures pursuant to a Continuing Disclosure Certificate, in the form on file with the Executive Director, subject to completion as approved pursuant to the attached Resolution.

Total Bond principal amount will be allocated among a tax-exempt Series A and a taxable Series B in a manner calculated to maximize the tax exempt portion consistently with federal tax law, considering expected uses of the Bond proceeds.

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FINANCIAL IMPACT

The financial impact to the Agency will not exceed one hundred five million dollars (\$105,000,000).

RECOMMENDATION

It is recommended that the City Council:

- Adopt the Resolution of the City Council of the City of Garden Grove, California, approving the issuance by the Garden Grove Agency for Community Development of its 2011 Subordinate Tax Allocation Bonds.

It is recommended that the Agency:

- Adopt the Resolution of the Garden Grove Agency for Community Development authorizing the issuance and sale of not to exceed one hundred five million dollars (\$105,000,000) 2011 Subordinate Tax Allocation Bonds, a Resolution of the City Council of the City of Garden Grove California approving the issuance by the Garden Grove Agency for Community Development of its 2011 Subordinate Tax Allocation Bonds.
- Authorize the Director or his designee to execute other necessary agreements to assemble the financing team including underwriter, trustee, fiscal agency, etc., to effectively ready the issuance of Agency debt.

It is recommended that the Authority:

- Adopt the Resolution of the Board of Directors of the Garden Grove Public Financing Authority authorizing the purchase and sale of the 2011 Subordinate Tax Allocation Bonds.


GREG BLODGETT
Sr. Project Manager

Attachment 1: Resolution - City
Attachment 2: Resolution - Agency
Attachment 3: Resolution - Authority
Attachment 4: Draft Fiscal Consultant's Report
Attachment 5: Indenture of Trust
Attachment 6: Preliminary Official Statement



RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE, CALIFORNIA, APPROVING THE ISSUANCE BY THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT OF ITS 2011 SUBORDINATE TAX ALLOCATION BONDS (GARDEN GROVE COMMUNITY PROJECT) SERIES A AND SERIES B (TAXABLE), AND MAKING CERTAIN DETERMINATIONS RELATING THERETO

WHEREAS, the Garden Grove Agency for Community Development ("Agency") is a community redevelopment agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law, Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California ("Redevelopment Law"), and the powers of the Agency include the power to issue bonds for any of its corporate purposes, including the purpose of refunding bonds previously issued by the Agency; and

WHEREAS, a Redevelopment Plan for the Agency's Garden Grove Community Project Area (the "Redevelopment Project") including each of the component areas thereof, has been adopted in compliance with all requirements of the Redevelopment Law; and

WHEREAS, the Agency has adopted its resolution entitled:

A RESOLUTION OF THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$105 MILLION 2011 SUBORDINATE TAX ALLOCATION BONDS (GARDEN GROVE COMMUNITY PROJECT) SERIES A AND SERIES B (TAXABLE), APPROVING DOCUMENTS AND AUTHORIZING OFFICIAL ACTIONS RELATED THERETO; AND AUTHORIZING CERTAIN OTHER ACTIONS

and;

WHEREAS, the Agency has previously issued its 2003 Tax Allocation Refunding Bonds (Garden Grove Community Project) (the "2003 Bonds") in the original principal amount of \$57,025,000 for the purpose of refinancing other indebtedness of the Agency and to finance redevelopment activities of the Agency for the Redevelopment Project; and

WHEREAS, the Agency has previously entered into a Credit Agreement with Union Bank of California, N.A., dated as of June 2, 2008 providing for a loan to the Agency in the amount of up to \$32 million (the "2008 Loan"), and the Agency has from time to time advanced funds from the Agency's Low and Moderate Income Housing Fund for the purpose of meeting certain ERAF and

SERAF obligations of the Agency payable for the benefit of other taxing entities (collectively, the "SERAF Housing Fund Obligations"); and

WHEREAS, the Agency wishes to prepay and refinance the 2008 Loan and all or a part of the SERAF Housing Obligations (collectively, the "Prior Loans") and to otherwise finance or refinance certain other redevelopment activities of the Redevelopment Project in accordance with applicable law through the issuance at this time of its Garden Grove Agency for Community Development 2011 Subordinate Tax Allocation Bonds (Garden Grove Community Project) Series A and Series B (Taxable) in the aggregate principal amount of not to exceed \$105 million (collectively, the "2011 Bonds"), pursuant to the Redevelopment Law and has adopted its resolution of even date herewith authorizing such issuance (the "Agency Resolution"); and

WHEREAS, the 2011 Bonds shall be issued in a principal amount not to exceed \$105 million and shall be allocated between a Series A ("Series A Bonds") and a Series B (Taxable) ("Series B Taxable Bonds") in such amounts as shall be determined by the Agency in accordance with the Agency Resolution;

NOW, THEREFORE, be it resolved, determined, and ordered by the City Council of the City of Garden Grove that,

SECTION 1. Approval of Issuance of the 2011 Bonds. The City Council hereby approves the issuance of the 2011 Bonds in order to refund the Prior Loans (to the extent described in the recitals hereto) and finance redevelopment and housing activities of the Agency pursuant to the Redevelopment Plan and for other purposes related thereto, all of which constitute a "redevelopment activity", as such term is defined in Health and Safety Code Section 33678, pursuant to the terms of the Agency resolution referenced in the recitals hereof and the accompanying Indenture (as such term is defined in the Agency Resolution).

SECTION 2. Further Acts. The City Council hereby reaffirms that any indebtedness of the Agency to the City (other than statutory pass-through payments to the City payable pursuant to Section 33607.5 of the Law, except to the extent subordinated pursuant to this resolution), including any interest accrued therein, shall be payable from tax increment revenues on a basis subordinate to the payment of the Bonds and any obligations of the Agency under the Indenture of Trust pursuant to which the Bonds are to be issued. The Mayor and City Manager of the City and any other appropriate official of the City are hereby authorized and directed to take any and all necessary and desirable steps to accomplish the delivery of the bonds referenced above, including execution of any and all other documents or agreements necessary to deliver the 2011 Bonds in a timely and expeditious manner including without limitation, the negotiation, execution and delivery of instruments or agreements confirming understandings or making any further assurances relative to existing arrangements among the parties or otherwise in furtherance of the delivery of the 2011 Bonds or the prepayment or amendment of the 2008 Loan or the SERAF Housing Fund Obligations. Such instruments may include agreements (a) confirming subordination by the City of any and all lien, right or interest of the City tax increment revenues related to (i) payment of statutory pass-throughs, if any, payable to the City by the Agency pursuant to Health and Safety Code Sections 33607.5, 33607.7 or any related statutes, or (ii) payments pursuant to any other loan, cooperation or other agreements between the Agency and the City, to the lien and pledges provided pursuant to the Indenture for the 2011 Bonds and any related obligations, or (b) to evidence the City's approval of any amendment of the agreement with the lender related to the 2008 Loan implemented by the Agency pursuant to the Agency Resolution and determined by the City Manager upon the advice of

the City Attorney to be reasonably necessary or convenient to facilitate the sale and delivery of the 2011 Bonds, such authorized officer's execution thereof to be conclusive evidence of such approval. The City Clerk is authorized to attest the final form of such documents.

SECTION 3. Effective Date. This Resolution shall take effect upon adoption.

PASSED, APPROVED, AND ADOPTED, this 28th day of June, 2011, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

CITY OF GARDEN GROVE

Mayor

ATTEST:

City Clerk

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

I, _____, City Clerk of the City of Garden Grove, hereby certify that the above and foregoing Resolution was duly and regularly adopted by the City Council of said City and was signed by the Mayor at a regular meeting thereof held on the 28th day of June, 2011, and was approved by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and seal this ____ day of _____, 2011.

City Clerk of the City of Garden Grove

RESOLUTION NO. _____**A RESOLUTION OF THE GARDEN GROVE AGENCY FOR
COMMUNITY DEVELOPMENT AUTHORIZING THE
ISSUANCE AND SALE OF NOT TO EXCEED \$105 MILLION
2011 SUBORDINATE TAX ALLOCATION BONDS (GARDEN
GROVE COMMUNITY PROJECT) SERIES A AND SERIES B
(TAXABLE); APPROVING DOCUMENTS AND
AUTHORIZING OFFICIAL ACTIONS RELATED THERETO;
AND AUTHORIZING CERTAIN OTHER ACTIONS**

WHEREAS, the Garden Grove Agency for Community Development ("Agency") is a community redevelopment agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) ("Redevelopment Law"), and the powers of the Agency include the power to issue bonds for any of its corporate purposes, including the purpose of refunding bonds previously issued by the Agency; and

WHEREAS, a Redevelopment Plan for the Agency's Garden Grove Community Project Area (the "Redevelopment Project") has been adopted in compliance with all requirements of the Redevelopment Law; and

WHEREAS, the Agency has previously issued its 2003 Tax Allocation Refunding Bonds (Garden Grove Community Project) (the "2003 Bonds") in the original principal amount of \$57,025,000 for the purpose of refinancing other indebtedness of the Agency and to finance redevelopment activities of the Agency for the Redevelopment Project; and

WHEREAS, the Agency has previously entered into a Credit Agreement with Union Bank of California, N.A., dated as of June 2, 2008 providing for a loan to the Agency in the amount of up to \$32 million (the "2008 Loan"), and the Agency has from time to time advanced funds from the Agency's Low and Moderate Income Housing Fund for the purpose of meeting certain ERAF and SERAF obligations of the Agency payable for the benefit of other taxing entities (collectively, the "SERAF Housing Fund Obligations"); and

WHEREAS, the Agency wishes to prepay and refinance the 2008 Loan and all or part of the SERAF Housing Obligations (collectively, the "Prior Loans") and to otherwise finance or refinance certain other redevelopment activities of the Redevelopment Project in accordance with applicable law through the issuance at this time of its Garden Grove Agency for Community Development 2011 Subordinate Tax Allocation Bonds (Garden Grove Community Project) Series A and Series B (Taxable) in the aggregate principal amount of not to exceed \$105 million (collectively, the "2011 Bonds"), pursuant to the Redevelopment Law; and

WHEREAS, the 2011 Bonds shall be issued in a principal amount not to exceed \$105 million and shall be allocated between a Series A ("Series A Bonds") and a Series B (Taxable)

("Series B Taxable Bonds") in such amounts as shall be determined in accordance with this resolution; and

WHEREAS, the 2011 Bonds shall be secured by a pledge of available tax increment of the Agency for the Redevelopment Project on a basis subordinate to the Agency's 2003 Bonds, and on a basis junior to certain existing Low and Moderate Income Housing Fund and pass-through payment obligations of the Agency to the extent set forth in the Indenture approved pursuant to Section 3 hereof; and

WHEREAS, (a) the 2011 Bonds shall be sold to the Garden Grove Public Financing Authority (the "Authority") for concurrent resale to Stone & Youngberg LLC (the "Underwriter") pursuant to a Bond Purchase Agreement and a Preliminary Official Statement, (b) the proceeds of the 2011 Bonds, together with other available moneys, will be applied to the prepayment of all or part of the Prior Loans, pursuant to the terms of certain arrangements approved herein, and (c) the Agency will undertake to provide certain continuing disclosures pursuant to a Continuing Disclosure Certificate, in the form on file with the Agency Director, subject to completion as approved pursuant to this resolution; and

WHEREAS, the Agency wishes at this time to authorize the issuance of the 2011 Bonds for the purpose of providing funds to refund all or part of the Prior Loans and to finance or refinance redevelopment activities and to pay certain other costs related to the issuance of such 2011 Bonds.

NOW, THEREFORE, BE IT RESOLVED by the Governing Board of the Garden Grove Agency for Community Development, as follows:

SECTION 1.

(a) The sale of the 2011 Bonds in an aggregate principal amount of not to exceed one hundred five million dollars (\$105,000,000) (or such lesser amount as may be specified in the Bond Purchase Agreement as approved by the Director) for purposes referenced in the recitals hereto is hereby approved.

(b) The 2011 Bonds shall be allocated between the Series A Bonds and Series B Taxable Bonds in such amount as is determined by the Director to provide for the efficient refinancing of all or part of the Prior Loans and for payment of additional and eligible redevelopment activities of the Agency, in a manner consistent with applicable federal tax principles as determined by the Director in consultation with Bond Counsel.

(c) The principal amount of 2011 Bonds and the allocation to the Series A Bonds and Series B Taxable Bonds shall be set forth in the Indenture approved pursuant to Section 3, which shall be conclusive evidence of the approval hereunder of such amounts.

(d) The Agency hereby determines that the interest on the Series B Taxable Bonds is intended to be subject to all applicable federal income taxation without regard to any exemption under Section 103 of the Internal Revenue Code of 1986. For purposes of that certain Note Purchase Agreement dated as of August 1, 2008 between the Agency and Van Kampen California Value Municipal Income Trust, a Massachusetts trust, the Agency hereby finds and determines that it reasonably expects at the time of issuance of the 2011 Bonds that there will be sufficient legally

available monies to apply Threshold Site Tax Increment to pay the "Note", the "Revised Developer Note" (as such terms are defined in the Note Purchase Agreement) and the 2011 Bonds. The Agency further hereby finds and determines that (i) it reasonably expects at the time of issuance of the 2011 Bonds that there will be sufficient legally available monies to apply Threshold Site Tax Increment to pay its obligations under the "Tax Sharing Agreements" (as such term is defined in the Indenture) and the 2011 Bonds, and (ii) it has taken into account such obligations in its sizing of the 2011 Bonds

SECTION 2. The Preliminary Official Statement with respect to the 2011 Bonds (the "Preliminary Official Statements"), in the form presented herewith, with such changes, insertions and omissions as the officer or officers executing said documents may require or approve is hereby approved, such approval to be conclusively evidenced by the execution and delivery thereof. The Director of the Agency is hereby authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to the Preliminary Official Statement. The Underwriter is hereby authorized to distribute copies of said Preliminary Official Statements to persons who may be interested in the initial purchase of the 2011 Bonds. The Chair or Director of the Agency are hereby authorized and directed to execute, approve and deliver the final Official Statement in substantially the form of the Preliminary Official Statement, upon execution as authorized below. The Underwriter is hereby directed to deliver copies of any final Official Statements to all actual initial purchasers of the 2011 Bonds.

SECTION 3. The Indenture of Trust between the Agency and J.P. Morgan Trust Company, National Association for the 2011 Bonds (the "Indenture") is hereby approved in substantially the form presented, together with such changes thereto as may be approved by the Director on the advice of bond counsel, the Director's execution thereof to be conclusive evidence of such approval. Without limiting the foregoing, the Indenture may provide for (1) the escrow of a portion of the proceeds of the 2011 Bonds, subject to a release test which would require at a minimum, satisfaction of the Parity Debt test of the Indenture prior to release of such funds (or failing such release, special mandatory redemption) to the extent the Director determines such escrow is a condition of maintenance of the Agency's existing bond rating or of achievement of the expected rating on the 2011 Bonds, and if applicable each of the agreements and instruments approved herein shall be modified to reflect such escrow, the escrow release test, and the investment of the proceeds of the portion of the 2011 Bonds held in escrow and/or (2) such covenants with respect to the Agency's continuing activities in the event of changes in law affecting the legal status of redevelopment agencies as the Director determines are reasonably necessary to facilitate the issuance of the Bonds and the maximization of the amount of Series A Bonds.

SECTION 4. The Bond Purchase Agreement (the "Purchase Agreement") by and among the Agency, the Authority and the Underwriter providing for the sale of the 2011 Bonds to the Authority for concurrent resale to the Underwriter is hereby approved in substantially the form presented, together with such changes thereto as shall be approved by the Director of the Agency upon the advice of bond counsel, the Director's execution thereof to be conclusive evidence of such approval. In no event shall such Purchase Agreement provide (i) for underwriter's discount (exclusive of original issue discount) in excess of eight tenths of one percent (0.08%) of the principal amount of the 2011 Bonds, (ii) for an interest rate in excess of eight percent (8%) per annum in the case of the Series A Bonds or for an interest rate in excess of nine percent (9%) per annum in the case of the Series B (Taxable) Bonds, or (iii) for principal amounts allocated to purposes materially in excess of the amounts referenced in the recitals hereto and Section 1 hereof.

SECTION 5. The form of Continuing Disclosure Certificate applicable to the 2011 Bonds (the "Continuing Disclosure Certificate") is hereby approved in substantially the form presented, together with such changes thereto as may be approved by the Director of the Agency upon the advice of bond counsel, the Director's execution thereof to be conclusive evidence of such approval.

SECTION 6. The Agency hereby determines that the Prior Loans shall be prepaid to the extent reasonably necessary to facilitate the issuance of the 2011 Bonds, and hereby authorizes the Director to (a) negotiate and execute any amendments to the 2008 Loan which are necessary or desirable to allow for the issuance of the 2011 Bonds and to prepay the 2008 Loan pursuant to its terms or as such terms may be amended pursuant to the provisions of this Resolution, and (b) arrange for the prepayment of the SERAF Housing Obligation on such basis as he determines is reasonably necessary or desirable to facilitate the issuance of the Bonds, his execution of the Indenture and any instruments amending the 2008 Loan or providing for the prepayment thereof or providing for the prepayment of the SERAF Housing Obligation to be conclusive evidence of such approval.

SECTION 7. The Agency hereby affirms the engagement of Stradling Yocca Carlson & Rauth, a Professional Corporation, and Jones Hall, a Professional Law Corporation to act as bond counsel and disclosure counsel, respectively, in connection with the Bonds pursuant to the proposed terms of engagement on file with the Director.

SECTION 8. All actions heretofore taken by the officers and agents of the Agency with respect to the issuance of the 2011 Bonds and other matters provided for herein are hereby approved, confirmed, and ratified. The Chair, the Director (or his written designee), the Secretary, the Treasurer, or any of their written designees ("Authorized Officers") and any and all other proper officers of the Agency are hereby authorized and directed, for and in the name and on behalf of the Agency, to do any and all things and take any and all actions which they, or any of them, may deem necessary or advisable in order to consummate the issuance of the 2011 Bonds and to carry out the transactions contemplated by this Resolution, the Indenture, the Escrow Agreement, the Continuing Disclosure Agreement, the Purchase Agreement, and the terms of any bond insurance and reserve surety bond commitments authorized hereunder. Such actions may include execution and delivery by the Authorized Officers, or any of them, of (a) any agreements or other instruments with the City confirming (1) subordination by the City of any and all lien, right or interest of the City to tax increment revenues related to (i) payment of statutory pass-throughs, if any, payable to the City by the Agency pursuant to Health and Safety Code Sections 33607.5, 33607.7 or any related statutes, or (ii) payment of amounts payable pursuant to any other loan, cooperation or other agreements between the Agency and the City to the lien and pledge provided pursuant to the Indenture for the 2011 Bonds and any related obligations, to the extent determined by the Director upon the advice of the City Attorney to be reasonably necessary or convenient to facilitate the sale and delivery of the 2011 Bonds, the Authorized Officer's execution thereof to be conclusive evidence of such approval, (b) any waivers, consents or amendments of the terms of the indenture applicable to the 2003 Bonds as may be reasonably necessary or appropriate to facilitate the issuance of the 2011 Bonds as subordinated bonds thereunder, the Authorized Officer's execution thereof to be conclusive evidence of such approval. Without limiting the foregoing the Authorized Officers, acting singly, are each authorized to (i) solicit bids on a municipal bond insurance policy and/or surety for reserve, (ii) negotiate the terms of such policy or policies, (iii) finalize, if appropriate, the form of such policy or policies with a municipal bond insurer, and (iv) if it is determined that the policy or policies will result in net savings for the Agency, pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the 2011 Bonds. In the event the Director is unavailable to sign

any documents or take any action authorized hereunder, any Authorized Officer may act in place of the Director.

SECTION 9. The Agency finds each and all of the Recitals provided herein are true and correct and are a substantive part of this Resolution.

SECTION 10. The Secretary of the Agency shall certify as to the approval of this Resolution and copies of the final form of the documents approved herein shall be placed in the Secretary of the Agency's records and in the offices of the Agency.

SECTION 11. This Resolution shall take effect upon adoption.

PASSED, APPROVED AND ADOPTED, this twenty-eighth (28th) day of June, 2011, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

GARDEN GROVE AGENCY FOR COMMUNITY
DEVELOPMENT

Chairman

ATTEST:

Secretary

STATE OF CALIFORNIA)
COUNTY OF ORANGE)
CITY OF GARDEN GROVE)

CERTIFICATION

The undersigned, Secretary of the Garden Grove Agency for Community Development does hereby certify that attached hereto is a true and correct copy of Resolution No. _____, adopted by the Governing Board of the Garden Grove Agency for Community Development on June 28, 2011, which Resolution has not been amended, rescinded, repealed or modified, and which Resolution is in full force and effect as of the date hereof.

Date: _____, 2011

Secretary of the Garden Grove Agency for
Community Development

RESOLUTION NO.

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
GARDEN GROVE PUBLIC FINANCING AUTHORITY
AUTHORIZING PURCHASE AND SALE OF 2011
SUBORDINATE TAX ALLOCATION BONDS FOR THE
GARDEN GROVE COMMUNITY PROJECT AREA AND
APPROVING CERTAIN RELATED DOCUMENTS AND
AUTHORIZING CERTAIN OTHER ACTIONS**

WHEREAS, the City of Garden Grove (the "City") and the Garden Grove Agency for Community Development (the "Agency") have entered into a Joint Exercise of Powers Agreement (the "Agreement"), creating the Garden Grove Public Financing Authority (the "Authority"); and

WHEREAS, a Redevelopment Plan for the Agency's Garden Grove Community Project Area (the "Redevelopment Project") has been adopted in compliance with all requirements of the applicable law; and

WHEREAS, the Agency has previously issued its 2003 Tax Allocation Refunding Bonds (Garden Grove Community Project) (the "2003 Bonds") in the original principal amount of \$57,025,000 for the purpose of refinancing other indebtedness of the Agency and to finance redevelopment activities of the Agency for the Redevelopment Project; and

WHEREAS, the Agency has previously entered into a Credit Agreement with Union Bank of California, N.A., dated as of June 2, 2008 providing for a loan to the Agency in the amount of up to \$32 million (the "2008 Loan"), and the Agency has from time to time advanced funds from the Agency's Low and Moderate Income Housing Fund for the purpose of meeting certain ERAF and SERAF obligations of the Agency payable for the benefit of other taxing entities (collectively, the "SERAF Housing Fund Obligations"); and

WHEREAS, the Agency wishes to prepay and refinance all or part of the 2008 Loan and the SERAF Housing Obligations (collectively, the "Prior Loans") and to otherwise finance or refinance certain other redevelopment activities of the Redevelopment Project in accordance with applicable law through the issuance at this time of its Garden Grove Agency for Community Development 2011 Subordinate Tax Allocation Bonds (Garden Grove Community Project) Series A and Series B (Taxable) in the aggregate principal amount of not to exceed \$105 million (collectively, the "2011 Bonds"), pursuant to the Redevelopment Law and has adopted its resolution of even date herewith authorizing such issuance (the "Agency Resolution"); and

WHEREAS, the 2011 Bonds shall be issued in a principal amount not to exceed \$105 million and shall be allocated between a Series A ("Series A Bonds") and a Series B (Taxable) ("Series B Taxable Bonds") in such amounts as shall be determined by the Agency in accordance with the Agency Resolution and by the Authority pursuant to this resolution; and

WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Law") and the Agreement, the Authority is authorized to purchase bonds issued by the Agency; and

WHEREAS, pursuant to the Law and the Agreement, the Authority is further authorized to sell bonds so purchased to public or private purchasers at public or negotiated sale; and

WHEREAS, the Authority desires to purchase from the Agency the 2011 Bonds, solely from the proceeds received from the Authority's concurrent sale of the 2011 Bonds to Stone & Youngberg LLC (the "Underwriter"); and

WHEREAS, the proceeds of the 2011 Bonds will be used, among other things, to refund all or part of the Prior Loans and to finance redevelopment activities of the Agency for the Redevelopment Project to the extent determined by the Agency pursuant to its authorizing resolution of even date herewith.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Garden Grove Public Financing Authority, as follows:

SECTION 1. The foregoing recitals are true and correct and this Authority so finds and determines.

SECTION 2. The Bond Purchase Agreement (the "Purchase Agreement") by and among the Agency, the Authority and the Underwriter providing for the sale of the 2011 Bonds to the Authority for concurrent resale to the Underwriter is hereby approved in substantially the form presented, together with such changes thereto as shall be approved by the Executive Director of the Agency upon the advice of bond counsel, the Authority Executive Director's execution thereof to be conclusive evidence of such approval. In no event shall such Purchase Agreement provide for underwriter's discount (exclusive of original issue discount) in excess of eight tenths of one percent (0.80%) of the principal amount of the 2011 Bonds or for an interest rate in excess of eight percent (8%) per annum in the case of the Series A Bonds and nine percent (9%) per annum in the case of the Series B Taxable Bonds, respectively, or for principal amounts allocated to purposes materially in excess of the amounts referenced in the recitals hereto and authorized by the Agency in the Agency Resolution.

SECTION 3. All actions heretofore taken by the officers and agents of the Authority with respect to the issuance of the 2011 Bonds or the consummation of the transactions contemplated by the Purchase Agreement or this resolution are hereby approved, confirmed and ratified. The Chair, the Executive Director, Secretary and the Treasurer of the Authority and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things, to execute any and all agreements and take any and all other actions which they, or any of them, may deem necessary or advisable in order to consummate the purchase of the 2011 Bonds from the Agency and the sale and delivery of the 2011 Bonds to the Underwriter pursuant to the Purchase Agreement approved herein, and to facilitate the refunding of the Prior Loans, if any, to be refunded with the proceeds of the 2011 Bonds.

SECTION 4. This resolution shall take effect from and after its adoption.

PASSED, APPROVED AND ADOPTED this 28th day of June, 2011, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

GARDEN GROVE PUBLIC FINANCING
AUTHORITY

Chairman

ATTEST:

By: _____
Secretary

CERTIFICATION

STATE OF CALIFORNIA)
)
COUNTY OF ORANGE) ss

I, _____, Secretary of the Garden Grove Public Financing Authority, hereby certify that the attached copies of Resolution No. _____ are full, true and correct copies of that now on file in the records of City of Garden Grove.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ of _____, 2011.

Secretary of the Garden Grove Public Financing
Authority

DRAFT
Appendix _____

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

Garden Grove Community Project

**PROJECTED TAXABLE VALUES AND
ANTICIPATED TAX INCREMENT REVENUES**

June 23, 2011

I. Introduction

The Garden Grove Agency for Community Development (the Agency) is issuing its 2011 Subordinate Tax Allocation Bonds (Garden Grove Community Project) Series A and 2011 Subordinate Tax Allocation Bonds (Garden Grove Community Project) Series B (Taxable), referred to in the aggregate as the Bonds. The Bonds are being issued in order to [DESCRIPTION OF THE PURPOSE OF THE BONDS TO BE INSERTED] The Bonds will be secured by a pledge of tax increment revenue from the Garden Grove Community Project (the Project Area). The Project Area consists of the original Garden Grove Community Project and ten amendment areas. The Project Area's component amendment areas are listed below along with their adoption dates and the name by which they will be referred to in this report:

<u>Component Area Name</u>	<u>Adoption Date</u>	<u>Referred to As</u>
Garden Grove Community Project	June 26, 1973	Original Project
1974 Amendment Area	July 9, 1974	1974 Amendment
Trask Avenue Project	November 25, 1975	Trask
1976 Amendment Area	November 29, 1976	1976 Amendment
Brookhurst/Chapman Project	March 21, 1977	Brookhurst/Chapman
Brookhurst/Katella Project	February 21, 1978	Brookhurst/Katella
1979 Amendment Area	October 16, 1979	1979 Amendment
1981 Amendment ¹	June 9, 1981	1981 Amendment
1992 Amendment Area	July 14, 1992	1992 Amendment
1998 Amendment Area	December 8, 1998	1998 Amendment
Garden Grove Community Project Added Territory	July 9, 2002	Added Territory

The California Community Redevelopment Law (the Law) provides for the creation of redevelopment agencies by cities and counties for the purpose of the elimination of blight. The Law, together with Article 16, Section 16 of the California Constitution, authorizes redevelopment agencies to receive that portion of property tax revenue generated by project area taxable values that are in excess of the Base Year value. The Base Year value is defined as the amount of the taxable values within the project area boundaries on the last equalized tax roll prior to adoption of the project area. The amount of current year taxable value that is in excess of the Base Year value is referred to as incremental taxable value. Tax revenues generated from the incremental taxable value are, for purposes of this report, referred to as Gross Tax Increment Revenues. The Law provides that the tax increment revenues may be pledged by the redevelopment agency to the repayment of agency indebtedness.

In this report, Gross Tax Increment Revenues including Unitary Tax Revenue (see Section IV, Allocation of State Assessed Unitary Taxes) are referred to as Gross Revenues. For purposes of this report, Tax Revenues are defined as Gross Revenues less the Housing Set-Aside Requirement (see Section V, Low and Moderate Income Housing Set-Aside), SB 2557 County Administrative fees (see Section IV, County Collection Charges), revenue adjustments, tax sharing payments and any pledges of Gross Revenues, including debt

¹ The amendment adopted in 1981 deleted territory from the Project Area and amended certain limits for the 1976 and 1979 Amendments. The Auditor-Controller continues to carry this amendment as a redevelopment project area and allocates a small amount of tax increment to it.

service on the Agency's 2003 Tax Allocation Refunding Bonds, that have a lien that is superior to that of the pledge of tax revenues for debt service on the Bonds.

The purpose of this fiscal consultant report (the Report) is to examine the current fiscal year and project for nine fiscal years the amount of tax increment revenues anticipated to be received by the Agency from the Project Area. As a result of our research, we project that the Tax Revenues that will be pledged to the payment of debt service on the Bonds will be as shown in Table A below (000's omitted):

Table A
Project Area Tax Revenue

Fiscal Year	Incremental Value	Gross Revenues	SB 2557 Administration Fee	Housing Set-Aside	Superior Tax Sharing, Debt Service & OPA Payments	Tax Revenue
2010-11	\$2,421,672	\$26,411	(\$214)	(\$5,282)	(\$8,277)	\$12,638
2011-12	2,292,301	25,100	(203)	(5,020)	(8,159)	11,719
2012-13	2,358,199	25,801	(209)	(5,160)	(8,395)	12,038
2013-14	2,413,746	26,392	(213)	(5,278)	(8,629)	12,271
2014-15	2,468,389	26,973	(218)	(5,395)	(8,924)	12,437
2015-16	2,524,125	27,566	(223)	(5,513)	(9,223)	12,606
2016-17	2,580,976	28,170	(228)	(5,634)	(9,534)	12,775
2017-18	2,638,963	28,787	(233)	(5,757)	(9,850)	12,946
2018-19	2,698,111	29,416	(238)	(5,883)	(10,166)	13,129
2019-20	2,758,441	30,057	(243)	(6,011)	(10,495)	13,308

The taxable values of property and the resulting Tax Revenues for the Project Area summarized above are reflected on Tables 1 and 2 of the projection (attached). The Tax Revenue for each of the amendment areas is reflected on the attached Tables 1A through 1J. These projections are based on assumptions determined by our review of the taxable value history of the Project Area and the property tax assessment and property tax apportionment procedures of the Orange County Assessor (the Assessor) and the Orange County Auditor-Controller (the Auditor-Controller).

It is assumed that the Agency will continue to have sufficient debt to capture all of the Project Area's available Tax Revenue. Future year assessed values and Tax Revenues are projections based on the assumptions described in this Report and are not guaranteed as to accuracy. This Report is not to be construed as a representation of such by HdL Coren & Cone.

II. The Project Area

The Garden Grove Community Project was originally adopted on June 26, 1973 and included a total of 26 acres. The Original Project has been amended eleven times since its adoption and now encompasses approximately 1,975.4 acres. The Project Area is made up of a number of contiguous and non-contiguous parcels located throughout the City. The majority of the parcels within the Project Area are in residential use; however, commercial development dominates the assessed value of the Project Area. On July 9, 2002 the Project Area was amended to remove the limitation on incurrence of new debt on all component project areas formed before 1994 and was amended to include new territory known as the Added Territory.

A. Land Use

Tables B represents the breakdown of land use in the Project Area by the number of parcels and by assessed value for fiscal year 2010-11. Unsecured and SBE non-unitary values are connected with parcels that are already accounted for in other categories. It should be noted that the Exempt category below includes parcels exempt from property taxes such as those owned by the City, Agency, State or other governmental agencies. Values shown in Table 3 (attached) for the Project Area projections do not include values for such exempt parcels. This information is based on County land use designations as provided by the County.

Table B Land Use Summary			
Category	No. Parcels	Assessed Value	% of Total
Residential	2,299	\$630,942,559	21.42%
Commercial	716	1,368,570,163	46.47%
Industrial	267	618,656,005	21.00%
Vacant Land	216	28,378,728	0.96%
Exempt	155	0	0.00%
Subtotal:	3,653	\$2,646,547,455	89.86%
SBE Nonunitary		576,070	0.02%
Cross Reference		14,221	0.00%
Unsecured		298,144,800	10.12%
Subtotal:		\$298,735,091	10.14%
Totals:	3,653	\$2,945,282,546	100.00%

The 216 vacant parcels within the Project Area consist of parcels that are residential, commercial, industrial and exempt. The distribution of these vacant properties is shown in Table C below.

Table C Vacant Parcels			
Category	No. of Parcels	Acres	Net Taxable Value
Commercial	63	31.99	\$17,422,188
Industrial	13	5.11	3,831,658
Residential	17	18.66	7,124,882
Exempt	123	50.83	0
Totals:	216	106.59	\$28,378,728

B. Redevelopment Plan Limits

The statutes governing redevelopment plans and their limitations have undergone three major amendments since the adoption of the Original Plan. Chapter 942, Statutes of 1993 (See Section VI B below), as codified in Section 33333.6 of the Law, limits the life of redevelopment plans adopted prior to January 1, 1994 to 40 years from the date of adoption or January 1, 2009, whichever is later. It also limits the period within which a redevelopment project area may receive tax increment to the life of the redevelopment plan plus ten years beyond the termination of redevelopment activities except to accommodate certain specific low and moderate-income housing obligations or to pay debt service on bonds, indebtedness or other financial obligations authorized prior to January 1, 1994. Such redevelopment plans are further required to include a limitation on the number of tax increment dollars that may be allocated to the redevelopment agency; a time

limit on the establishing of indebtedness to be repaid with tax increment; and a limit on the amount of bonded indebtedness to be repaid with tax increment that can be outstanding at one time. These limits can be extended only by an amendment of the redevelopment plan.

For redevelopment plans adopted prior to 1994, Chapter 942 stipulates that the time limit for establishing indebtedness shall not exceed 20 years from the adoption of the redevelopment plan or January 1, 2004, whichever is later. Chapter 741, Statutes of 2001, was adopted under SB 211 and amends several sections of the Law that control time limitations for redevelopment project areas. Limitations, that under prior legislation could not be amended or had different amendment procedures, in accordance with this section, may be modified through project area amendments as set forth in this section of the Law (see Section VI, Legislation).

The Original Plan and all of the amendments except the 1998 Amendment and the Added Territory were adopted prior to 1994. On October 18, 1994, the City Council adopted Ordinance No. 2304 which amended the Plan as it existed to conform to Chapter 942. The amendments adopted since 1994 have included such limitations as have been required by the Law at the time that these amendments were adopted.

Pursuant to Senate Bill 1045 (see Section VI), the City Council may extend the Redevelopment Plan limits on redevelopment plan effectiveness for the Original Plan and all of the amendments by one year and adopted Ordinance No. 2764 on January 26, 2010 making such extensions. These extensions also extended the limit on receipt of tax increment revenues for repayment of indebtedness by one year and both extensions are reflected in Table C below.

Pursuant to Senate Bill 1096 (see Section VI), the Agency may, as described below, extend the term of effectiveness for certain redevelopment plans and the periods within which the Agency can repay indebtedness by up to two additional years. This two year extension of the time limits is predicated upon the payment by the Agency of its ERAF obligations for 2005 and 2006 (See Section VI). The Agency's ERAF obligations for 2005 and for 2006 have been paid in a timely manner. For project areas that have less than 10 years of plan effectiveness remaining after June 30, 2005 a two year extension is authorized. For project areas that have more than 10 years and less than 20 years of plan effectiveness remaining after June 30, 2005, a two year extension is authorized if the City Council can make certain findings. For those project areas with more than 20 years of plan effectiveness remaining after June 30, 2005, no extension of time is authorized. The Original Plan and all of the amendments except the 1998 Amendment and the Added Territory were so extended by two years by adoption of Ordinance Nos. 2765 and 2766. The redevelopment plan for the 1998 Amendment and the Added Territory could not be extended under Senate Bill 1096. These extensions also extended the limit on receipt of tax increment revenues for repayment of indebtedness by one year and both extensions are reflected in Table D below.

The redevelopment plan limits currently governing the component areas of the Project Area are summarized in Table D below:

Table D
Redevelopment Plan Limits

Component Area	Termination of Project Activities	Last Date to Repay Debt with Tax Revenue	Last Date to Incur Indebtedness	Tax Increment Limit	Limit on Outstanding Bonded Debt
Original Project	June 26, 2016	June 26, 2026	Eliminated		

1974 Amendment	July 9, 2017	July 9, 2027	Eliminated	
Trask	November 25, 2018	November 25, 2028	Eliminated	
1976 Amendment	November 29, 2019	November 29, 2029	Eliminated	
Brookhurst/Chapman	March 21, 2020	March 21, 2030	Eliminated	
Brookhurst/Katella	February 21, 2021	February 21, 2031	Eliminated	
1979 Amendment	October 16, 2022	October 16, 2032	Eliminated	
1981 Amendment	June 9, 2024	June 9, 2034	Eliminated	
1992 Amendment	July 14, 2033	July 14, 2043	Eliminated	
Combined Limits				\$2 Billion
1998 Amendment	December 8, 2029	December 8, 2044	December 8, 2018	None
Added Territory	July 9, 2033	July 9, 2048	July 9, 2022	None
Combined Limits				\$475 Million

According to the records of the Auditor-Controller, within the Project Area, excluding the 1998 Amendment and the Added Territory which have no tax increment limits, the Agency has received a total of \$246,835,858 in cumulative tax increment revenue through June of fiscal year 2010-11. Based on the assumptions used for the projections, the portions of the Project Area that are subject to a limitation on receipt of tax increment revenue will not approach the amount of the tax increment limit during the lifetime of the Project Area. If, however, there is unexpectedly substantial new development or increases in assessed value due to resale activity that result in ongoing annual growth in assessed value that exceeds 7 percent per year, the limit could be reached before the time limit on repayment of indebtedness and Agency revenues may be affected.

III. Project Area Assessed Values

A. Assessed Values

Taxable values are prepared and reported by the County Auditor-Controller each fiscal year and represent the aggregation of all locally assessed properties that are part of the Project Area. The assessments are assigned to Tax Rate Areas (TRA) that are coterminous with the boundaries of the Project Area. The historic reported taxable values for the Project Area were reviewed in order to ascertain the rate of taxable property valuation growth over the ten most recent fiscal years beginning with 2001-02. Assessed values within the Project Area has followed a pattern of strong growth from 2001-02 through 2008-09. The average growth in incremental value for this period was 10.43 percent per year. Due to the impact of general economic stress in California, growth in the Project Area was 2.42 percent in 2009-10. The Project Area experienced a decline in incremental value of -4.91 percent for 2010-11. The growth in value within the Project Area was experienced among all land use categories through 2008-09. In 2009-10, residential values declined by \$58.99 million (-8.97%) while values among commercial, industrial and unsecured valuations grew by \$112.1 million (4.99%). For 2010-11, the value of parcels in the residential category increased in value by \$32.5 million (5.42%) while commercial property values declined by \$68.4 million (-4.8%); industrial property values increased by \$20.5 million (3.4%) and unsecured values declined by \$25.5 million (-7.9%).

The assessed values within the component project areas have maintained their values well during these past two years of economic disruption. Incremental values have been slightly impacted by revisions to the Project Area base year values since the addition of the Added Territory in 2003-04. These base year value revisions have been imposed by the Auditor-Controller in each of the past three years but none of the revisions were significant in their impact on Project Area revenues. Growth in assessed values within the

component areas has followed this overall pattern with almost uniform consistency. Assessed values in the Project Area continue to benefit from new residential and commercial development.

B. Top Ten Taxable Property Owners

A review of the top ten taxpayers in the Project Area for fiscal year 2010-11 was conducted and broken down by secured and unsecured value. Within the Project Area, the aggregate total taxable value for the ten largest taxpayers totaled \$425,872,219. This amount is 17.59% of the \$2,421,671,853 Project Area incremental value. The top taxpayer in the Project Area is Landmark Marriott Hotels LLC, which controls three secured parcels with a combined amount of \$96,860,894 and one unsecured value totaling \$4,204,921. Landmark Marriott Hotels owns properties containing Marriott and Embassy Suites Hotels. The value of the Landmark Marriott Hotels parcels is 4.17% of the Project Area total incremental value. The second largest taxpayer in the Project Area is American Lodging Garden Grove Harbor LLC that controls a total of \$54,800,000 in secured assessed value on 10 parcels. This amount is 2.26% of the Project Area incremental value. Table E below illustrates the percentage of incremental value for the top ten taxpayers in the Project Area and their relative importance to the Project Area's incremental value.

Table E
Project Area Top Ten Taxpayers

Property Owner	Combined Value	% of Project Area Value	% of Project Area Incremental Value	Location
Landmark Marriott Hotels LLC	\$101,065,815	3.43%	4.17%	1979 and 1992 Amendments
American Lodging Garden Grove(2)	54,800,000	1.86%	2.26%	1979 Amendment
KPA Rigg LLC(2)	52,394,920	1.78%	2.16%	1979 Amendment
New Age Garden Grove LLC(2)	42,370,485	1.44%	1.75%	1979 Amendment
OHI Resort Hotels LLC	40,259,564	1.37%	1.66%	1979 and 1992 Amendments
CAR NOA GGT LLC(2)	35,146,857	1.19%	1.45%	Trask Amendment
BB Promenade LLC	25,380,236	0.86%	1.05%	1976 Amendment
Swedlow Inc.	25,091,618	0.85%	1.04%	1974 Amendment
MPT of Garden Grove Hospital LP(2)	24,940,743	0.85%	1.03%	1979 Amendment
CRP-2 Monarch LLC(2)	24,421,981	0.83%	1.01%	1974 Amendment
Top Property Owner Total Value	\$425,872,219			
Project Area Assessed Value	\$2,945,282,546	14.46%		
Project Area Incremental Value	\$2,421,671,853		17.59	

(2) These taxpayers have pending assessment appeals on parcels owned.

Within the component project areas the top ten taxpayers account for varying percentages of ownership. The 1981 and 1998 Amendments each have only one property owner within their boundaries. Because several others of the component project areas are small and encompass little territory beyond that of the major taxpayers, concentration within these component project areas is, in some cases, unusually high.

IV. Tax Allocation and Disbursement

A. Property Taxes

The taxable values of property are established each year on the January 1 property tax lien date. Real property values reflect the reported assessed values for secured and unsecured land and improvements. Article XIII A of the California Constitution (Proposition 13) provides that a parcel's base year value is established when locally assessed real property undergoes a change in ownership or when new construction occurs. Following the year a parcel's base year value is first enrolled, the value is factored annually for inflation. The base year value of a parcel is the value established as the full market value upon a parcel's sale, improvement or other reassessment. The term base year value does not, in this instance, refer to the base year value of the Project Area. Pursuant to Article XIII A, section 2(b), and Revenue and Taxation Code Section 51, the percentage increase cannot exceed 2% of the prior year's value.

To interpret Section 51, the State Board of Equalization (Board) promulgated Property Tax Rule 460, General Application. Subdivision (a) of Rule 460 provides the general interpretation of Proposition 13 as follows:

(a) Sections 1 and 2 of Article XIII A of the Constitution provide for a limitation on property taxes and a procedure for establishing the current taxable value of locally assessed real property by reference to a base year full cash value which is then modified annually to reflect increase in the inflation rate not to exceed 2% per year or declines in value from whatever cause.

Specifically, with respect to the applicable inflation rate, Rule 460, subdivision (b)(5) states that:

(b)(5) INFLATION RATE. For each lien date after the lien date in which the base year value is determined, the full value of real property shall be modified to reflect the percentage change in cost of living, as defined in Section 51 of the Revenue and Taxation Code; provided that such value shall not reflect an increase in excess of 2% of the taxable value of the preceding lien date.

Each year the Board announces the applicable adjustment factor. Since in most years inflation has exceeded 2%, the announced factor has usually reflected the 2% cap. Through 2010-11 there have been six occasions when the inflation factor has been less than 2%. Until 2010-11, in the more than 30 years since the passage of Proposition 13, the annual adjustment never resulted in a reduction to the base year values of individual parcels, however, the factor that was applied to real property assessed values for the January 1, 2010 assessment date was -0.237% and resulted in reductions to the adjusted base year value of parcels. The California Consumer Price Index (CCPI) changes between October, 2009 and October, 2010 was used to calculate the adjustment factor for the January 1, 2011 assessment date. The data for that period led to an announcement by the Board on December 16, 2010 that the inflation adjustment for 2011-12 will be 0.753%. We have incorporated this inflation adjustment into our projections for fiscal year 2011-12.

CCPI data indicates that inflation for the period from April, 2010 through April 2011 has been 3.013%. From October, 2010 through April, 2011, CCPI data indicates inflation has been 2.8%. Based on the data available, we have assumed 2% annual inflation growth for 2012-13 and 2% annually thereafter.

Utility property assessed by the Board may be revalued annually and such assessments are not subject to the inflation limitations of Article XIII A. The taxable value of Personal Property is also established on the lien dates and is not subject to the annual 2% limit of locally assessed real property.

Secured property includes property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value for tenant improvements, fixtures, inventory and personal 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 secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate.

B. Supplemental Assessment Revenues

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of increase in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against Real Property. Since 1984-85 revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The receipt of Supplemental Tax Revenues by taxing entities typically follows the change of ownership by a year or more. We have not included revenues resulting from Supplemental Assessments in the projections.

Table F illustrates the amounts of Supplemental Revenues that have been received by the Agency for the component project areas during the previous four fiscal years.

Table F
Supplemental Revenue History

	2006-07	2007-08	2008-09	2009-10
Original Project	\$ 0	\$ 0	\$ 0	\$ 0
1974 Amendment	236,714	104,744	453,669	(5,271)
Trask	669	6,973	245,611	0
1976 Amendment	45,201	20,326	61,801	249
Brookhurst/Chapman	13,983	8,953	369	0
Brookhurst/Katella	7,418	50,906	459	0
1979 Amendment	209,322	443,308	65,007	60,106
1981 Amendment	0	0	0	0
1992 Amendment	179,476	531,660	515,786	110,220
1998 Amendment	0	0	0	0
Added Territory	<u>70,532</u>	<u>19,843</u>	<u>4,939</u>	<u>10,451</u>
Project Area Total:	\$763,315	\$1,186,713	\$1,347,641	\$175,755

C. Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the general levy rate of \$1.00 per \$100 of taxable values and the over-ride tax rate. The over-ride rate is that portion of the tax rate that exceeds the general levy tax rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition XIII. A Constitutional amendment approved in June 1983 allows the levy of over-ride tax rates to repay indebtedness for the acquisition and improvement of real property, upon approval by a two-thirds

vote. A subsequent amendment of the Constitution prohibits the allocation to redevelopment agencies of tax revenues derived from over-ride tax rates levied for repayment of indebtedness approved by the voters after December 31, 1988. The over-ride tax rates typically decline each year as a result of (1) increasing property values (which would reduce the over-ride rate that must be levied to meet debt service) and (2) the eventual retirement of debt over time.

The Project Area contains a total of 102 Tax Rate Areas (TRAs). A Tax Rate Area is a geographic area within which the taxes on all property are levied by a certain set of taxing entities. These taxing entities each receive a prorated share of the general levy and those taxing entities with voter approved over-ride tax rates receive the revenue resulting from that over-ride tax rate. The tax increment projections are based on the published tax rates for 2010-11. Within the various TRAs there is only one applicable tax rate. This tax rate contains debt service over-ride rates that have been levied by the Metropolitan Water District and the City of Garden Grove for Paramedic Services. Because these over-ride tax rates were approved by voters prior to January 1, 1989 the revenue derived from these over-ride tax rates within Project Area TRA's is paid to the Agency. Due to the nature of the components of the 2010-11 tax rate it is expected to remain the same through fiscal year 2034-35. Beginning in fiscal year 2035-36 the override tax rate for the Metropolitan Water District will no longer be effective and only the Garden Grove Paramedic Tax override will applied for the duration of the projection. In those Project Area TRAs that exist within the boundaries of the North Orange County Community College District, the Rancho Santiago Community College District, the Coast Community College District and the Garden Grove Unified School District, these districts levy over-ride tax rates that were approved by voters after January 1, 1989. Revenue from these tax rates are paid directly to the districts by the Auditor-Controller and have no effect on the revenues of the Agency. Table G illustrates the tax rate that is applicable to the TRAs within the Project Area.

Table G	
Project Area Tax Rate for 2010-11	
General Levy	1.0000
Garden Grove 1974 Paramedic Tax Over-ride	0.0600
Metropolitan Water District	<u>0.0037</u>
RDA Tax Rate	1.0637

D. Allocation of Taxes

Taxes paid by property owners are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. The County disburses Secured Tax Increment Revenue to all redevelopment agencies from November through July with approximately 45 percent of secured revenues apportioned by the end of December and a total of 98% of the secured revenues by the end of the following May. Unsecured revenues are disbursed from September through June of each fiscal year with approximately 85% of the unsecured revenues being allocated in September. The Orange County Auditor-Controller allocates tax increment revenue based on collections and **does not** utilize the alternative allocation method know as the Teeter Plan.

E. Annual Tax Receipts to Tax Levy

The Agency has received a total of \$24,305,668 in Gross Tax Revenue from the Project Area through June 22, 2011. The County administration fee of \$245,583 has been deducted from the Agency's 2010-11 tax revenues. The Agency received a total of \$26,602,420 in tax increment revenue from the Project Area for fiscal year 2009-10. This total is inclusive of revenues from supplemental assessments, homeowner's exemptions, public utilities and prior year collections and net of County withholdings for refunds. The County administration fee of \$218,292 was deducted from the Agency's 2009-10 tax revenues. The Agency received a total of \$27,433,100 in tax increment revenue for fiscal year 2008-09, inclusive of revenues from supplemental assessments, homeowner's exemptions, public utilities and prior year collections and net of County withholdings for refunds. The County administration fee of \$216,761 was deducted from the Agency's 2008-09 tax revenues.

The County of Orange apportions tax revenues to redevelopment agencies based upon the amount of the tax levy that is received from the taxpayers. Secured collection rates for the Project Area have been consistently high. The following table illustrates the final tax revenue collections for the prior five fiscal years and for the current fiscal year through June 21, 2011.

Table H
Project Area Property Tax Collections History

Fiscal Year	Adjusted Tax Levy	Current Year Apportioned	Current Year Collection %	Prior Year Collections ²	Total Apportioned	Total Collection %
2005-06	19,252,669	18,734,183	98.64%	1,808,846	20,543,029	106.70%
2006-07	21,080,166	20,496,027	97.84%	1,049,826	21,545,853	102.21%
2007-08	23,077,367	22,216,441	96.95%	1,509,100	23,725,541	102.81%
2008-09	26,105,827	25,104,785	97.33%	2,328,315	27,433,100	105.08%
2009-10	26,563,616	25,419,172	95.69%	1,183,248	26,602,420	100.15%
2010-11 ³	26,552,848	23,818,968	89.70%	483,497	24,302,465	91.53%

Source: Orange County Auditor-Controller's Office.

F. Assessment Appeals

Assessment appeals data from Orange County has been reviewed to determine the potential impact that pending appeals may have on the projected Tax Revenues. We have determined that there are 218 pending appeals within the Project Area. In order to estimate the potential reduction in assessed value that may occur as a result of these pending appeals, we have reviewed the historical averages for the number of appeals allowed and the amount of assessed value removed. We have then applied those averages to the currently pending appeals and estimated the number of pending appeals that may be allowed and the amount of assessed value that may be removed as a result of these pending appeals.

Six of the Project Area's top ten taxpayers have pending appeals of their assessed value. Within the 1979 Amendment, American Lodging Garden Grove Harbor LLC, KPA Rigg LLC, New Age Garden Grove LLC and MPT of Garden Grove Hospital have assessment appeals pending. Within the Trask Amendment CAR NOA GGT LLC has assessment appeals pending; and within the 1974 Amendment CRP-2 Monarch LLC has assessment appeals pending. The estimated impact of value losses resulting from these pending appeals has been incorporated into the projected revenues for each component project area and, cumulatively, into the projected revenues of the Project Area.

² Prior Year Collections include Supplemental Revenue, reductions for taxpayer refunds and revenue from prior years.

³ Revenue collection amounts for 2010-11 are as of June 21, 2011.

The following table shows the amount of assessed value that is presently under appeal within the Project Area and the estimated reduction of value that has been factored into the projections for 2011-12. There are pending appeals within all of the component project areas except Brookhurst/Chapman, 1981 Amendment and the 1998 Amendment.

Table I
Assessment Appeals Summary

Total No. of Appeals	No. of Resolved Appeals	No. of Successful Appeals	Average Reduction	No. & Value of Appeals Pending	Est. No. of Appeals Allowed	Est. Reduction on Pending Appeals Allowed (2011-12 Value Adjustment)
483	265	219	25.25%	218 (\$713,108,382)	180	\$160,653,215

G. County Collection Charges

Chapter 466 allows counties to recover charges for property tax administration in an amount equal to their 1989-90 property tax administration costs, as adjusted annually. For fiscal year 2009-10, the County collection charges were 0.81% of Gross Revenue within the Project Area. Based on the County collection charge for 2009-10 and the projected revenue for this year, we have projected the charge as a percentage of Gross Revenue to remain at 0.81%. For purposes of these projections, we have assumed that the County will continue to charge the Agency for property tax administration and that such charge will increase proportionally with any increases in revenue. For purposes of this projection, the County's administrative charge is estimated at 0.81% of the Project Area's annual Gross Revenue.

H. Allocation of State Assessed Unitary Taxes

Legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter 921) provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization, other than railroads. Prior to the 1988-89 fiscal year, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area. Commencing in 1988-89, tax revenues derived from unitary property and assessed by the SBE are accumulated in a single Tax Rate Area for the County. It is then distributed to each taxing entity in the County in the following manner: (1) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to two percent; (2) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro-rata county wide; and (3) any increase in revenue above two percent would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the County.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of a project area, therefore, the base year values of project areas have been reduced by the amount of utility value that existed originally in the base years. The Auditor Controller has allocated an aggregate total of \$732,141 of unitary tax revenue to the Project Area for 2010-11 through June 17, 2011. For purposes of this projection, we have assumed that the aggregate amount of unitary revenue for 2010-11 will continue to be allocated to the Project Area in the same amount for the life of the projection. Table J below reflects the amount of unitary revenue allocated to the Agency from the Project Area for the most recent six fiscal years.

Table J

Project Area Unitary Revenue Allocations

<u>Fiscal Year</u>	<u>Unitary Revenue Allocation</u>
2005-06	\$ 462,551.04
2006-07	487,581.59
2007-08	542,832.45
2008-09	600,515.33
2009-10	568,592.98
2010-11	<u>732,141.40</u>
Total:	\$3,394,214.79

V. Low and Moderate Income Housing Set-Aside

Sections 33334.2 and 33334.3 of the Law require redevelopment agencies to set aside not less than 20 percent of all tax increment revenues from project areas adopted after December 31, 1976 into a low and moderate income housing fund (the Housing Set-Aside Requirement). Sections 33334.3, 33334.6 and 33334.7 of the Law extend this requirement to redevelopment projects adopted prior to January 1, 1977. An agency can reduce the Housing Set-Aside Requirement if the agency annually makes certain findings, consistent with the General Plan Housing Element. These findings are that: (1) no need exists in the community to improve or increase the supply of low and moderate income housing; or, (2) some stated percentage less than 20 percent of the tax increment is sufficient to meet the housing need. In order to make findings (1) or (2), the Agency's finding must be consistent with the Housing Element of the community's General Plan, including its share of the regional housing needs of very low income households and persons and families of low or moderate income. The Agency has not made such findings in the past and continues to set-aside the full housing set-aside requirement. The Agency has not adopted statements of prior obligation for those component project areas that were adopted prior to January 1, 1986 in accordance with Section 33334.6(f) of the Law and there is no deficit in the Housing Fund.

VI. Legislation

SB 211 was signed into law as Chapter 741, Statutes of 2001. This legislation has two main impacts on the limits contained in an agency's redevelopment plan. First, the City Council may eliminate the time limit to establish indebtedness in project areas adopted prior to January 1, 1994 by ordinance. If a redevelopment plan is so amended, existing tax sharing agreements will continue and certain statutory tax sharing for entities without tax sharing agreements will commence in the year the eliminated limit would have taken effect. Second, an agency may extend the time limit for plan effectiveness and repayment of debt for up to ten years if it can make certain specified findings. On July 9, 2002 the City Council adopted Ordinance No. 2576 amending the redevelopment plans of all component project areas that were adopted prior to January 1, 1994 to eliminate the limit on incurring new debt. The required statutory tax sharing payment obligation was incurred as of fiscal year 2004-05 for all of these component areas except for the 1992 Amendment. Statutory tax sharing payment obligations will be initiated in the 1992 Amendment beginning with fiscal year 2013-14 (See, Section VII Tax Sharing and Other Obligations).

In order to address State Budget deficits, the Legislature enacted SB 614, SB 844 and SB 1135 that required payments from redevelopment agencies for the 1992-93, 1993-94 and 1994-95 fiscal years into a countywide Education Revenue Augmentation Fund (the ERAF). The Agency could have used any funds legally

available and not legally obligated for other uses, including reserve funds, bond proceeds, earned income, and proceeds of land sales, but not moneys in the Low and Moderate Income Housing Fund (the Housing Fund) to satisfy this obligation. An agency could have reduced its payment due to existing indebtedness, contractual obligations and 90 percent of 1991-92 administrative costs (collectively, Existing Obligations). If an agency could not make the required payment due to Existing Obligations, it could, after making certain findings, borrow up to 50 percent of its 1992-93 ERAF obligation from the Housing Fund and repay the borrowed amount by June 2003, or the agency was required to obtain a loan from the city/county in order to pay the difference between what the agency paid and the total amount due. For agencies that did not borrow to meet any shortfall of the required payment, the county auditor-controller was required to deduct any amount due from the city/county's allocation of property taxes. The obligation applied to the agency and not to specific project areas. The Agency made the required payments for these fiscal years.

From 1994-95 through 2001-02, state budgets were adopted with no additional shifting of tax increment from redevelopment agencies. The State Budget for 2002-03 required a shift of \$75 million of tax increment statewide from redevelopment agencies to ERAF to meet the state budget shortfall. AB 1768 (Chapter 1127, Statutes of 2002) was enacted by the Legislature and signed by the Governor. Based upon the methodology provided in the 2002-03 budget, the shift requirement for the Agency was \$479,880 for fiscal year 2002-03 only. This amount did not impact the Agency's ability to fulfill its bond payment obligations. The Agency was permitted to satisfy this obligation with any legally available funds. The Agency made the required payment to the County by the deadline of May 10, 2003.

As part of the State's 2003-04 budget legislation, SB 1045 (Chapter 260, Statutes of 2003) required redevelopment agencies statewide to contribute \$135 million to local County Education Revenue Augmentation Funds (ERAF) which reduced the amount of State funding for schools. This transfer of funds was limited to Fiscal Year 2003-04. The amount of revenue that was transferred by the Agency to the County for 2003-04 was \$863,531. The Agency made this payment to the County by the May 10, 2004 deadline by borrowing the payment amount from the Housing Fund.

Under the Law as amended by SB 1045, the Agency was authorized to use a simplified methodology to amend the Original Area and Amendment Area Redevelopment Plan expiration dates to extend by one year the effectiveness of the plan and the time during which the Agency may repay debt with tax increment revenues. In addition, the amount of this payment and the ERAF payments made in prior years are not counted towards the limit on the amount of cumulative tax increment revenues to be received by the Agency. The City Council adopted Ordinance No. 2764 on January 26, 2010 amending all of the redevelopment plans of the component project areas to add one year to the limit on redevelopment plan effectiveness. By its approval of this ordinance, the City Council extended by one year the effective life of the Project Area's component project areas and similarly extended the period within which the Agency may repay indebtedness from tax increment revenues.

After the State's budget for 2004-05 was approved by the legislature and signed by the Governor, Senate Bill 1096 was adopted as a trailer bill that dealt with local government. Pursuant to SB 1096, redevelopment agencies in the State lost \$250 million to ERAF in each of the fiscal years 2004-05 and 2005-06. The amounts that were paid by each agency were calculated by using the same formula as was used for 2003-04. The payments were due on May 10 of each fiscal year. As in previous years, payments could be made from any available funds other than the Housing Fund. If an agency was unable to make a payment, it could have borrowed up to 50 percent of that years housing set-aside amount, however, the borrowed amount had to be repaid to the Housing Fund within 10 years of the last ERAF payment (May 10, 2006). The Agency made

ERAF payments of \$1,376,340 for 2004-05 and \$1,376,511 for 2005-06. The Agency borrowed the payment amounts for both of these fiscal years from the Housing Fund.

For redevelopment plans with less than ten years of effectiveness remaining from June 30, 2005, SB 1096 provided that redevelopment plans were allowed to be extended by one year for each year that an ERAF payment was made per SB 1096. For redevelopment plans with 10 to 20 years of effectiveness remaining after June 30, 2005, the plans could be extended by one year for each year that an ERAF payment is made if the City Council made findings that the Agency was in compliance with specified state housing requirements. These requirements were: 1) that the Agency was setting aside 20 percent of gross tax increment revenue; 2) housing implementation plans were in place; 3) replacement housing and inclusionary housing requirements were being met; and, 4) no excess surplus existed. If a redevelopment plan had more than 20 years of effectiveness remaining after June 30, 2005, it could not be extended. The redevelopment plans of all of the component project areas except for the 1992 Amendment, the 1998 Amendment and the Added Territory were eligible to have the termination date extended by both one year extensions for payment of the ERAF amounts required by this legislation. On January 26, 2010 the City Council adopted Ordinance Nos. 2765 and 2766 to extend the redevelopment plan effectiveness of all component project areas except those mentioned above by both one year extensions as allowed by SB 1096.

The Legislature enacted AB 1389 to require a \$350 million shift for 2008-09 from redevelopment agencies to ERAF. There was to be no repayment of this amount, nor any extensions of redevelopment plan limits. The Low and Moderate Housing Requirement was not to apply to the amount paid for the ERAF. The payment may have come from any available Agency revenues. The Agency could have borrowed up to 50 percent from its current year Housing Set-Aside Requirement for purposes of making the ERAF payment. The ERAF payment was to have been subordinate to debt existing at the date of enactment of AB 1389. An agency that could not make the payment due to existing indebtedness would have been allowed to borrow from their legislative body. Failure to make the ERAF payment would have resulted in penalties that would have effectively stopped new activities of the agency. This legislation mandated this ERAF shift only for fiscal year 2008-09.

The California Redevelopment Association (the CRA), the Executive Director of the CRA, the Madera Redevelopment Agency and the Moreno Valley Redevelopment Agency filed a lawsuit in the Sacramento Superior Court challenging the constitutionality of the AB 1389 provisions requiring the \$350 million shift of tax increment revenues from redevelopment agencies to ERAF. The lawsuit sought to invalidate the provisions of AB 1389 requiring the tax increment transfer to ERAF and to prohibit the State from forcing county auditors to divert these redevelopment funds to ERAF. A ruling on this suit by the Sacramento County Superior Court was filed on April 30, 2009. The Court found in favor of the plaintiffs, ruling that the requirement that these funds be taken from redevelopment agency revenues and paid into county ERAF accounts was unconstitutional in that this use of redevelopment tax increment revenues conflicts with and violates the Law requiring that tax increment revenues be used to finance redevelopment activities. This ruling eliminated the requirement to make the ERAF payment described in the previous paragraph. The State filed an appeal of this ruling but it subsequently withdrew this appeal.

AB 1389 also contained provisions requiring redevelopment agencies to report all amounts of statutory tax sharing payments owed for fiscal years 2003-04 through 2007-08, the amounts paid, and if any amounts were not paid, to pay the amounts due or incur penalties effectively stopping new activities of the Agency. In compliance with the requirements of AB 1389, the Agency made all of the required payments and filed the necessary reports. AB 1389 further required reporting of all statutory tax sharing payments for fiscal

year 2008-09. The Agency made all of the required payments and filled the necessary reports for 2008-09. The Agency has been found to be in compliance by the State Controller's Office.

In July, 2009 the Legislature adopted AB 26 4x. This bill is implementing legislation to a package of 30 bills that were adopted in order to close the State's budget deficit. Under this legislation the redevelopment agencies statewide were required to pay \$1.7 billion in fiscal year 2009-10 and another \$350 million in 2010-11 into their county's "Supplemental" ERAF (the SERAF). Funds deposited in the SERAF were to be distributed in such a way as to try to avoid the issues that were named by the Sacramento Superior Court in its ruling on AB 1389's ERAF payment requirement. Under this legislation the Agency was required to pay \$7,906,610 by May 10, 2010, and it was further required to pay \$1,626,274 in May, 2011. If the Agency had not made the payments by the May 10, 2010 and May 10, 2011 deadlines its ability to conduct redevelopment activities would have been halted and it would have had to increase the housing set aside to 25 percent.

Under AB 26 4x, the Agency was allowed to use any available funds to make the SERAF payment. For 2009-10, the Agency might have used all or part of the Housing Set-Aside Requirement to make the payment. Any portion of the Housing Set-Aside Requirement amount used to make the SERAF payment would have had to be repaid to the Housing Fund by June 30, 2015. If the Agency fails to repay the Housing Fund in a timely manner, the required allocation of tax increment to the Housing Fund will be increased to 25% for the remainder of the time that debt may be repaid from the Project Area.

On November 12, 2009, the Governor signed SB 68 (Steinberg) into law which modified AB 26 4x by allowing agencies to use the accumulated balances in their Housing Fund (and not just current year Housing Set-Aside Amounts) to make their SERAF payments, should that become necessary. Funds used from the Housing Fund existing balance to make the 2009-10 payment to County SERAF would be considered a loan to be repaid within five years. Using funds from accumulated Housing Fund would not be allowed for making payments due for 2010-11. The legislation requires that the funds be deposited into a County SERAF and distributed by the County to K-12 school districts located in any Project Area of the Agency in proportion to the average daily attendance of the district. The funds distributed to schools from the SERAF must be used to serve pupils living in the project area or in housing supported by redevelopment funds. The total amount of SERAF funds received by a school district is deemed to be local property taxes and will reduce dollar-for-dollar the State's Prop 98 obligations to fund education. According to the Agency, in order to make the required SERAF payments for 2009-10 and 2010-11 it borrowed from the Agency's Housing Fund. These amounts will need to be repaid from Tax Revenues no later than June 30, 2015.

The City was authorized by SB 68 to lend to the Agency the amount that must be paid to SERAF and in that case, the Agency is authorized to repay the City from tax increment. The City was also authorized to make the payment on behalf of the Agency. The provisions of existing law which permit a joint powers authority to sell bonds and loan the proceeds to redevelopment agencies in order to make ERAF payments are also available for the 2009-10 and 2010-11 payments. In addition, agencies are entitled to a one-year extension on their AB 1290 time limits if they make timely SERAF payments. This extension will not trigger pass-through payments under Health and Safety Code Section 33607.7.

As with the earlier ERAF obligations, the obligation to make the SERAF payments was subordinate to debt service on bonds and other indebtedness. An agency was authorized to pay less than the amount required if it found that it was necessary to make payments on existing obligations required to be committed, set-aside or reserved by the agency during the applicable fiscal year. An agency that intended to pay less than the required amount in order to pay existing obligations must have adopted a resolution prior to December 31,

2009 listing the existing indebtedness and the payments required to be made during the applicable fiscal year.

An agency failing to timely make its SERAF payment, even if the delay is required in order to pay existing obligations, is subject to what has been referred to as the "death penalty." An agency subject to the death penalty may not adopt a new redevelopment plan, amend an existing plan to add territory, issue bonds, further encumber funds or expend any moneys derived from any source except to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on agency administration for the preceding fiscal year. This penalty would last until the required payments have been made.

On October 20, 2009, the CRA filed a lawsuit in Sacramento Superior Court challenging the constitutionality of AB26 4x. In addition to the CRA, two redevelopment agencies were named as plaintiffs in the lawsuit. These are the Union City Redevelopment Agency¹ in Alameda County and the Fountain Valley Redevelopment Agency in Orange County. They serve as representatives of all redevelopment agencies in the state. The Court was asked to certify all redevelopment agencies as a class of plaintiffs in the lawsuit. With this suit, the CRA sought to invalidate the State's effort to require the redevelopment agencies to shift \$2.05 billion in tax increment revenues to the SERAF. On May 4, 2010, Judge Lloyd Connelly of the Sacramento Superior Court ruled in favor of the State of California and effectively authorized the SERAF obligations. The Judge refused to issue an order delaying the requirement for making the SERAF payments. The CRA unsuccessfully attempted to secure an injunction that would allow redevelopment agencies to delay payment of the SERAF obligations pending their appeal of Judge Connelly's ruling. According to the Agency, it submitted the required SERAF payment to the Auditor-Controller by the May 10, 2010 deadline. By making the required payments, the Agency is authorized to extend the expiration date of the Redevelopment Plan by one year which will similarly extend the time limit on repaying indebtedness. Since there is a question as to whether an appeal of the Judge's ruling will be successful, for purposes of this report we have not assumed any extension of these time limits.

The State's ability to impose future ERAF and SERAF payments on redevelopment agencies may be affected by Proposition 22, which was approved by the California electorate on November 2, 2010. Proposition 22, among other things, amends Sections 24 and 25.5 of Article XIII of the California Constitution to prohibit the State from reallocating, transferring, borrowing, appropriating or restricting the use of taxes imposed or levied by a local government solely for the local government's purposes. As applied to redevelopment agencies, Proposition 22 adds Section 25.5(A)(7) to Article XIII of the State Constitution to prohibit the State from requiring a redevelopment agency (A) to pay, remit, loan, or otherwise transfer, directly or indirectly, taxes on ad valorem real property and tangible personal property allocated to the agency pursuant to Section 16 of Article XVI of the State Constitution to or for the benefit of the State, any agency of the State, or any other jurisdiction; or (B) to use, restrict, or assign a particular purpose for such taxes for the benefit of the State, any agency of the State, or any other jurisdiction, other than (i) statutory pass through payments required by Health and Safety Code Sections 33607.5 and 33607.7 and (ii) payments for the purpose of increasing, improving, and preserving the supply of low and moderate income housing available at affordable housing cost. Although the passage of Proposition 22 had no impact upon the Agency's obligation to pay either the 2010 SERAF amount or the 2011 SERAF amount, the State Legislative Analyst's Office ("LAO") has stated that the measure prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. No assurance can be provided that Proposition 22 will be implemented as contemplated by the LAO. In addition, Proposition 22 is subject to interpretation by the courts and there can be no assurance that the measure will not be challenged by the State or other parties or repealed by the voters of the State in the future.

On January 10, 2011, the Governor released his budget proposals for fiscal year 2011-12. The proposed budget reflects the Governor's attempt to resolve shortfalls in revenue totaling \$25.4 billion for 2010-11 and 2011-12. Among a number of proposals to close this budget shortfall is a proposal to disestablish all redevelopment agencies in the State. Under the Governor's proposal, in 2011-12 existing indebtedness and tax sharing obligations would continue to be paid. Indebtedness is referred to in this proposal as including debt service on bonds and all other contractual obligations of the agency. In addition, \$1.7 billion would be taken by the State from redevelopment agencies to reduce its costs for Medi-Cal and the courts system for 2011-12. Housing Set-Aside requirements would be ended and existing Housing Fund balances would be transferred to local housing authorities. In 2011-12, tax increment revenue amounts remaining after payment of debt obligations, tax sharing and the State's take-away would be divided among cities, counties and special districts. Beginning with fiscal year 2012-13, tax increment revenues would be used first to pay existing debt obligations and all remaining tax increment revenue would be distributed to the taxing entities.

Implementation of the proposed budget, including the redevelopment provisions, would require implementing legislation by the Legislature. Draft legislation implementing this proposal was released by the California Department of Finance on February 23, 2011. The proposed legislation has been formally introduced as Assembly Bill 101 and Senate Bill 77. Both bills have reached the floor of their respective legislative bodies and have been debated. As of this date, the proposed bills have not been approved. There is no assurance whether the two proposed bills will be enacted in their present form or that either will be enacted at all.

The proposed legislation was introduced as an urgency measure, which requires a two-thirds affirmative vote of both the Senate and the Assembly and would allow the legislation to become effective immediately upon passage and signature by the Governor. The language in the proposed bills is clear that their provisions would be effective as of the date of enactment but would allow retroactive review of certain Agency actions. There are provisions that may limit the Agency's future ability to spend the proceeds of the Bonds. While these bills have been effectively superseded by the legislation discussed below, the Agency cannot predict whether these two bills might be enacted in some form or what the impact on the Agency or the Bonds may be.

Senate Bills 1X 14 and 1X 15 and Assembly Bills 1X 26 and 1X 27 were introduced in May 2011 as placeholder bills and were substantially amended on June 14, 2011. These bills propose to dramatically modify the Law as part of the fiscal year 2011-12 State budget legislation. SB 1X 14 and AB 1X 26 would first dissolve redevelopment agencies statewide effective October 1, 2011 and suspend all redevelopment activities as of their effective date. SB 1X 15 and AB 1X 27 would allow redevelopment agencies to avoid dissolution by opting into a voluntary program requiring them to make substantial annual contributions to local school and special districts. If all redevelopment agencies opt into this program, the contributions for 2011-12 would total \$1.7 billion. The amounts to be paid annually thereafter would be based on the amounts paid by an agency for 2011-12 with adjustments that increase the amounts to be paid based on growth in agency revenues. The bills are drafted to be passed by the Legislature on majority vote of the Assembly and the Senate and to become effective immediately upon signing by the Governor. These bills were adopted by both the Assembly and the Senate on June 15, 2011. The budget legislation adopted by the Assembly and Senate on June 15, 2011 was vetoed by the Governor on June 16, 2011. The bills designed to eliminate redevelopment agencies have not been signed by the Governor. The redevelopment elimination bills were crafted to be adopted as part of the budget adoption and as such would be immediately effective. With the veto of the budget legislation, the effective date of this legislation, if signed by the Governor, is in question. The Agency cannot know at this time if the Governor will sign the legislation or what effect passage of these bills may have on the continued activity of the Agency.

VII. Tax Sharing Agreements and Other Obligations

A. Statutory Tax Sharing Payments

The Agency entered into no tax sharing agreements in connection with any of the component project areas that were adopted prior to the 1992 Amendment. By eliminating the time limit on incurring indebtedness for all component projects except the 1998 Amendment and the Added Territory, the Agency will be required to make statutory tax sharing payments. Within all component project areas adopted prior to the 1992 Amendment, tax sharing payments will be made to all taxing entities in accordance with the three-tiered formulas for statutory tax sharing payments required of those project areas adopted after January 1, 1994. Since the existing time limit on incurrence of new debt for these component project areas was passed on January 1, 2004, these statutory tax-sharing payments were initiated in fiscal year 2004-05.

Beginning in 2004-05 and using each component project area's 2003-04 assessed values as a base value, the Agency is obligated to pay the combined taxing entities 25% of the revenue generated by the component project area's annual incremental value net of the Housing Set-Aside requirement. Beginning in 2014-15 and using the project area's 2013-14 assessed values as a base value for the second tier of statutory tax sharing payments, the Agency will additionally be obligated to pay the combined taxing entities 21% of the revenue generated by the component project area's annual second tier of incremental value net of the Housing Set-Aside requirement. The third tier of statutory tax sharing payments is not initiated before these project areas terminate.

Within the 1992 Amendment, these statutory tax sharing payments will begin in 2013-14 and use the project area's 2012-13 values as a base, the Agency is obligated to pay those taxing entities that do not have tax sharing agreements 25% of the revenue generated by the component project area's annual incremental value net of the Housing Set-Aside requirement. Beginning in 2023-24 and using the project area's 2022-23 assessed values as a base value for the second tier of statutory tax sharing payments, the Agency will additionally be obligated to pay those taxing entities without tax sharing agreements 21% of the revenue generated by the 1992 Amendment's annual second tier of incremental value net of the Housing Set-Aside requirement. The third tier of statutory tax sharing payments is not initiated before the 1992 Amendment redevelopment plan activities terminate. The Agency entered into a number of tax sharing agreements within the 1992 Amendment. The shares of tax increment revenue represented by those taxing entities that have tax sharing agreements are 67.52% of the total tax revenue. As a result, the Agency's statutory tax sharing payment obligation within the 1992 Amendment is reduced by 67.52%.

Within the 1998 Amendment and the Added Territory, statutory tax sharing payments began in the first year that these component project areas received tax increment revenue and will continue for as long as these component project areas are entitled to repay indebtedness. The payments utilize the same three tiered structure described above.

B. Tax Sharing Agreements

At the time that the 1992 Amendment was adopted, the Agency entered into a number of tax sharing agreements. These agreements are described below.

Orange County - This agreement encompasses the Orange County General Fund, the County of Orange Harbors, Beaches and Parks Service Area No. 26, the Orange County Flood Control District and the County

of Orange Public Library. The Agency is required to pay each of these taxing entities 47% of their share of the 1992 Amendment general levy Gross Revenue after provision for the Housing Set-Aside Requirement.

Orange County Water District - The Agency is required to pay this District 100 percent of its General Fund and Water Reserve Fund share of the 1992 Amendment general levy Gross Revenue, including the portion collected for the payment of bonded indebtedness, after provision for the Housing Set-Aside Requirement. Although the District's share includes revenue generated by debt service on bonds, the District currently has no bonds outstanding. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness.

Orange County Vector Control District - This agreement requires the Agency to construct specified capital improvements in connection with a District facility. The Agency may satisfy this obligation through a bond issue. The Agency's obligation to fund the Capital Improvements shall not exceed the amount of the District's share of the 1992 Amendment's general levy Tax Revenue after provision of the Housing Set-Aside Requirement. The District's share is calculated and assumed to be set aside for payment to the District or to repay the cost of the required improvements.

Garden Grove Sanitary District - The Agency is obligated to pay to the District 100 percent of the District's share of the 1992 Amendment's general levy Gross Revenue net of the Housing Set-Aside Requirement and any amount the Agency is required by the state Legislature to pay on behalf of schools (ERAF). A prorated portion of the Agency's 2002-03 ERAF obligations has been deducted from the Agency's Tax Revenues for purposes of this calculation.

County Sanitation District Nos. 2 and 3 - The Agency is obligated pay to the District 100 percent of the District's share of the 1992 Amendment's general levy Gross Revenue net of the Housing Set-Aside Requirement and any amount the Agency is required by the state Legislature to pay on behalf of schools (ERAF). A prorated portion of the Agency's 2002-03 ERAF obligations has been deducted from the Agency's Tax Revenues for purposes of this calculation.

Garden Grove Unified School District - Pursuant to this agreement and beginning in the 1997-98 fiscal year, the Agency is required to pay the School District 50 percent of the School District's share of general levy tax increment generated by the Project Area in excess of the amount of revenue generated within the Project Area for the 1991-92 fiscal year, after provision for the Housing Set-Aside Requirement and ERAF. In addition to the Agency's payment of tax increment, the Agency shall pay to the School District the following amounts:

1992-93 through 1994-95	\$ 500,000 per year
1995-96 through 2006-07	\$1,000,000 per year
2007-08 through 2031-32	10% of the District's share of Tax Revenue produced by the Project Area for 1991-92.

The revenue produced by the Project Area for 1991-92 and that will be utilized as the benchmark for this calculation is \$10,567,277.

Huntington Beach Union High School District - The District receives 30 percent of its share of the 1992 Amendment's general levy Gross Revenue plus 100 percent of its share of the annual inflation adjustment to base year real property value for that portion of the amendment area that is within the boundaries of the District.

Westminster School District - The Agency shall pay into a Special Fund for the benefit of the District, 50 percent of the District's share of general levy revenue from the 1992 Amendment after provision for the Housing Set-Aside Requirement and ERAF. A prorated portion of the Agency's 2002-03 ERAF obligations has been deducted from the Agency's Tax Revenues for purposes of this calculation.

Orange Unified School District - The Agency shall pay to the District 30 percent of the District's share of the 1992 Amendment's general tax levy Tax Revenue after provision for the Housing Set-Aside Requirement and any amount the Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition, the District receives 100 percent of its share of the annual inflation adjustment to base year real property value for that portion of the amendment area that is within the boundaries of the District. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness.

Orange County Superintendent of Schools - The Agency shall pay to the District 30 percent of the District's share of the 1992 Amendment's general tax levy Gross Revenue after provision for the Housing Set-Aside Requirement and any amount the Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition, the District receives 100 percent of its share of the annual inflation adjustment to base year real property value for that portion of the amendment area that is within the boundaries of the District. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness.

Coast Community College District - The Agency is required pursuant to the tax sharing agreement to pay the District 30 percent of its share of the 1992 Amendment general levy Gross Revenue after provision for the Housing Set-Aside Requirement and any amount the Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition the District receives 100 percent of its share of the annual inflation adjustment to base year real property value within that portion of the project area inside District boundaries. The tax sharing agreement has been modified through a Disposition and Development Agreement between the Agency and the District whereby the Agency has conveyed a piece of property to the District in exchange for the District's payments. For purposes of the projections, we have shown no payment to the District. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness.

North Orange County Community College District - The Agency shall pay to the District 30 percent of the District's share of the 1992 Amendment's general levy Gross Revenue after provision for the Housing Set-Aside Requirement and any amount the Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition the District receives 100 percent of its share of the annual inflation adjustment to base year real property value that exists within the District's boundaries. Payments made pursuant to this agreement are subordinate to debt service on any bonded indebtedness.

Rancho Santiago Community College District - The agreement gives the District a choice of three optional methods for Agency payments into a Special Fund for each fiscal year:

1. Commencing in fiscal year 1992-93, the Agency pays the District the greater of 30 percent of its share of general levy Gross Revenue plus 100 percent of its share of the annual inflation adjustment to base year real property value or \$125,000 adjusted annually by the CPI; or

2. Commencing with 1992-93, but only in the event the District has established an educational facility and has it in operation within the jurisdiction of the Agency, the Agency pays the District the greater of 30 percent of its share of general levy tax increment plus 100 percent of its share of the annual inflation adjustment to base year real property value or \$150,000 adjusted annually for CPI; or

3. Commencing July 1, 1997, the District receives the greater of 30 percent of its share of general levy tax increment revenue plus 100 percent of its share of the annual inflation adjustment to base year real property value or \$125,000 with an annual CPI adjustment, or \$150,000 plus a CPI adjustment if in the opinion of the Agency the District has used its best efforts to bring into operation a Garden Grove facility within the City.

An additional provision of the agreement states that notwithstanding any other provision, the Agency's obligation is limited to the amount of tax increment revenue which would have been received by the District from the 1992 Amendment revenues absent the adoption of the amendment. Because the total amount that would have been received by the District does not currently approach the greater of any of the alternatives listed above, it is assumed in the projection that the District will receive 100 percent of its share of the general levy tax increment revenue.

C. Other Obligations of the Agency

The Agency has entered into a number of agreements in order to implement the Redevelopment Plan. These agreements include disposition and development agreements ("DDAs"), Owner Participation Agreements ("OPAs"), and operating covenants, as well as rehabilitation loan agreements, real property purchase and sale agreements, and leases. Most of these agreements represent general obligations of the Agency; that is, those which are secured by a pledge of tax increment that are either subordinate to the Bonds, or pledge only that portion of tax increment required to be deposited into the Agency's low and moderate income housing fund under the California Redevelopment Law ("Housing Funds"), which are not a part of the pledge of tax increment securing the Bonds.

Hotel Program

A major component of redevelopment plan implementation has been the Agency's hotel program, pursuant to which the Agency has entered into DDAs with a number of developers to facilitate the acquisition, assembly, disposition and development of land as major tourist-oriented hotels. Each of these hotel DDAs (the "Hotel DDAs") has utilized a similar structure, involving the acquisition by the Agency of real property and the conveyance thereof to the developer, in exchange for the developer's promise to develop and operate a specified hotel product thereon. As consideration for the continuous operation of the specified hotel, the Agency provides financial assistance, generally measured by or in an amount equal to a percentage of the sum of annual sales tax, transient occupancy tax, and tax increment generated by the hotel site, which assistance payments are payable from any funds available to the Agency and are not secured by a pledge of tax increment.

The Hotel DDAs represent a major financial commitment on the part of the Agency. In all, the payments to be made by the Agency over the course of the operating covenant periods set forth in the Hotel DDAs, the

last of which ends in fiscal year 2020-21. Projected annual payments⁴ range from approximately \$3.7 million per year to approximately \$4 million. The amounts owed decline after fiscal year 2015-16.

Commercial Rehabilitation Agreements

In addition to the Hotel DDAs, rehabilitation of existing commercial properties has been an important focus of the Agency's redevelopment efforts. The Agency has entered into a number of OPAs and grant or loan agreements to achieve such rehabilitation within the Project Area. Many of these agreements call for annual payments to be made by the Agency to the property owner to assist in the owner's financing of such rehabilitation work. Of the current rehabilitation agreements, the following constitute substantial financial obligations of the Agency: (1) An agreement for the rehabilitation of certain real property leased by Boise Cascade, pursuant to which the Agency is obligated to pay an amount equal to one-half of the sales tax generated by the improvements on the leasehold (currently projected to be over \$900,000 per year through fiscal year 2015-16), up to the cost of the rehabilitation and retrofit thereof; (2) an agreement with an auto dealer, pursuant to which the Agency agreed to loan the dealer \$2,200,000 over a period fifteen years to rehabilitate its facilities, the repayment of which is forgiven annually to the extent sales tax proceeds from the dealership meet or exceed a certain dollar amount. None of the rehabilitation agreements include a pledge of tax increment.

Acquisition Agreements and Leases

In order to further accomplish the goals of the Redevelopment Plan, the Agency must acquire property. Through a variety of agreements, the Agency has acquired fee title to or leasehold interests in real estate within the Project Area. A number of these agreements involve ongoing financial obligations for the Agency, the most significant of which are discussed below, one of which involves a subordinated pledge of tax increment.

In addition to acquiring fee title to property, the Agency currently leases property pursuant to three (3) ongoing lease agreements. Under the first of these leases, with the Coastline Community College District, the Agency is obligated to make annual lease payments of approximately \$230,000 through fiscal year 2015-2016. While the lease also calls for the Agency to pay a portion of maintenance costs for the leasehold property, the Agency has yet to be billed for such costs, and no such costs are projected in the remaining years of the lease.

D. Court Decisions

Santa Ana Decision

The State Court of Appeals recently upheld a Superior Court decision which held the Santa Ana School District had the right to receive payments from the Orange County Redevelopment Agency pursuant to a resolution adopted by the School District in 1999 under former Section 33676(a) of the Law (Santa Ana Unified School District v. Orange County Redevelopment Agency; App. 4 Dist. 2001 108 Cal. Rptr.2d 770, 90 Cal. App 4th 404, review denied). Former Section 33676(a)(2) provided that, unless a negotiated tax sharing agreement had been entered into, upon passage of a resolution prior to adoption of a redevelopment plan, affected taxing agencies and every school and community college district could elect to be allocated increases in the assessed value of taxable property in the project area based on inflation growth (the 2% Property Tax Increase).

⁴ Source: City of Garden Grove Finance Department.

Former Section 33676(a)(2) was repealed as part of major revisions made to the Law pursuant to the Reform Act of 1993 (AB 1290). The changes to the Law contained in AB1290 were effective as of January 1, 1994. The Court of Appeals affirmed the lower court ruling that due to an amendment to former Section 33676(a) that was adopted in 1984 and became effective on January 1, 1985, school and community college districts were to automatically receive the 2% Property Tax Increase even without adopting the appropriate resolution prior to the adoption of a redevelopment plan.

All component project areas except the 1992 Amendment were adopted either before Section 33676(a)(2) was adopted or after it was repealed. Within the 1992 Amendment, the Agency has existing tax sharing agreements with all school and community college district that exist within the project area. This decision does not, therefore, impact the Project Area.

VIII. Development Activities

Since January 1, 2010 within the Project Area, there have been 129 transfers of ownership where the sales price can be confirmed. These transfers of ownership represent a combined decrease of \$278,982 in assessed value that is expected to be subtracted from the tax rolls for 2011-12. Development projects continue to be constructed within the Project Area. New attached single family homes have been constructed and are selling in a development called Sycamore Walk, located at Garden Grove Boulevard and West Street. There are a total of twelve units in the development. Of the twelve units, nine are sold or in escrow. We expect that the remaining three units will be sold prior to the end of 2011. This development is expected to add \$5.03 million in new value to the 1979 Amendment for 2011-12. Also located within the 1979 Amendment is a development called Mosaic Walk, located on Palm Avenue near Harbor Boulevard. This development consists of 78 condominium units. Of these, 64 are sold or in escrow. We project that the total value to be added to the tax rolls will be \$28.1 million. Of this amount we expect that \$12.1 million will be added to the tax rolls for 2011-12; \$8.4 million will be added to the tax rolls for 2012-13 and the remaining \$1.9 million will be added for fiscal year 2013-14.

In addition to these developments, a project called Century Village is in the beginning stages of development with models and site improvements under construction. Production units are expected to be under construction in August, 2011. Units will range in size from 1,150 square feet to 2,500 square feet and the base sales prices are expected to range from \$350,000 to \$515,000. Since the units to be sold are not yet under construction, we have not reflected any new value from this development in the projections.

IX. Trended Taxable Value Growth

In accordance with Article XIII A of the State Constitution, growth in real property land and improvement values may reflect the year-to-year inflationary rate not to exceed 2% for any given year or reduction as shown in the consumer price index. A 2% growth rate is the maximum inflationary growth rate permitted by law and this rate of growth has been realized in all but six years since 1981. The years in which less than two percent growth was realized included fiscal years 1983-84 (1.0%), 1995-96 (1.19%), 1996-97 (1.11%), 1999-00 (1.85%), 2004-05 (1.867%) and 2010-11 (-0.237%). The State Board of Equalization announced in December, 2010 that the inflation adjustment for 2011-12 will be 0.753%. We have applied this 0.753% growth rate to the projected values for 2011-12. In addition, we have assumed 2% annual inflationary growth beginning with 2012-13 and subsequent fiscal years. Future values will also be impacted by changes of ownership and new construction not reflected in our projections. In addition, the values of property

previously reduced in value due to assessment appeals based on reduced market values could increase more than 2% when real estate values increase more than 2% (see Section IV A above). Seismic activity and environmental conditions such as hazardous substances that are not anticipated in this Report might also impact taxable assessed values and Gross Revenues. Future values will also be affected by changes of ownership and new construction not reflected in our projections. HdL Coren & Cone makes no representation that taxable assessed values will actually grow at the rate projected.

As a result of the recent nationwide increase in defaults on residential mortgages there has been concern expressed in the financial market over the possible impact that these defaults may have on redevelopment agency revenues in general. Reliable information on residential foreclosure activity is difficult to find and what information that is available is not readily applicable to discrete areas within cities and redevelopment project areas. Much of the information available is segregated by county or ZIP code. The information within the following table is based on information available from the RealtyTrac website.

Table K
Residential Foreclosure Data for the City of Garden Grove

As of:	Notices of Default	Notices of Trustee's Sale	Real Estate Owned by Lender	Total City Parcels	Total City Residential Parcels
June, 2011	257	319	236	35,835	33,361

According to RealtyTrac, properties receiving a Notice of Default from a trustee are in the first phase of the foreclosure process. A Notice of Default is sent after the occurrence of a default under the terms of the deed of trust or mortgage. A Notice of Trustee's Sale is filed announcing a public auction of property that is in default under the terms of the deed of trust or mortgage. This is the second phase of the foreclosure process. Real Estate Owned by Lender reflects the final stage in the foreclosure process. These are properties that have been conveyed into the ownership of the lender. Generally the foreclosure process may be halted by the property owner or borrower paying the amount that is in default under the deed of trust and bringing the loan current.

The number of residential parcels on which Notices of Default or Notices of Trustee's Sale have been filed or are Lender owned total 2.7% of all residential parcels within the City. The City is located within a seven separate ZIP Codes which also include areas of unincorporated Orange County. We are unable to determine how many of the parcels represented in Table K may be located within the Project Area or that are located within the city limits. Further, we have no information on any possible commercial or industrial foreclosures or bank owned property. It is very likely that some commercial centers within the Project Area are experiencing vacancies. It is unclear if or how these vacancies may impact the Project Area assessed values in future years.

Anticipated revenues could be adjusted as a result of unidentified assessment appeal refunds, other Assessor corrections discussed previously, or unanticipated increases or decreases in property tax values. Estimated valuations from developments included in this analysis are based upon our understanding of the general practices of the Orange County Assessor and Auditor-Controller's Office. General assessment practices are subject to policy changes, legislative changes, and the judgment of individual appraisers. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

INDENTURE OF TRUST

Dated as of June 1, 2011

by and between

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

and

**J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee**

Relating to

**\$[Series A Bond Amount]
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT
2011 SUBORDINATE TAX ALLOCATION BONDS
(GARDEN GROVE COMMUNITY PROJECT) SERIES A**

AND

**\$[Series B Bond Amount]
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT
2011 SUBORDINATE TAX ALLOCATION BONDS
(GARDEN GROVE COMMUNITY PROJECT) SERIES B (TAXABLE)**

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INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture") is dated as of June 1, 2011, by and between the GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, a public body corporate and politic duly organized and existing under the laws of the State of California, (the "Agency"), and J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, the Agency is a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law"), including the power to issue bonds for any of its corporate purposes; and

WHEREAS, a Redevelopment Plan for the Garden Grove Community Project (the "Redevelopment Project") has been adopted in compliance with all requirements of the Redevelopment Law; and

WHEREAS, the Agency has previously issued its \$57,025,000 aggregate principal amount 2003 Tax Allocation Refunding Bonds (Garden Grove Community Project) (the "Senior Bonds") pursuant to that certain Indenture of Trust dated as of August 1, 2003 (the "Senior Bonds Indenture") between the Agency and J.P. Morgan Trust Company, National Association, as trustee (the "Senior Bonds Trustee"); and

WHEREAS, the Agency has previously entered into a Credit Agreement with Union Bank of California, N.A., dated as of June 2, 2008 providing for a loan to the Agency in the amount of up to \$32 million (the "2008 Loan"), and the Agency has from time to time advanced funds from the Agency's Low and Moderate Income Housing Fund for the purpose of meeting certain ERAF and SERAF obligations of the Agency payable pursuant to the Redevelopment Law for the benefit of other taxing entities (collectively, the "SERAF Housing Fund Obligations"); and

WHEREAS, the Agency wishes to prepay and refinance [all or part of] the 2008 Loan and the SERAF Housing Obligations (collectively, the "Prior Loans") and to otherwise finance or refinance certain other redevelopment activities of the Redevelopment Project in accordance with applicable law through the issuance of its Garden Grove Agency for Community Development 2011 Subordinate Tax Allocation Bonds (Garden Grove Community Project) Series A and Series B (Taxable) (collectively, the "2011 Bonds"), pursuant to the Redevelopment Law; and

WHEREAS, the 2011 Bonds, when issued, will be secured by a pledge of and lien on Tax Revenues (as defined herein) on a subordinate basis to the pledge of and lien on Tax Revenues under the Senior Bonds Indenture for the benefit of the Senior Bonds; and

WHEREAS, in order to provide for the authentication and delivery of the 2011 Bonds and any obligations issued on a parity therewith (collectively, the "Bonds"), to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the

principal thereof and interest and redemption premium (if any) thereon, the Agency and the Trustee have duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Agency has determined that all acts and proceedings required by law necessary to make the 2011 Bonds, when executed by the Agency, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Agency, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken;

NOW, THEREFORE, in order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the Agency and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.1 shall, for all purposes of this Indenture, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

“**Agency**” means the Garden Grove Agency for Community Development, a public body corporate and politic duly organized and existing under the Redevelopment Law.

“**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.

“**Beneficial Owner**” means (a) when used with respect to a Bond held in book-entry form, the person or entity whose name is shown on the records of a Participant, pursuant to the arrangements for book-entry determination of ownership applicable to the Securities Depository, as the beneficial owner of the Bond, and (b) when used with respect to a Bond held in certificated form, the registered owner of the Bond.

“**Bond Counsel**” means (a) Stradling Yocca Carlson & Rauth, a Professional 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 under the Tax Code.

“**Bond Year**” means any twelve-month period beginning on October 2 in any year and extending to the next succeeding October 1, both dates inclusive; except that the first Bond Year

shall begin on the Closing Date and end on December 1, 2011 provided for purposes of Section 5.6, Bond Year means such bond year identified in the Tax Certificate.

"Bonds" means, collectively, the 2011 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 or cities in which the Office of the Trustee are not required or permitted to be closed, and on which the Federal Reserve banking system is open.

"Certificate of the Agency" means a certificate in writing signed by the Chair, Executive Director, Deputy Executive Director, Finance Officer 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 Garden Grove, a municipal corporation organized and existing under the laws of the State.

"Closing Date" means _____, 2011, being the date on which the 2011 Bonds are delivered by the Agency to the Original Purchaser.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate entered into as of the date hereof by the Agency relative to the Original Purchaser's obligations under Rule 15c2-12 of the Securities and Exchange Commission, as provided pursuant to the Indenture.

"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 2011 Bonds and the refunding of the 2008 Loan, 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 2011 Bonds and any other cost, charge or fee in connection with the original issuance of the 2011 Bonds and the refunding of the Prior Loans (as defined in the recitals hereto).

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.3.

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

"Debt Service Fund" means the fund by that name established and held by the Trustee pursuant to Section 4.3.

"Defeasance Securities" means any of the following, or any combination thereof: (a) cash, (b) Direct Obligations of (including obligations issued or held in book entry form on the books of) the United States Treasury, and (c) Senior debt obligations of other Government Sponsored Agencies.

"DTC" means The Depository Trust Company and any successor to it or any nominee of it.

"DTC Participant" has the meaning given to that term in Section 2.4(b) of this Indenture.

“DTC System” has the meaning given to that term in Section 2.4(a) of this Indenture.

“Event of Default” means any of the events described in Section 8.1.

“Federal Securities” means any direct 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, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee.

“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 pursuant to a Certificate of the Agency filed with the Trustee.

“Indenture” means this Indenture of Trust by and between the Agency and the Trustee, as amended or supplemented from time to time pursuant to any supplemental indenture entered into pursuant to the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of such certified public accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, 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 Fiscal 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 substantial expertise in matters relating to the collection, estimation and projection 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.

“Indirect Participant” has the meaning given to that term in Section 2.4(b) of this Indenture.

“Information Services” means national information services that disseminate securities redemption notices; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to the redemption of bonds as the Agency may designate in a Request of the Agency delivered to the Trustee or as the Trustee may select.

“Interest Account” means the account by that name established and held by the Trustee pursuant to Section 4.3(a).

“Interest Payment Date” means, so long as any of the Bonds remain unpaid, June 1 and December 1 of each year, commencing December 1, 2011.

“Letter of Representations” has the meaning given to that term in Section 2.4(a) of this Indenture.

“Low and Moderate Income Housing Fund” means the Low and Moderate Income Housing Fund created by the Agency in accordance with 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 Agency meets the requirements of Section 3.5 for the issuance of Parity Debt at the time of such release, taking the released proceeds into account.

“Moody’s” means Moody’s Investors Service, of New York, New York, and its successors.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to Section 2.4(a).

“Office” means the trust office of the Trustee at 560 Mission Street, 13th Floor, San Francisco, California 94105, provided, however, for transfer, registration exchange, payment and surrender of Bonds means the office or agency of the Trustee at which at any particular time, its corporate trust agency business shall be conducted, or at such other place or places as may be designated by the Trustee from time to time in written notice filed with the Agency.

“Original Purchaser” means Stone & Youngberg LLC as original purchaser of the 2011 Bonds.

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.5) 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 Section 9.3; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant hereto.

“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 bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency on a parity with the 2011 Bonds pursuant to Section 3.5.

“Participant” means a broker-dealer, bank or other financial institution for which DTC holds Bonds as Securities Depository.

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

A. For all purposes, including defeasance investments in refunding escrow accounts.

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below), or

(2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, or

(3) Senior debt obligations of other Government Sponsored Agencies.

B. For all purposes other than defeasance investments in refunding escrow accounts.

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development
- Federal Housing Administration
- Federal Financing Bank;

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America.

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies upon prior written notice to S&P;

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(5) Investments in a money market fund rate "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee or its affiliates provides investment advisory or other management services;

(6) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of S&P and Moody’s or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of at least “A2/A” or higher by both Moody’s and S&P.

(8) Investment agreements with prior written notice to S&P, supported by appropriate opinions of counsel with notice to S&P; and

(9) Other forms of investments (including repurchase agreements) with prior written notice to S&P.

(10) The Local Agency Investment Fund of the State or any state administered pool investment fund in which the Agency is statutorily permitted or required to invest will be deemed a permitted investment.

C. The value of the above investments shall be determined as follows:

“Value,” which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

(1) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.

(2) As to certificates of deposit and banker acceptances: the face amount thereof, plus accrued interest; and

(3) As to any investment not specified above: the value thereof established by prior agreement between the Agency and the Trustee.

To the extent that any of the requirements concerning Permitted Investments embodies a legal conclusion, the Trustee shall be entitled to conclusively rely upon a certificate from the appropriate party or an opinion from counsel to such party, in form and content satisfactory to Trustee, that such requirement has been met.

“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 pursuant to the Redevelopment Plan, (c) the period of time for establishing or incurring indebtedness payable from Tax Revenues and (d) the period of time for receiving Tax Revenues for any purpose, established pursuant to Section 33333.2, 33333.4 or 33333.6 of the Redevelopment Law, as applicable.

“Principal Account” means the account by that name established and held by the Trustee pursuant to Section 4.3(b).

“Project Costs” means (subject to the provisions of Section 5.11 and the Tax Certificate) all costs of financing the Redevelopment Project which are paid from moneys on deposit in the Redevelopment Fund, including but not limited to:

- (i) all costs required to be paid to any person in connection with the acquisition, construction and improvement of any public improvements located in or of benefit to the Redevelopment Project including costs incurred in connection with the acquisition of land, easements, rights of way and other interests in real property, costs of construction of such improvements, landscaping, utilities and other incidental costs, and costs of preliminary work such as for design, engineering, architectural, consultant and legal services;
- (ii) administrative costs of the Agency incurred in connection with the redevelopment of the Project Area;
- (iii) all costs of acquiring property for any redevelopment purposes of the Agency in connection with the Redevelopment Project, including land to be developed for commercial or other private uses, which costs shall include deposits required to be made into court in connection with any judicial proceedings to acquire such property;
- (iv) amounts required to be paid to the City or any other public agency in connection with the adoption of the Redevelopment Plan or otherwise in connection with the redevelopment of the Project Area;
- (v) all financing costs incurred in connection with the redevelopment of the Project Area and the financing thereof, including but not limited to Costs of Issuance and interest on obligations of the Agency incurred in connection with the redevelopment of the Project Area;
- (vi) interest coming due and payable on the Bonds during the period of such acquisition, construction, improvement or equipping, to the extent not paid from the proceeds of the 2011 Bonds deposited in the Interest Account pursuant to Section 3.2, if any;
- (vii) any sums required to reimburse the Agency for advances made for any of the above items or for any other costs incurred and for work done which are

properly chargeable to the acquisition, construction, improvement or equipping of property within or of benefit to the Project Area; and

- (viii) any other costs which are lawfully incurred by the Agency with respect to the redevelopment of the Project Area, for which Agency funds are permitted to be expended under the Redevelopment Law and consistent with the Tax Certificate.

“Qualified Reserve Account Credit Instrument” means any irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to Section 4.3(d), provided that all of the following requirements are met: (a) the long-term credit rating of such bank or insurance company at the time of deposit is in one of the two highest rating categories by Moody’s; (b) such letter of credit or surety bond has a term of at least twelve (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 pursuant to Section 4.3(d); (d) the Trustee is authorized pursuant to 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, the Principal Account or the Sinking Account for the purpose of making payments required pursuant to Section 4.3; and (e) written notice of the posting of such Qualified Reserve Account Credit Instrument is given to the Rating Agency.

“Rating Agency” means Moody’s or Standard & Poor’s Ratings Group or any nationally recognized rating agency then maintaining a rating on the Bonds.

“Rebate Fund” means the fund by that name established and held by the Trustee pursuant to Section 4.6.

“Record Date” means, with respect to any Interest Payment Date, the close of business on the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such fifteenth (15th) calendar day is a Business Day.

“Redemption Account” means the account by that name established and held by the Trustee pursuant to Section 4.3(e).

“Redevelopment Fund” means the fund by that name established and held by the Agency pursuant to Section 3.5.

“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, and the acts amendatory thereof and supplemental thereto

“Redevelopment Plan” means the Redevelopment Plan for the Redevelopment Project known as the “Garden Grove Community Project” as adopted and approved by the City on June 26, 1973 by Ordinance No. 1339; as amended by Ordinance No. 1388, adopted on July 9, 1974; as amended by Ordinance No. 1548, adopted on November 29, 1976; as amended by Ordinance No. 1699 adopted on October 16, 1979, and renamed “Garden Grove Community Project, As Amended”; as amended by Ordinance No. 1760 on June 9, 1981; as merged with the Redevelopment Plan for the Trask Avenue Project, adopted by Ordinance No. 1476 on November 25, 1975; as merged with the Redevelopment Plan for the Brookhurst/Chapman Project, adopted by Ordinance No. 1576 on

March 21, 1977; as merged with the Redevelopment Plan for the Brookhurst/Katella Project, adopted by Ordinance No. 1642 on February 21, 1978; as merged by Ordinance No. 1699 on October 16, 1979 and Ordinance No. 1760 on June 1, 1981; as amended by Ordinance No. 2035 on February 16, 1988; as amended by Ordinance No. 2232 on August 14, 1992; as amended by Ordinance No. 2304 on October 18, 1994; as amended by Ordinance No. 2455 on December 8, 1998, and as amended by Ordinance No. 2567 on July 9, 2002.

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

“Registration Books” means the records maintained by the Trustee pursuant to Section 2.7 for the registration and transfer of ownership of the 2011 Bonds.

“Report” means a document in writing signed by an Independent Accountant or an Independent Redevelopment Fiscal Consultant and including: (a) a statement that the person or firm making or giving such Report has read the pertinent provisions of this Indenture to which such Report relates; (b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and (c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable such person or firm to express an informed opinion with respect to the subject matter referred to in the Report.

“Request of the Agency” means a request in writing signed by the Chair, Executive Director, Deputy Executive Director, Finance Director or Secretary of the Agency, or any other officer of the Agency duly authorized by the Agency for that purpose.

“Reserve Account” means the account by that name established and held by the Trustee pursuant to Section 4.3(d).

“Reserve Requirement” means, as of the date of any calculation by the Agency, the lesser of (a) Maximum Annual Debt Service, (b) 125% of average Annual Debt Service on the Bonds, or (c) 10% of the original principal amount of the Bonds (less original issue discount if in excess of two percent (2%) of the stated redemption amount at maturity); provided however that the Reserve Requirement shall be computed without regard for the portions of the 2011 Bonds or other Parity Debt which remain as deposits in escrow funds, if any; and provided further with respect to any Parity Debt issued with a variable rate of interest, for purposes of calculating the Reserve Requirement, such Parity Debt shall be assumed to bear interest at (A) if interest on such variable rate Parity Debt is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer “Revenue Bond Index” (or comparable index if no longer published), or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities.

“Securities Depository” means initially, The Depository Trust Company, New York, New York, and its successors and assigns and any replacement securities depository appointed under this Indenture.

“SERAF Housing Fund Obligation” means those certain obligations of the Agency to repay funds advanced from the Agency’s Low and Moderate Income Housing Fund for the purpose of meeting certain ERAF and SERAF obligations of the Agency payable for the benefit of other taxing entities pursuant to Sections 33690 and 33691 of the Redevelopment Law.

“Senior Bond Annual Debt Service” means, for the Senior Bonds for each Bond Year, the sum of (a) the interest payable on the Outstanding Senior Bonds in such Bond Year, assuming that the Outstanding serial Senior Bonds are retired as scheduled and that the Outstanding term Senior Bonds are redeemed from sinking account payments as scheduled, (b) the principal amount of the Outstanding serial Senior Bonds payable by their terms in such Bond Year, and (c) the principal amount of the Outstanding term Senior Bonds scheduled to be paid or redeemed from sinking account payments in such Bond Year, excluding the redemption premiums (if any) thereon; provided however, that any interest or principal which the Agency certifies in writing is legally payable from moneys deposited into the Low and Moderate Income Housing Fund of the Agency shall be excluded from such calculation.

“Senior Bonds Indenture” means the Indenture of Trust dated as of August 1, 2003, by and between the Agency and J.P. Morgan Trust Company, N.A. as trustee, and as such Indenture of Trust may be further amended or supplemented from time to time in accordance with its terms.

“Senior Bonds” means the Agency 2003 Tax Allocation Refunding Bonds and any other bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency pursuant to the Senior Bonds Indenture and secured by a pledge of and lien on Tax Revenues (as defined in the Senior Bonds Indenture) on a parity with the 2003 Bonds pursuant to the Senior Bonds Indenture and in accordance with Section 3.7 hereof.

“Senior Tax Revenues” means “Tax Revenues” as such term is defined in the Senior Bonds Indenture, namely, “all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date within the Plan Limitations pursuant to 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 and as provided in the Redevelopment Plan, including (a) all 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, and (b) as to such percentage of annual debt service on any issue of Senior Debt as shall be specified in the proceedings for such Senior Debt, all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law, but excluding (i) all amounts of such taxes which are payable to entities other than the Agency pursuant to the Tax Sharing Statutes or the Tax Sharing Agreements to the extent such Tax Sharing Statutes or Tax Sharing Agreements create a prior lien on such taxes and such entities other than the Agency have not subordinated their right to receive payments, (ii) except as set forth in (b) above, all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund in any fiscal year pursuant to Section 33334.3 of the Redevelopment Law and (iii) amounts, if any, payable by the State to the Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State.” (Capitalized terms used in such definition have the meaning ascribed thereto in the Senior Bonds Indenture.)

“Series” means the Series A Bonds and the Series B Bonds, as the context requires.

“Series A Bonds” means the Garden Grove Agency for Community Development, 2011 Subordinate Tax Allocation Bonds (Garden Grove Community Project) Series A authorized by and at any time outstanding pursuant to this Indenture.

"Series B Bonds" means the Garden Grove Agency for Community Development, 2011 Subordinate Tax Allocation Bonds (Garden Grove Community Project) Series B (Taxable) authorized by and at any time outstanding pursuant to this Indenture.

"Sinking Account" means the account by that name established and held by the Trustee pursuant to Section 4.3(c).

"Special Fund" means the fund by that name established and held by the Agency pursuant to Section 4.2.

"Standard & Poor's" or **"S&P"** means Standard & Poor's Ratings Group, New York, New York, and its successors and assigns.

"State" means the State of California.

"Super-subordinate Debt" means any loans, advances, contracts or indebtedness issued or incurred by the Agency in accordance with the requirements of Section 3.6, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues hereunder for the security of the Bonds.

"Supplemental Indenture" means any amendment or modification of the Indenture entered into in accordance with the provisions of Article VII hereof.

"Tax Certificate" means the Tax Certificate of the Agency executed and delivered on the Closing Date to establish certain facts and expectations with respect to the 2011 Bonds.

"Tax Code" means the Internal Revenue Code of 1986, as in effect on the date of issuance of the 2011 Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the 2011 Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code (including the Tax Regulations).

"Tax Regulations" means temporary and permanent regulations promulgated under Section 103 and all related provisions of the Tax Code.

"Tax Revenues" means all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date within the Plan Limitations pursuant to 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 and as provided in the Redevelopment Plan, including (a) all 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, and (b) as to such percentage of annual debt service on any issue of Parity Debt as shall be specified in the proceedings for such Parity Debt, all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law, but excluding (i) all amounts of such taxes which are payable to entities other than the Agency pursuant to the Tax Sharing Statutes or the Tax Sharing Agreements to the extent such Tax Sharing Statutes or Tax Sharing Agreements create a prior lien on such taxes and such entities other than the Agency have not subordinated their right to receive payments, (ii) except as set forth in (b) above, all amounts of

such taxes required to be deposited into the Low and Moderate Income Housing Fund in any fiscal year pursuant to Section 33334.3 of the Redevelopment Law and (iii) amounts, if any, payable by the State to the Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State, and (iv) such taxes in any "Bond Year" (as defined in the Senior Bonds Indenture) to the extent subject to the prior senior pledge under the Senior Bonds Indenture with respect to the Senior Bonds.

"Tax Sharing Agreements" means the following agreements between the Agency and affected taxing entities (or La Quinta Homes, LLC, in a single case), together with any permitted amendments or modifications thereof:

- Capital Facilities Agreement by and between the Garden Grove Unified School District (the "GGUS District") and the Agency, dated as of August 25, 1992;
- Tax Sharing Agreement dated as of September 29, 1992 by and between the County of Orange, the County of Orange Harbors, Beaches and Parks Service Area No. 26, the Court of Orange Flood Control District and the County of Orange Public Library;
- Tax Sharing Agreement by and between the County Sanitation District No. 2 and the Agency, Dated November 24, 1992;
- Tax Sharing Agreement by and between the Garden Grove Sanitary District and the Agency, dated November 10, 1992;
- Tax Sharing Agreement by and between the Huntington Beach Union High School District and the Agency, dated February 9, 1993;
- Tax Sharing Agreement by and between the Orange County Vector Control District and the Agency, dated as of September 14, 1993;
- Tax Sharing Agreement by and between the Westminster School District and the Agency, dated November 10, 1992;
- Capital Facilities Agreement by and between the Rancho Santiago Community College District and the Agency, dated as of August 25, 1992;
- Tax Sharing Agreement by and between the Orange County Water District and the Agency, dated as of June 3, 1992;
- Tax Sharing Agreement by and between the Orange Unified School District and the Agency, dated April 13, 1993;
- Tax Sharing Agreement by and between the Orange County Superintendent of Schools and the Agency, dated June 8, 1993;
- Tax Sharing Agreement by and between the North Orange County Community College District and the Agency, dated June 8, 1993;

- Tax Sharing Agreement by and between the Coast Community College District and the Agency, dated as of June 16, 1993;
- Resolution of Anaheim Union High School District adopted pursuant to former Health and Safety Code Section 33676(a); and
- Resolution of Anaheim Elementary School District adopted pursuant to former Health and Safety Code Section 33676(a).
- For purposes of amounts constituting Tax Revenues under part (b) of the definition thereof (related to housing only), that certain Promissory Note of the Agency dated as of February 1, 1996 in favor of Federal National Mortgage Association.

"Tax Sharing Statutes" means Section 33607.7 of the Redevelopment Law and, to the extent incorporated pursuant to such Section 33607.7, Section 33607.5 of the Redevelopment Law.

"Term Bonds" means, collectively, (a) the Series A Bonds maturing on December 1, 20__ and December 1, 20__, which are not serial bonds and the Series B Bonds maturing on December 1, 20__ and December 1, 20__ which are not serial bonds, and (b) any maturity of Parity Debt which is subject to mandatory sinking account redemption pursuant to the instrument authorizing the issuance thereof.

"Trustee" means J.P. Morgan Trust Company, National Association, as trustee hereunder, or any successor thereto appointed as trustee hereunder in accordance with the provisions of Article VI.

"2008 Loan" has the meaning ascribed thereto in the recitals hereof.

"2008 Loan" means all amounts payable by the Agency pursuant to that certain Credit Agreement with Union Bank of California, N.A., dated as of June 2, 2008 [as amended on or before the Closing Date] providing for a loan to the Agency in the amount of up to \$32 million.

"2011 Bonds" means the Garden Grove Agency for Community Development, 2011 Subordinate Tax Allocation Bonds (Garden Grove Community Project) Series A authorized by and at any time Outstanding pursuant to this Indenture.

Section 1.2. Rules of Construction. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

AUTHORIZATION AND TERMS OF 2011 BONDS

Section 2.1. Authorization and Purpose of 2011 Bonds. The Agency has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the 2011 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Agency is now duly

empowered, pursuant to each and every requirement of law, to issue the 2011 Bonds in the manner and form provided in this Indenture.

2011 Bonds in the aggregate principal amount of _____ Dollars (\$[Bond Amount]) or such lesser amount as may be sufficient for the purposes hereof are hereby authorized to be issued by the Agency under the Redevelopment Law in two series consisting of (a) the Series A Bonds in the original aggregate principal amount of _____ Dollars (\$_____) and designated "Garden Grove Agency for Community Development, 2011 Subordinate Tax Allocation Bonds (Garden Grove Community Project) Series A" and (b) the Series B Bonds in the original aggregate principal amount of _____ Dollars (\$_____) and designated "Garden Grove Agency for Community Development, 2011 Subordinate Tax Allocation Bonds (Garden Grove Community Project) Series B (Taxable)" for the purpose of refunding all or part of the Prior Loans, to fund a deposit to the Redevelopment Fund and to the Reserve Account, and to pay Project Costs. The 2011 Bonds shall be authorized and issued under, and shall be subject to the terms of, this Indenture and the Redevelopment Law. The 2011 Bonds shall be designated the

Section 2.2. Terms of the 2011 Bonds. (a) The Series A Bonds shall be dated the Closing Date, and shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Series A Bond shall have more than one maturity date. The Series A Bonds shall mature on December 1 in each of the years and in the respective principal amounts, and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, as set forth in the following table:

<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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(b) The Series B Bonds shall be dated the Closing Date, and shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Series B Bond shall have more than one maturity date. The Series B Bonds shall mature on December 1 in each of the years and in the respective principal amounts, and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, as set forth in the following table:

Maturity Date
(December 1)

Principal Amount

Interest Rate

(c) Interest on the 2011 Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a 2011 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a 2011 Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Closing Date, or (iii) interest on any 2011 Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest shall be paid on each Interest Payment Date to the persons in whose names the ownership of the 2011 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 2011 Bond which is not punctually paid or duly provided for on any Interest Payment Date shall be payable to the person in whose name the ownership of such 2011 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 shall be given to such Owner not less than ten (10) days prior to such special record date.

(d) Interest on the 2011 Bonds shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2011 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; provided, however, that at the written request of the Owner of 2011 Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, interest on such 2011 Bonds shall be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such written request. The principal of and premium (if any) on the 2011 Bonds shall be payable in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

Section 2.3. Redemption of 2011 Bonds.

(a) Optional Redemption. (i) The Series A Bonds maturing on or before December 1, 20__, are not subject to optional redemption prior to maturity. The Series A Bonds maturing on or after December 1, 20__, shall be subject to redemption, at the option of the Agency

on any date on or after December 1, 20__, as a whole, or in part among such maturities as shall be determined by the Agency and by lot within a maturity from any available source of funds at a redemption price equal the principal amount thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

(ii) The Series B Bonds maturing on or before December 1, 20__, are not subject to optional redemption prior to maturity. The Series B Bonds maturing on or after December 1, 20__, shall be subject to redemption, at the option of the Agency on any date on or after December 1, 20__, as a whole, or in part among such maturities as shall be determined by the Agency and by lot within a maturity from any available source of funds at a redemption price equal the principal amount thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Agency shall be required to give the Trustee written notice of its intention to redeem 2011 Bonds under this subsection (a), and the manner of selecting such 2011 Bonds for redemption from among the maturities thereof, at least forty-five (45) days prior to the date fixed for such redemption (unless the Trustee in its sole discretion shall accept a notice at any later time at least thirty (30) days prior to the date fixed for redemption).

(b) Series A Bonds Mandatory Sinking Account Redemption. (i) The Series A Bonds maturing on December 1, 20__ shall also be subject to redemption in part by lot, from sinking account installments deposited in the Sinking Account on each December 1, on and after December 1, 20__, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, according to the following schedule (provided, however, that if some but not all of such Series A Bonds have been redeemed, the total amount of all future Sinking Account payments attributable to such Series A Bonds shall be reduced by the aggregate principal amount of such Series A Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (written notice of which determination shall be given by the Agency to the Trustee)):

**Sinking Account Redemption of Series A Bonds
Maturing on December 1, 20__ in the Amount of \$_____**

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed or Purchased
_____	\$ _____

(maturity)

(ii) The Series A Bonds maturing on December 1, 20__ shall also be subject to redemption in part by lot, from sinking account installments deposited in the Sinking Account on each December 1, on and after December 1, 20__, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, according to the following schedule (provided, however, that if some but not all of such Series A Bonds have been redeemed, the total amount of all future Sinking Account payments attributable to such Series A Bonds shall be reduced by the aggregate principal amount of such Series

A Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (written notice of which determination shall be given by the Agency to the Trustee)):

Sinking Account Redemption of Series A Bonds
Maturing on December 1, 20__ in the Amount of \$_____

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed or Purchased
_____	_____
	\$

(maturity)

(iii) In lieu of redemption of the Term Bonds pursuant to this subsection (b), amounts on deposit in the Special Fund (to the extent not required to be transferred to the Trustee pursuant to Section 4.3 during the current Bond Year) may also be used and withdrawn by the Agency at any time for the purchase of such Series A Bonds at public or private sale as and when at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any of such Series A Bonds so purchased by the Agency and delivered to the Trustee for cancellation in any twelve-month period ending on December 1 in any year shall be credited towards and shall reduce the par amount of Series A Bonds required to be redeemed pursuant to this subsection (b) on December 1 in such year.

(c) Series B Bonds Mandatory Sinking Account Redemption. (i) The Series B Bonds maturing on December 1, 20__ shall also be subject to redemption in part by lot, from sinking account installments deposited in the Sinking Account on each December 1, on and after December 1, 20__, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, according to the following schedule (provided, however, that if some but not all of such Series B Bonds have been redeemed, the total amount of all future Sinking Account payments attributable to such Series B Bonds shall be reduced by the aggregate principal amount of such Series B Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (written notice of which determination shall be given by the Agency to the Trustee)):

Sinking Account Redemption of Series B Bonds
Maturing on December 1, 20__ in the Amount of \$_____

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed or Purchased
_____	_____
	\$

(maturity)

(ii) The Series B Bonds maturing on December 1, 20__ shall also be subject to redemption in part by lot, from sinking account installments deposited in the Sinking Account on each December 1, on and after December 1, 20__, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, according to the following schedule (provided, however, that if some but not all of such Series B Bonds have been redeemed, the total amount of all future Sinking Account payments attributable to such Series B Bonds shall be reduced by the aggregate principal amount of such Series B Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (written notice of which determination shall be given by the Agency to the Trustee)):

Sinking Account Redemption of Series B Bonds
Maturing on December 1, 20__ in the Amount of \$ _____

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed or Purchased
_____	_____
	\$

(maturity)

(iii) In lieu of redemption of the Term Bonds pursuant to this subsection (c), amounts on deposit in the Special Fund (to the extent not required to be transferred to the Trustee pursuant to Section 4.3 during the current Bond Year) may also be used and withdrawn by the Agency at any time for the purchase of such Series B Bonds at public or private sale as and when at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any of such Series B Bonds so purchased by the Agency and delivered to the Trustee for cancellation in any twelve-month period ending on December 1 in any year shall be credited towards and shall reduce the par amount of Series B Bonds required to be redeemed pursuant to this subsection (c) on December 1 in such year.

(d) Notice of Redemption. The Trustee on behalf and at the expense of the Agency shall mail (by first class mail, postage prepaid) notice of any redemption at least thirty (30) but not more than sixty (60) days prior to the redemption date, to (i) the Owners of any 2011 Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services designated in a Request of the Agency delivered to the Trustee; provided, however, that such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such 2011 Bonds or the cessation of the accrual of interest thereon. Notice of redemption of the 2011 Bonds (other than notice of mandatory Sinking Account redemption pursuant to Section 4.3(c) and other than conditional notice described in the next succeeding paragraph) shall be given only if sufficient funds have been deposited with the Trustee to pay the redemption price of the 2011 Bonds to be redeemed. Such notice shall state the redemption date and the redemption price, shall designate the CUSIP number of the 2011 Bonds to be redeemed, shall state the individual number of each 2011 Bond to be redeemed or state that all 2011 Bonds between two stated numbers (both inclusive) unless all 2011 Bonds within a maturity have been called, or shall state that all of the 2011 Bonds Outstanding of one or

more maturities are to be redeemed, and shall require that such 2011 Bonds be then surrendered at the Office of the Trustee for redemption at the said redemption price, giving notice also that further interest on the 2011 Bonds to be redeemed will not accrue from and after the date fixed for redemption.

(e) Rescission. 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 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.

(f) Partial Redemption of 2011 Bonds. In the event only a portion of any 2011 Bond is called for redemption, then upon surrender thereof the Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new 2011 Bond or Bonds of the same Series, interest rate and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2011 Bond to be redeemed.

(g) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the 2011 Bonds so called for redemption shall have been duly deposited with the Trustee, such 2011 Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

(h) Manner of Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the 2011 Bonds of any Series, the Trustee shall select the 2011 Bonds of such Series to be redeemed by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all 2011 Bonds of a Series shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate 2011 Bonds which may be separately redeemed.

Section 2.4. Book-Entry System.

(a) It is intended that the Bonds be registered so as to participate in a securities depository system with a Securities Depository. The initial Securities Depository is DTC, and the initial securities depository system is the DTC system (the "DTC System"), as set forth in this Indenture. The Agency and the Trustee are authorized to execute and deliver such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including a letter of representations in the form required by DTC (the "Letter of Representations"). In the event of any conflict between the terms of any such letter or agreement, including the Letter of Representations, and the terms of this Indenture, the terms of this Indenture shall control. DTC may exercise the rights of a Bondholder only in accordance with the terms of this Indenture applicable to the exercise of such rights. The Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities of the Bonds. The Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the Registration Books in the name of Cede & Co., as nominee of DTC, the Agency and the Trustee shall have no responsibility or obligation to any broker-dealer, bank or other financial institution for which DTC holds Bonds from time to time as securities depository (each such broker-dealer, bank or other financial institution being referred to in this Indenture as a "DTC Participant") or to any person on behalf of whom such a DTC Participant directly or indirectly holds an interest in the Bonds (each such person being referred to in this Indenture as an "Indirect Participant"). Without limiting the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (b) the delivery to any DTC Participant or any Indirect Participant or any other person, other than Cede & Co., as nominee of DTC, as Bondholder on the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (c) the payment to any DTC Participant or Indirect Participant or any other Person, other than Cede & Co., as nominee of DTC, as Bondholder on the Registration Books, of any amount with respect to principal of, premium, if any, or interest on, the Bonds or (d) any consent given by Cede & Co., as nominee of DTC as registered owner. So long as the Bonds are registered to DTC, the Agency and the Trustee shall treat DTC or any successor securities depository as, and deem DTC or any successor securities depository to be, the absolute owner of the Bonds for all purposes whatsoever, including without limitation (i) the payment of principal and interest on the Bonds, (ii) giving notice of redemption and other matters with respect to the Bonds, (iii) registering transfers with respect to the Bonds and (iv) the selection of Bonds for redemption. While in the DTC System, no person other than Cede & Co., or any successor to it, as nominee for DTC, shall receive a Bond certificate with respect to any Bond.

(c) Notwithstanding any other provision of this Indenture to the contrary, so long as any of the Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds and all notices with respect to such Bonds shall be made and given, respectively, in the manner provided in the Letter of Representations.

(d) Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Indenture with respect to interest checks being mailed to the registered owner at the close of business on the Record Date applicable to any Interest Payment Date, the name "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(e) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Agency and the Trustee and discharging its responsibilities with respect to the Bonds under applicable law. The Agency may determine that continuation of the DTC System is not in the best interests of the Bondholders. The Trustee, with the consent of the Agency, but without the consent of any other person, may terminate the services of DTC with respect to the Bonds. Upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to the foregoing provisions, unless a substitute securities depository is appointed to undertake the functions of DTC under this Indenture, the Trustee, at the expense of the Borrower, is obligated to deliver Bond certificates to the Beneficial Owners of the Bonds, as described in this Indenture, and the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names the registered owners transferring or exchanging Bonds shall designate to the Trustee in writing, in accordance with the provisions of this Indenture. The Trustee may determine that the Bonds shall be registered in the name of and deposited with a successor depository

operating a securities depository system, qualified to act as such under Section 17(a) of the Securities Exchange Act of 1934, as amended, as may be acceptable to the Agency, or such depository's agent or designee.

(f) Form and Execution of 2011 Bonds. The Series A Bonds and the Series B Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A and Exhibit B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The 2011 Bonds shall be executed on behalf of the Agency by the signature of its Chair and the signature of its Secretary who are in office on the date of execution and delivery of this Indenture or at any time thereafter. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any 2011 Bond ceases to be such officer before the Closing Date, such signature shall nevertheless be as effective as if the officer had remained in office until the Closing Date. Any 2011 Bond may be signed and attested on behalf of the Agency by such persons as at the actual date of the execution of such 2011 Bond shall be the proper officers of the Agency, duly authorized to execute debt instruments on behalf of the Agency, although on the date of such 2011 Bond any such person shall not have been such officer of the Agency.

Only such of the 2011 Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit A and Exhibit B, respectively, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that such 2011 Bonds of such Series have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.5. Transfer of 2011 Bonds. Any 2011 Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such 2011 Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any 2011 Bonds pursuant to this Section 2.5. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Agency. Whenever any 2011 Bond or 2011 Bonds shall be surrendered for transfer, the Agency shall execute and the Trustee shall authenticate and deliver to the transferee a new 2011 Bond or Bonds of like Series, maturity and aggregate principal amount. The Trustee may refuse to transfer, under the provisions of this Section 2.5, any 2011 Bonds selected by the Trustee for redemption pursuant to Section 2.3.

Section 2.6. Exchange of 2011 Bonds. The 2011 Bonds of any Series may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2011 Bonds of such Series of other authorized denominations and of the same maturity. Trustee shall collect any tax or other governmental charge on the exchange of any 2011 Bonds pursuant to this Section 2.6. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Agency. The Trustee may refuse to exchange, under the provisions of this Section 2.6, any 2011 Bonds selected by the Trustee for redemption pursuant to Section 2.3.

Section 2.7. Registration Books. The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the 2011 Bonds, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the Agency; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, 2011 Bonds as hereinbefore provided.

Section 2.8. 2011 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2011 Bond shall become mutilated, the Agency, at the expense of the Owner of such 2011 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2011 Bond of like tenor in exchange and substitution for the 2011 Bond so mutilated, but only upon surrender to the Trustee of the 2011 Bond so mutilated. Every mutilated 2011 Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Agency. If any 2011 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory and indemnity satisfactory to the Trustee shall be given, the Agency, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2011 Bond of like tenor in lieu of and in substitution for the 2011 Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new 2011 Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any 2011 Bond issued under the provisions of this Section in lieu of any 2011 Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Agency whether or not the 2011 Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other 2011 Bonds issued pursuant to this Indenture.

Notwithstanding any other provision of this Section 2.8, in lieu of delivering a new 2011 Bond for which principal has or is about to become due for a 2011 Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such 2011 Bond in accordance with its terms upon receipt of indemnity as provided above.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS OF 2011 BONDS; ISSUANCE OF PARITY DEBT

Section 3.1. Issuance of 2011 Bonds. Upon the execution and delivery of this Indenture, the Agency shall execute and deliver the Series A Bonds and the Series B Bonds to the Trustee and the Trustee shall authenticate and deliver the Series A Bonds and the Series B Bonds to the Original Purchaser upon receipt of a Request of the Agency therefor.

Section 3.2. Deposit and Application of Proceeds. (a) On the Closing Date, the proceeds of sale of the Series A Bonds shall be paid to the Trustee and deposited by the Trustee as follows:

(i) The Trustee shall deposit the amount of \$_____ in a special temporary fund, to be established by the Trustee, to be transferred on the Closing Date as directed by the Agency (i) to the prepayment of the 2008 Loan in the amount of \$_____.

(ii) The Trustee shall deposit the amount of \$_____ in the Series A Account of the Costs of Issuance Fund.

(iii) The Trustee shall deposit \$ _____ in the Reserve Account, which shall constitute the initial Reserve Requirement.

(iv) The Trustee shall pay to the Agency the amount of \$ _____ for deposit by Agency in the Series A Account of the Redevelopment Fund.

(b) On the Closing Date, the proceeds of sale of the Series B Bonds shall be paid to the Trustee and deposited by the Trustee as follows:

(i) The Trustee shall deposit the amount of \$ _____ in a special temporary fund, to be established by the Trustee, to be transferred on the Closing Date as directed by the Agency (i) to the prepayment of the 2008 Loan in the amount of \$ _____, and (ii) _____ to the repayment of the SERAF Housing Fund Obligation in the amount of \$ _____.

(ii) The Trustee shall deposit the amount of \$ _____ in the Series B Account of the Costs of Issuance Fund.

(iii) The Trustee shall deposit \$ _____ in the Reserve Account, which shall constitute the initial Reserve Requirement.

(iv) The Trustee shall pay to the Agency the amount of \$ _____ for deposit by Agency in the Series B Account of the Redevelopment Fund.

The Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate such transfers.

Section 3.3. Costs of Issuance Fund. There is hereby established a separate fund to be known as the "Costs of Issuance Fund", and accounts therein known as the "Series A Costs of Issuance Account" and the "Series B Costs of Issuance Account," each of which shall be held by the Trustee in trust. The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Request of the Agency stating (a) the person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the Agency. On the earlier of (i) _____ 1, 2011, or (ii) the date of receipt by the Trustee of a Request of the Agency therefor, all amounts (if any) remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Agency for deposit to the Redevelopment Fund. Thereafter, the Costs of Issuance Fund shall be closed. Each such Request of the Agency shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Section 3.4. Redevelopment Fund. There is hereby established a separate fund to be held by the Agency, to be known as the "Redevelopment Fund" and accounts therein to be named the "Series A Account" and the "Series B Account." Amounts on deposit in the Redevelopment Fund shall be derived solely from the proceeds of the 2011 Bonds which are deposited therein on the Closing Date and investment earnings thereon. To the extent permitted by law and consistent with the Tax Certificate, sufficient funds shall be retained in the Series A Account to pay the McWhinney Covenant Consideration until such funds are applied to such purpose or the Agency determines in its sole discretion that such amounts are no longer required for such purpose. The moneys in each

account of the Redevelopment Fund shall be used and withdrawn by the Agency from time to time to pay Project Costs upon submission (and retention in the records of the Agency) of a Written Request of the Agency stating (a) the person to whom payment is to be made, (b) the amount to be paid and the account of the Redevelopment Fund to be charged, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Series A Account or the Series B Account of the Redevelopment Fund, as the case may be, 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 the date of the Agency's certification (and retention in the records of the Agency) that it has completed the expenditure of all amounts to be expended from either account of the Redevelopment Fund, all amounts (if any) remaining in such account of the Redevelopment Fund shall be withdrawn therefrom and transferred to the Trustee for deposit in the corresponding subaccount of the Interest Account. For purposes of this Section 3.4, "McWhinney Covenant Consideration" shall mean the payment obligation of the Agency set forth in Section 408 of that certain First Amended and Restated Disposition and Development Agreement between the Agency and Garden Grove MXD, LLC dated as of April 13, 2010, as amended or supplemented from time to time.

Section 3.5. Issuance of Parity Debt. In addition to the 2011 Bonds, the Agency may issue or incur Parity Debt in such principal amount as shall be determined by the Agency subject to the following specific conditions precedent:

(a) A Certificate of the Agency is delivered to the Trustee to the effect that on and after the delivery of the Parity Debt, the Agency shall be in compliance with all covenants set forth in this Indenture.

(b) (i) The Tax Revenues and Senior Tax Revenues for the then current Fiscal Year based on assessed valuation of property in the Project Area as evidenced in a written document from an appropriate official of the County and an assumed tax rate of one percent (1%), and (ii) the Tax Revenues and Senior Tax Revenues in each succeeding Fiscal Year during the term of the Parity Debt based on assessed value in the Project Area for the then current fiscal year as evidenced in a written document from an appropriate official of the County and an assumed tax rate of one percent (1%), in each case as projected by an Independent Redevelopment Consultant taking into account all Plan Limitations, Tax Sharing Agreements, Tax Sharing Statutes and other factors which would cause a reduction in Tax Revenues in any future Fiscal Year (and in every case without double-counting), must be at least equal to ___% of the annual amount of debt service coming due and payable in the corresponding Fiscal Year on all Bonds and Parity Debt which will be Outstanding following the issuance of such Parity Debt and Senior Bond Annual Debt Service on all Senior Bonds. For purposes of this test, annual debt service on any Parity Debt the proceeds of which have been deposited into an escrow fund meeting the requirements of paragraph (d) below will be excluded. Parity Debt may be issued at a variable rate of interest, provided for purposes of this test such Parity Debt shall be assumed to bear interest at (A) if interest on such variable rate Parity Debt is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published), or (B) if interest is not so excludable, [index to be inserted].

(c) The Supplemental Indenture or other document providing for the issuance of such Parity Debt must provide that: (i) interest on said Parity Debt is payable on June 1 and December 1 in each year of the term of such Parity Debt, except that interest during the first twelve month period may be payable on any June 1 or December 1; (ii) the principal of such Parity Debt is

payable on June 1 or December 1 in any year in which principal is payable; and (iii) an amount is deposited in the Reserve Account from the proceeds of the sale of such Parity Debt in an amount sufficient to increase the Reserve Account to the Reserve Requirement including such Parity Debt.

(d) The proceeds of such Parity Debt may be deposited into an escrow fund from which amounts may be released to the Agency to the extent the Tax Revenues for the most recent Fiscal Year (as evidenced in the written records of the County) and Tax Revenues in each succeeding Fiscal Year during the term of the Parity Debt based on assessed value in the Project Area for the then current fiscal year as evidenced in a written document from an appropriate official of the County, in each case as projected by an Independent Redevelopment Consultant taking into account all Plan Limitations, Tax Sharing Agreements, Tax Sharing Statutes and other factors which would cause a reduction in Tax Revenues in any future Fiscal Year, at least equals ___% of the annual amount of debt service coming due and payable in the corresponding Fiscal Year on all Bonds and Parity Debt which will be Outstanding following the issuance of such Parity Debt.

(e) A Certificate of the Agency is delivered to the Trustee to the effect that the issuance of such Parity Debt shall not cause the Agency to exceed any applicable Plan Limitations.

(f) The Agency shall deliver to the Trustee a Certificate of the Agency (which may be based in part on an opinion of Bond Counsel), that the conditions precedent to the issuance of such Parity Debt set forth in the foregoing subsections (a) through (e) of this Section 3.5 have been satisfied.

Section 3.6. Issuance of Super-subordinate Debt. In addition to the Bonds and any Parity Debt, from time to time the Agency may issue or incur Super-subordinate Debt in such principal amount as shall be determined by the Agency, provided that the issuance of such Super-subordinate Debt shall not cause the Agency to exceed any applicable Plan Limitations.

Section 3.7. Issuance of Senior Bonds. The Agency hereby covenants not to issue any additional Senior Bonds except for the purposes of refunding, in whole or in part, the 2003 Bonds (as defined in the Senior Bonds Indenture), or any refunding of all or any portion thereof, and only so long as such refunding results in debt service savings for the refunded Senior Bonds in each fiscal year, and the maturity of the refunding bonds is not later than the maturity of the Senior Bonds to be refunded, as evidenced by a Certificate of the Agency.

Section 3.8. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the Redevelopment Project or upon the performance by any person of its obligation with respect to the Redevelopment Project.

ARTICLE IV

SECURITY OF BONDS; FLOW OF FUNDS; INVESTMENTS

Section 4.1. Security of Bonds; Equal Security. The Bonds shall be secured by a first pledge of and lien on all of the Tax Revenues (subject only to the prior lien on Senior Tax Revenues (as defined in the Senior Bonds Indenture) of the Senior Bonds and any related obligations pursuant to the Senior Bonds Indenture [the 2008 Loan and the SERAF Housing Fund Obligation]) and all of the moneys on deposit in the Special Fund. In addition, the Bonds shall be secured by a first and exclusive pledge of and lien upon all of the moneys in the Debt Service Fund, including, but not

limited to, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account. Such pledges and liens shall be for the equal security of the Outstanding Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract between the Agency and the Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

Section 4.2. Special Fund; Deposit of Tax Revenues. There is hereby established a special fund to be known as the "Special Fund", which shall be held by the Agency. The Agency shall deposit all of the Tax Revenues received in any Bond Year 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 equal the aggregate amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account, the Sinking Account and the Redemption Account in such Bond Year pursuant to Section 4.3 and for deposit in such Bond Year into the funds and accounts established with respect to 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 during such Bond Year pursuant to the preceding paragraph of this Section 4.2 may be applied by the Agency for any lawful purposes of the Agency, including but not limited to the payment of any amounts due and owing to the United States of America pursuant to Section 5.11. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds, and the payment in full of all other amounts payable hereunder, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in this Indenture.

Section 4.3. Debt Service Fund; Transfer of Amounts to Trustee. There is hereby established a special trust fund to be known as the "Debt Service Fund", which shall be held by the Trustee hereunder in trust. Moneys in the Special Fund shall be transferred by the Agency 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, which accounts are hereby established with the Trustee, in the following order of priority:

(a) Interest Account. On or before the fifth (5th) Business Day preceding each date on which interest on the Bonds becomes due and payable, the Agency shall withdraw from the Special 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, 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 shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture).

(b) Principal Account. On or before the fifth (5th) Business Day preceding each date on which principal of the Bonds becomes due and payable at maturity, the Agency shall withdraw from the Special 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, will be 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.

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

(d) Reserve Account. Amounts in the Reserve Account shall 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 and payable hereunder, 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 the Trustee shall not have any notice that any Event of Default shall have occurred and is continuing, any amount in the Reserve Account in excess of the Reserve Requirement on or before each Interest Payment Date shall be withdrawn from the Reserve Account by the Trustee and deposited in the Interest Account. In the event of any deficiency in the Reserve Account (whether due to a payment therefrom or due to the fluctuation in market value of securities credited thereto, or otherwise) as of the date of any valuation of the Reserve Account pursuant to Section 4.5, the Trustee shall promptly notify the Agency, and the Agency shall restore such deficiency from Tax Revenues as soon as possible but in any event not later than the next succeeding valuation date.

The Agency shall have the right at any time, to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (1) a Qualified Reserve Account Credit Instrument and (2) an opinion of Bond Counsel to the effect 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 or any Parity Debt the interest on which is intended to be excluded from gross income for federal tax purposes to be included 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 (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account, at the request of the Agency, either (i) to the Redevelopment Fund to be held by the Trustee for disbursement as set forth in Section 3.4, or (ii) to the Agency for deposit into such fund or funds as the Agency shall have established for the financing of the Redevelopment Project. Notice of the deposit of a Qualified Reserve Account Credit Instrument shall be given by the Agency to the Rating Agency. 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 required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this subsection (c). Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall be obligated either

(i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, (ii) to 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 Tax Revenues, or (iii) to draw upon the Qualified Reserve Account Credit Instrument an amount of funds equal to the stated amount thereof prior to its expiration.

The Reserve Account may be maintained in the form of one or more separate sub-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 to the extent applicable to the Series A Bonds or any Parity Debt. The Agency shall direct the Trustee to establish such separate sub-accounts and shall be responsible for such directions complying with the requirements of any applicable provisions of the Tax Code.

(e) Redemption Account. On or before the fifth (5th) Business Day preceding any date on which Bonds are subject to redemption (other than mandatory Sinking Account redemption of Term Bonds), the Agency shall withdraw from the Special Fund and transfer to the Trustee for 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 shall 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.

(f) Rebate Account. Anything to the contrary herein notwithstanding, the Trustee shall transfer from the Reserve Account, the Redevelopment Fund or other funds received from the Agency and deposit in the Rebate Account from time to time an amount determined by the Agency to be subject to rebate to the United States of America in accordance with Section 4.6 relative to the Series A Bonds on any Tax-Exempt Parity Debt (as such term is defined in Section 5.11 hereof). Amounts in the Rebate Account shall be applied and disbursed by the Trustee solely for the purposes and at the times set forth in Requests of the Agency filed with the Trustee pursuant to Section 4.6.

Section 4.4. Investment of Moneys in Funds and Accounts. Moneys in the Debt Service Fund and the accounts therein (other than the Reserve Account) and the Costs of Issuance Fund shall be invested and reinvested by the Trustee in Permitted Investments, provided that such investments mature by their terms prior to the date on which such moneys are required to be paid out hereunder.

Moneys in the Reserve Account shall be invested by the Trustee solely in (i) Permitted Investments having a maturity not greater than 5 years or beyond the date it is anticipated that such moneys will be needed, whichever comes first or (ii) an investment agreement which permits withdrawals or deposits without penalty at such time as such moneys will be needed or in order to replenish the Reserve Account. Such investments shall be made in specific investments meeting the requirements of this Section as directed in writing by Request of the Agency (such written request to be received by 12:00 noon two (2) Business Days prior to such investment) or, in the absence of such written direction, by the Trustee in Permitted Investments described in clause (d) of the definition thereof. The Trustee shall not be liable to the Agency or the City in acting in accordance with this Section or the Agency's direction.

Moneys in the Special Fund shall be invested as directed by the Agency by its Treasurer in any legal investment for Agency funds

Moneys in the Redevelopment Fund shall be invested as directed by the Agency by its Treasurer in any legal investments for Agency funds subject to the requirements and limitations set forth in the Tax Certificate.

Moneys in the Rebate Fund shall be invested as directed in writing by the Agency in Government Obligations which mature before the date such amounts are required to be paid to the United States. Obligations purchased as an investment of moneys in any Fund or Account held by the Trustee hereunder shall be deemed to be part of such Fund or Account.

Any or all interest or gain received from such investments of moneys in any Fund or Account shall be deposited by the Trustee in the respective Fund or Account and any loss incurred in connection with such investments shall be debited against the Fund or Account from which the investment was made. The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this Section 4.4. The Trustee or its affiliates may act as principal or agent in the making or disposing of any investment and may also act as sponsor, advisor or manager in connection with any investments. For investment purposes, the Trustee may commingle the funds and accounts established hereunder except for the Rebate Fund.

The Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Agency periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

Section 4.5. Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account established under this Indenture, the value of investments credited to such fund shall be calculated at least semiannually (not later than June 1 and December 1 in each year) at the market value thereof. Notwithstanding anything to the contrary herein, in making any valuations of investments hereunder, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system, and rely thereon.

Section 4.6. Rebate Fund.

(a) Establishment. A special fund is hereby created and designated the "Rebate Fund" (the "Rebate Fund") which is to be held by the Trustee. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the applicable Bonds will not be adversely affected, the Agency shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section 4.6 and the Tax Certificate with respect to the Series A Bonds or other Parity Debt. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section 4.6 and the Tax Certificate, unless and to the extent that the Agency delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied.

(i) Computation. Within 55 days of the end of each fifth Bond Year, the Agency shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into

account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made, for this purpose treating the last day of the applicable Bond Year (or retirement date) as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the "Rebatable Arbitrage"). The Agency shall obtain expert advice as to the amount of the Rebate Arbitrage to comply with this Section.

(ii) Transfers. Within 55 days after the end of each fifth Bond Year, upon the written direction of the Agency, an amount shall be deposited to the Rebate Fund by the Trustee from any Tax Revenues legally available for such purpose (as specified by the Agency in the aforesaid written direction), if and to the extent required so that the balance in the Rebate Account shall equal the amount of Rebate Arbitrage so calculated in accordance with (i) of this subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon written instructions from the Agency, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Interest Account in the Debt Service Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed in writing by the Agency, to the United States Treasury, out of amounts in the Rebate Fund:

(A) Not later than 60 days after the end of (x) the fifth Bond Year, and (y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebate Arbitrage calculated as of the end of such Bond Year; and

(B) Not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebate Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebate Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Agency shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subparagraph (a)(iii) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be prepared by the Agency and provided to the Trustee or shall be made in such other manner as provided under the Tax Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Series A Bonds (or other Tax-Exempt Parity Debt as defined in Section 5.11 hereof) and the payments described in subparagraph (a)(iii)(A) or (a)(iii)(B) (whichever is applicable), shall upon written direction of the Agency be withdrawn by the Trustee and paid to the Agency for any lawful purpose consistent with the Redevelopment Law and the Tax Certificate.

(c) Survival of Defeasance. Notwithstanding anything in this Section or this Indenture to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of the Series A Bonds.

(d) Trustee Responsible. The Trustee shall have no obligations or responsibilities under this Section other than to follow the written directions of the Agency. The Trustee may rely conclusively upon all calculations and directions made and furnished by the Agency under this Section and the Trustee shall have no responsibility to independently make any calculations, determinations or to review the Agency's calculations hereunder. The Trustee shall not incur any liability whatsoever in reasonably acting upon and as instructed by such calculations and directions.

ARTICLE V

OTHER COVENANTS OF THE AGENCY

Section 5.1. Punctual Payment. The Agency shall punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and of this Indenture. The Agency shall faithfully observe and perform all of the conditions, covenants and requirements of this Indenture. Nothing herein contained shall prevent the Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to herein.

Section 5.2. Expenditure of Proceeds; Retirement of the Prior Loans. The Agency hereby represents and covenants that it caused the amounts received in respect of the 2008 Loan to be applied to the payment of Project Costs in compliance with applicable requirements of the Redevelopment Law. In addition, the Agency shall cause net proceeds of the 2011 Bonds to be applied to the redemption of [all or part of] the 2008 Loan [and the SERAF Housing Fund Obligation, and the Agency hereby represents the 2008 Loan and the SERAF Housing Fund Obligation will be fully discharged and defeased on the Closing Date].

Section 5.3. Limitation on Additional Indebtedness; Compliance With Plan Limitations. The Agency hereby covenants that it shall 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 Senior Tax Revenues or the Tax Revenues, excepting only the 2011 Bonds, any Parity Debt, any Super-subordinate Debt, any obligations entered into pursuant to Section 5.10, and Senior Bonds issued in accordance with Section 3.7 [and the 2008 Loan and the SERAF Housing Fund Obligation]. The Agency shall 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. Without limiting the foregoing and subject in all respects to the Agency's covenants in the Senior Bonds Indenture, the Agency hereby agrees that (1) it shall calculate annually not later than December 31 each year, the aggregate amount of tax increment revenues which it remains entitled to receive under the Plan Limitations for the Redevelopment Project; (2) in the event that but for the actions described in (a), (b) or (c) below, the aggregate amount of tax increment revenues which the Agency is permitted to receive under the Plan

Limitations for the Redevelopment Project, plus the amount then held on deposit in any fund or account which is set aside by the Agency to make its debt payments with respect to the Redevelopment Project and the earnings which are reasonably expected to accrue thereon, is reasonably estimated to be less than the aggregate amount of annual debt payments remaining to be made with respect to such Redevelopment Project, the Agency shall either (a) deposit with the Trustee an amount of Tax Revenues sufficient to redeem Bonds or Senior 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 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 Tax Revenues from the County in an amount sufficient to enable the Agency to meet such requirements.

Section 5.4. Extension of Payment of Bonds. The Agency shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Outstanding Bonds and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Agency to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 5.5. Payment of Claims. The Agency shall 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 Tax Revenues or any part thereof, or upon any funds held by the Trustee pursuant hereto, or which might impair the security of the Bonds. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

Section 5.6. Books and Accounts; Financial Statements. The Agency shall 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 Redevelopment Project, 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 ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

Section 5.7. Protection of Security and Rights of Owners. The Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of any Bonds, such Bonds shall be incontestable by the Agency.

Section 5.8. 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 Redevelopment Project, when the same shall become due. Nothing herein contained 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 Redevelopment Project or any part thereof.

Section 5.9. Disposition of Property. The Agency will not participate in the disposition of any land or real property in the Redevelopment Project 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 this Indenture) so that such disposition shall, when taken together with other such dispositions occurring after the Closing Date, aggregate more than ten percent (10%) of the land area in the Redevelopment Project unless such disposition is permitted as hereinafter provided in this Section 5.9. If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Redevelopment Fiscal Consultant to report on the effect of said proposed disposition. If the Report of the Independent Redevelopment Fiscal Consultant concludes that the security of the Bonds or the rights of the Owners will not be materially adversely impaired by said proposed disposition, the Agency may thereafter make such disposition. If said Report concludes that such security will be materially adversely impaired by said proposed disposition, the Agency shall not approve said proposed disposition.

Section 5.10. Maintenance of Tax Revenues. The Agency shall 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 (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State. The Agency will not amend the Redevelopment Plan in a manner that will reduce Tax Revenues in any future Fiscal Year unless the Agency first obtains the report of an Independent Redevelopment Fiscal Consultant stating that the coverage requirements of Section 3.5(b) hereof (relating to Parity Debt), will be met immediately following the effective date of such amendment. The Agency will not enter into any agreement with the County or any other governmental or private entity, which would have the effect of reducing the amount of Tax Revenues otherwise available to the Agency for payment of the Bonds, unless such agreement or amendment constitutes Parity Debt or Super-subordinate Debt, provided, such limitation shall not apply to amendments to the Redevelopment Plan which result in payments pursuant to the Tax Sharing Statutes, where such amendment otherwise complies with this section.

Section 5.11. Tax Covenants Relating to Series A Bonds and Tax-Exempt Parity Debt. The Agency covenants and agrees to contest by court action or otherwise any assertion by the United States of America or any department or agency thereof that the interest received by the Owners is includable in gross income of the recipient under federal income tax laws. Notwithstanding any other provision of this Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest with respect to the Series A Bonds and any Parity Debt the interest on which is intended to be excluded from gross income for federal tax purposes ("Tax-Exempt Parity Debt") will not be adversely affected, the Agency covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Agency will take no action or refrain from taking any action or make any use of the proceeds of the Series A Bonds or any Tax-Exempt Parity Debt or of any other monies or property which would cause the Series A Bonds or any Tax-Exempt Parity Debt to be "private activity bonds" within the meaning of Section 141 of the Code;

(b) Private Loan Limitation. The Agency shall assure that no more than five percent (5%) of the net proceeds of the Series A Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting nonpurpose obligations as defined in the Tax Code or constituting assessments) to persons other than state or local government units;

(c) Arbitrage. The Agency will make no use of the proceeds of the Series A Bonds or any Tax-Exempt Parity Debt or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Series A Bonds or any Tax-Exempt Parity Debt to be "arbitrage bonds" within the meaning of Section 148 of the Code;

(d) Federal Guaranty. The Agency will make no use of the proceeds of the Series A Bonds or any Tax-Exempt Parity Debt or take or omit to take any action that would cause the Series A Bonds or any Tax-Exempt Parity Debt to be "federally guaranteed" within the meaning of Section 149(b) of the Code;

(e) Information Reporting. The Agency will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(f) Hedge Bonds. The Agency will make no use of the proceeds of the Series A Bonds or any Tax-Exempt Parity Debt or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either the Series A Bonds or any Tax-Exempt Parity Debt to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the Agency takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the Series A Bonds and any Tax-Exempt Parity Debt for federal income tax purposes; and

(g) Miscellaneous. The Agency will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the Agency in connection with each issuance of Series A Bonds and any Tax-Exempt Parity Debt and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Section 5.12. Further Assurances. The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Trustee and the Owners the rights and benefits provided in this Indenture.

Section 5.13. Continuing Disclosure Certificate. The Agency hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate to be executed and delivered by the Agency in connection with the issuance of the 2011 Bonds. Notwithstanding any other provision of this Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owner or Beneficial Owner 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 Section 5.13. For purposes of this Section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2011 Bonds (including persons holding 2011 Bonds through nominees, depositories or other intermediaries).

ARTICLE VI

THE TRUSTEE

Section 6.1. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

(b) The Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), , or (ii) if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of 30 days' written notice of such removal by the Agency to the Trustee, whereupon the Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Agency, and by giving the Owners notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and after payment by the Agency of all unpaid fees and expenses of the predecessor Trustee, such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other

things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confining to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Agency shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to the Rating Agency and the Owners at the addresses shown on the Registration Books. If the Agency fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Agency.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company, association or bank having the powers of a trust company, or authorized to exercise trust powers within the State, having or in the case of an association, corporation or trust company included in a bank holding company system, the related bank holding company shall have a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), subject to supervision or examination by federal or state authority. If such bank, association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank, association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) Notwithstanding any other provision of this Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed.

Section 6.2. Merger or Consolidation. Any bank, association or trust company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank, association or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, association or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, association or trust company shall be eligible under subsection (e) of Section 6.1, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 6.3. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Agency, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of this Indenture or of the Bonds nor shall incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own gross negligence or willful misconduct. The Trustee shall not

be liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of any Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made by a responsible officer.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) The Trustee shall not be liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred on it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder.

(f) No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. Before taking action under Article VIII hereof, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur.

(g) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these 2011 Bonds.

Section 6.4. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, facsimile, resolution, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties, in the absence of negligence or willful misconduct by the Trustee. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the Agency, with regard to legal questions, and in the absence of gross negligence or willful misconduct by the Trustee the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering

any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but shall have no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or Report of any Independent Accountant or Independent Redevelopment Fiscal Consultant appointed by the Agency.

Section 6.5. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during normal business hours, and upon reasonable prior written notice, to the inspection of the Agency and any Owner, and their agents and representatives duly authorized in writing.

Section 6.6. Compensation and Indemnification. The Agency shall pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Indenture pursuant to an Agency approved fee letter. Upon the occurrence of an Event of Default, the Trustee shall have a first lien on the Tax Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all reasonable fees, costs and expenses, including compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in Article VIII.

The Agency further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense, including legal fees and expenses and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Agency under this Section 6.6 shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

Section 6.7. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee pursuant to this Indenture. Such books of record and account shall be available for inspection by the Agency at reasonable hours, during regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the Agency, at least monthly, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to this Indenture, provided that the Trustee shall not be obligated to deliver an accounting for any Fund or Account that (a) has a zero balance and (b) has not had any activity since the last report date.

Section 6.8. Appointment of Co-Trustee or Agent. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of national banking associations or associations to transact business as

Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co-Trustee. The following provisions of this Section 6.8 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-Trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-Trustee but only to the extent necessary to enable such separate or co-Trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-Trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Agency be required by the separate Trustee or co-Trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Agency. In case any separate Trustee or co-Trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate Trustee or co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate Trustee or co-Trustee.

The Trustee may perform any of its obligations or duties hereunder and under any related documents through agents or attorneys and shall not be responsible for the acts of any such agents or attorneys appointed by it with due care.

ARTICLE VII

MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 7.1. Amendment With Consent Of Owners. Subject to Section 7.6 hereof, this 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, 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 this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein 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 this 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 delivery of a Qualified Reserve Account Credit Instrument meeting the requirements of this Indenture;

(d) to provide for the issuance of Parity Debt pursuant to Section 3.5, 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 Section 3.5; or

(e) to amend any provision hereof relating to the requirements of or compliance with the Tax Code related to the Series A Bonds or any Tax-Exempt Parity Debt (as such term is defined in Section 5.11), to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on the Series A Bonds or any Tax-Exempt Parity Debt, as applicable, for federal income tax purposes, in the opinion of Bond Counsel.

Except as set forth in the preceding paragraph, this 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 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.

Section 7.2. Effect of Supplemental Indenture. From and after the time any supplemental indenture becomes effective pursuant to this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Upon the execution and delivery of any supplemental indenture pursuant to this Article VII, the Agency shall deliver or cause to be delivered to the Rating Agency (a) a copy of such supplemental indenture, as executed by the parties thereto, and (b) any other proceedings with respect to such supplemental indenture as shall be requested by the Rating Agency.

Section 7.3. Endorsement or Replacement of Bonds After Amendment. After the effective date of any amendment or modification hereof pursuant to this Article VII, the Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Agency, as to such amendment or modification and in that case upon demand of the Agency the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Agency may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the Agency the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee, without cost to such Owners.

Section 7.4. Amendment by Mutual Consent. The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

Section 7.5. Trustee's Reliance. The Trustee may rely, and shall be protected in relying, upon a Certificate of the Agency and an opinion of counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Owners.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default and Acceleration of Maturities. The following events shall constitute Events of Default hereunder:

(a) Failure to pay any installment of the principal of any Bonds when and as the same shall 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 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 this Indenture or in the Bonds contained, if such failure shall have continued for a period of sixty (60) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have 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 sixty (60) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Agency within such sixty (60) day period and the Agency shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The Agency shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

If an Event of Default has occurred and is continuing the Trustee may, and shall at the direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, (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 this Indenture or in the Bonds to the contrary notwithstanding, and (b) exercise any other remedies available to the Trustee and the Owners in law or at equity.

Immediately upon becoming aware of the occurrence of an Event of Default described in the preceding clauses (a) or (b), and within thirty (30) days of becoming aware of the occurrence of an Event of Default described in the preceding clauses (c) or (d), the Trustee shall give notice of such Event of Default to the Agency by telephone, promptly confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have 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 clauses (c) or (d) above the

Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided herein 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 shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have 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 net effective rate 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) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to 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.

Section 8.2. Application of Funds Upon Acceleration. All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee hereunder upon the date of the declaration of acceleration as provided in Section 8.1, and all sums thereafter received by the Trustee hereunder, 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 this Indenture and the payment of all fees, costs and expenses owing to the Trustee pursuant to Section 6.6 hereof;

(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.

Section 8.3. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion, the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue,

withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement other disposal of such litigation.

Section 8.4. Limitation on Owners' Right to Sue. No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have 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 shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall 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 shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

The right of any Owner of any Bond to receive payment of the principal of and premium, if any, and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 8.5. Non-waiver. Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged hereunder, the principal of and interest and redemption premium (if any) on the Bonds to the respective Owners when due and payable as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

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

Section 8.6. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or

abandoned for any reason or shall have been determined adversely to the Trustee, or the Bond Owners, then in every such case the Agency, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Agency, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Section 8.7. Actions by Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of Article VI.

Section 8.8. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Redevelopment Law or any other law.

ARTICLE IX

MISCELLANEOUS

Section 9.1. Benefits Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Agency, the Trustee and the Owners, any right, remedy, claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Trustee and the Owners.

Section 9.2. Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture or any supplemental indenture either the Agency or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Agency or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.3. Defeasance of Bonds. If the Agency shall pay and discharge the entire indebtedness on any Bonds 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 another fiduciary, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to this 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 another fiduciary, in trust, non-callable Defeasance Securities 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 pursuant to this 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 notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have 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 this Indenture and all other obligations of the Trustee and the Agency under this Indenture with respect to such Bonds shall cease and terminate, except only (a) the obligations of the Agency under Section 5.11, (b) the obligation of the Trustee to transfer and exchange Bonds hereunder, (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 pursuant to Section 6.6. Notice of such election shall be filed with the Trustee. Any funds thereafter held by the Trustee, which are not required for said purpose, shall be paid over to the Agency.

Section 9.4. Execution of Documents and Proof of Ownership by Owners. Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof shall be proved by the Registration Books.

Any request, consent, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the Agency or the Trustee in good faith and in accordance therewith.

Section 9.5. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Agency or the City (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand,

request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded. Upon request of the Trustee, the Agency shall specify to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

Section 9.6. Waiver of Personal Liability. No member, officer, agent or employee of the Agency shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.7. Destruction of Canceled Bonds. Whenever in this Indenture provision is made for the surrender to the Agency of any Bonds which have been paid or canceled pursuant to the provisions of this Indenture, upon receipt by the Trustee of the Request of the Agency a certificate of destruction duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to. The Agency shall pay all costs of microfilming the Bonds to be destroyed.

Section 9.8. Notices. All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Agency or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Agency:	Garden Grove Agency for Community Development 11222 Acacia Parkway Garden Grove, California 92842 Attention: Executive Director Fax: (714) 741-5205
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If to the Trustee:	J.P. Morgan Trust Company, National Association 560 Mission Street, 13th Floor San Francisco, CA 94105 Fax: (415) 315-7585
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Section 9.9. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Indenture shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The Agency and the Trustee hereby declare that they would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 9.10. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium and principal have become payable, if such money

was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Agency for the payment of the principal of and interest and redemption premium (if any) on of such Bonds.

Section 9.11. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.12. Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State.

IN WITNESS WHEREOF, the GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT has caused this Indenture to be signed in its name by its Assistant Executive Director and attested to by its Secretary, and J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

GARDEN GROVE AGENCY FOR COMMUNITY
DEVELOPMENT

By: _____
Its: Assistant Executive Director

[SEAL]

ATTEST:

Secretary

J.P. MORGAN TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee

By: _____
Its: Authorized Officer

EXHIBIT A

FORM OF SERIES A BONDS

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF ORANGE

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT
2011 SUBORDINATE TAX ALLOCATION BOND
(GARDEN GROVE COMMUNITY PROJECT) SERIES A

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Agency or the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

RATE OF
INTEREST

_____%

MATURITY DATE

December 1, ____

DATED DATE

_____, 2011

CUSIP NO.

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

The GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "Agency"), for value received, hereby promises to pay (but only out of the Tax Revenues and other moneys and securities hereinafter referred to) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like lawful money from the date hereof, which date shall be the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding such Interest Payment Date (a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to November 15, 2011, in which event it shall bear interest from the Dated Date identified above;

provided, however, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on June 1 and December 1 of each year, commencing December 1, 2011 (each, an "Interest Payment Date") until payment of such Principal Amount in full. The Principal Amount hereof is payable upon presentation hereof at the principal corporate office of J.P. Morgan Trust Company, National Association, as trustee (the "Trustee"), in San Francisco, California, or such other place designated by the Trustee. Interest hereon is payable by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Registered Owner hereof at the address of such Registered Owner as it appears on the Registration Books of the Trustee as of the preceding Record Date; provided that at the written request of the owner of at least \$1,000,000 aggregate principal amount of Bonds which written request is on file with the Trustee as of any Record Date, interest on such Bonds shall be paid on the succeeding Interest Payment Date by wire transfer to such account as shall be specified in such written request.

Capitalized terms used herein and not defined shall have the meanings given such terms in the Indenture.

This Bond is one of a duly authorized issue of bonds of the Agency designated as the "Garden Grove Agency for Community Development 2011 Subordinate Tax Allocation Bonds (Garden Grove Community Project) Series A" (the "Bonds") of an aggregate principal amount of _____ Dollars (\$[Bond Amount]), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law") and pursuant to an Indenture of Trust dated as of June 1, 2011 (the "Indenture"), by and between the Agency and the Trustee. The Bonds have been authorized to be issued by the Agency pursuant to a resolution of the Agency adopted on June ___, 2011. The Agency may issue or incur additional obligations on a parity with the Bonds, but only subject to the terms of the Indenture and the Bonds are issued on a parity with the Agency's Series B Bonds issued concurrently with the issuance of the Bonds pursuant to the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Trustee) and all supplements thereto and to the Redevelopment Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Agency thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Agency to: (i) currently refund certain existing obligations of the Agency, (ii) fund a Reserve Account for the 2011 Bonds, (iii) pay costs of issuance of the 2011 Bonds, and (iv) finance the Agency's undertakings in the Garden Grove Community Project pursuant to the Redevelopment Plan.

This Bond and the interest hereon and all other parity obligations and the interest thereon (to the extent set forth in the Indenture) are payable from, and are secured by a charge and lien on the Tax Revenues derived by the Agency from the Project Area subject only to the prior lien of the Senior Bonds (as defined in the Indenture), on a parity with the Series B Bonds and any parity debt at any time issued by the Agency under and in accordance with the Indenture. As and to the extent set forth in the Indenture, all of the Tax Revenues are exclusively and irrevocably pledged in accordance

with the terms hereof and the provisions of the Indenture and the Redevelopment Law, to the payment of the principal of and interest and premium (if any) on the Bonds and any such parity obligations. Notwithstanding the foregoing, certain amounts out of Tax Revenues may be applied for other purposes as provided in the Indenture.

This Bond is not a debt of the City of Garden Grove, the State of California, or any of its political subdivisions (other than the Agency), and neither said City, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties other than the Tax Revenues.

The rights and obligations of the Agency and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages of the owners required to effect any such modification or amendment.

The Bonds maturing on or before December 1, 20__, shall not be subject to optional redemption prior to their respective maturity dates. The Bonds maturing on or after December 1, 20__, shall be subject to redemption, as a whole, or in part, among maturities on a pro rata basis and by lot within a maturity, on any date on or after December 1, 20__, at the principal amount thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Agency shall be required to give the Trustee written notice of its intention to redeem Bonds under the Indenture, and the manner of selecting such Bonds for redemption from among the maturities thereof, at least forty-five (45) days prior to the date fixed for such redemption (unless the Trustee shall accept a notice at any later time at least thirty (30) days prior to the date fixed for redemption).

The 2011 Bonds maturing on December 1, 20__ shall also be subject to redemption in part by lot, from sinking account installments deposited in the Sinking Account on each December 1, on and after December 1, 20__, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, according to the following schedule (provided, however, that if some but not all of such 2011 Bonds have been redeemed, the total amount of all future Sinking Account payments attributable to such 2011 Bonds shall be reduced by the aggregate principal amount of such 2011 Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (written notice of which determination shall be given by the Agency to the Trustee)):

Sinking Account Redemption of 2011 Term Bonds
Maturing on December 1, 20__ in the Amount of \$ _____

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed or Purchased
_____	_____

(maturity)

The 2011 Bonds maturing on December 1, 20__ shall also be subject to redemption in part by lot, from sinking account installments deposited in the Sinking Account on each December 1, on and after December 1, 20__, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, according to the following schedule (provided, however, that if some but not all of such 2011 Bonds have been redeemed, the total amount of all future Sinking Account payments attributable to such 2011 Bonds shall be reduced by the aggregate principal amount of such 2011 Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (written notice of which determination shall be given by the Agency to the Trustee)):

Sinking Account Redemption of 2011 Bonds
Maturing on December 1, 20__ in the Amount of \$ _____

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed or Purchased
_____	_____

(maturity)

In lieu of sinking account redemption of any of the Term Bonds, amounts on deposit in the Special Fund (to the extent not required to be transferred to the Trustee pursuant to the Indenture during the current Bond Year) may also be used and withdrawn by the Agency at any time for the purchase of such 2011 Bonds at public or private sale as and when at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any of such 2011 Bonds so purchased by the Agency and delivered to the Trustee for cancellation in any twelve-month period ending on December 1 in any year shall be credited towards and shall reduce the par amount of 2011 Bonds required to be redeemed pursuant to the Indenture on December 1 in such year.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default shall occur, the principal of all Bonds shall be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said principal corporate office of the Trustee in San Francisco or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Agency and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Redevelopment Law and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Agency, does not exceed any limit prescribed by the Redevelopment Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Trustee's Certificate of Authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chairman and attested to by the facsimile signature of its Secretary, all as of the Dated Date specified above.

GARDEN GROVE AGENCY FOR COMMUNITY
DEVELOPMENT

By: _____
Its: Chairman

ATTEST:

Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Indenture.

Dated: _____, 2011

J.P. MORGAN TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee

By: _____
Its: Authorized Signatory

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address, and Tax Identification or Social Security Number of Assignee)

the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s)

_____ attorney,
to transfer the same on the Registration Books of the Trustee with full power of substitution in the
premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an
eligible guarantor institution.

Note: The signature(s) on this Assignment must
correspond with the name(s) as written on the
face of the within Bond in every particular
without alteration or enlargement or any change
whatsoever.

EXHIBIT B

FORM OF SERIES B BONDS

No. ____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF ORANGE

GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT
2011 SUBORDINATE TAX ALLOCATION BOND
(GARDEN GROVE COMMUNITY PROJECT) SERIES B (TAXABLE)

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Agency or the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

RATE OF
INTEREST

_____%

MATURITY DATE

December 1, ____

DATED DATE

_____, 2011

CUSIP NO.

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

The GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "Agency"), for value received, hereby promises to pay (but only out of the Tax Revenues and other moneys and securities hereinafter referred to) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like lawful money from the date hereof, which date shall be the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding such Interest Payment Date (a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to November 15, 2011, in which event it shall bear interest from the Dated Date identified above;

provided, however, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on June 1 and December 1 of each year, commencing December 1, 2011 (each, an "Interest Payment Date") until payment of such Principal Amount in full. The Principal Amount hereof is payable upon presentation hereof at the principal corporate office of J.P. Morgan Trust Company, National Association, as trustee (the "Trustee"), in San Francisco, California, or such other place designated by the Trustee. Interest hereon is payable by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Registered Owner hereof at the address of such Registered Owner as it appears on the Registration Books of the Trustee as of the preceding Record Date; provided that at the written request of the owner of at least \$1,000,000 aggregate principal amount of Bonds which written request is on file with the Trustee as of any Record Date, interest on such Bonds shall be paid on the succeeding Interest Payment Date by wire transfer to such account as shall be specified in such written request.

Capitalized terms used herein and not defined shall have the meanings given such terms in the Indenture.

This Bond is one of a duly authorized issue of bonds of the Agency designated as the "Garden Grove Agency for Community Development 2011 Subordinate Tax Allocation Bonds (Garden Grove Community Project) Series B (Taxable)" (the "Bonds") of an aggregate principal amount of _____ Dollars (\$[Bond Amount]), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law") and pursuant to an Indenture of Trust dated as of June 1, 2011 (the "Indenture"), by and between the Agency and the Trustee. The Bonds have been authorized to be issued by the Agency pursuant to a resolution of the Agency adopted on June ____, 2011. The Agency may issue or incur additional obligations on a parity with the Bonds, but only subject to the terms of the Indenture and the Bonds are issued on a parity with the Agency's Series A Bonds issued concurrently with the Bonds pursuant to the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Trustee) and all supplements thereto and to the Redevelopment Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Agency thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Agency to: (i) currently refund certain existing obligations of the Agency, (ii) fund a Reserve Account for the 2011 Bonds, (iii) pay costs of issuance of the 2011 Bonds, and (iv) finance the Agency's undertakings in the Garden Grove Community Project pursuant to the Redevelopment Plan. **[Revise as needed.]**

This Bond and the interest hereon and all other parity obligations and the interest thereon (to the extent set forth in the Indenture) are payable from, and are secured by a charge and lien on the Tax Revenues derived by the Agency from the Project Area subject only to the prior lien of the Senior Bonds (as defined in the Indenture), on a parity with the Series A Bonds and any parity debt at any time issued by the Agency under and in accordance with the Indenture. As and to the extent set forth in the Indenture, all of the Tax Revenues are exclusively and irrevocably pledged in accordance

with the terms hereof and the provisions of the Indenture and the Redevelopment Law, to the payment of the principal of and interest and premium (if any) on the Bonds and any such parity obligations. Notwithstanding the foregoing, certain amounts out of Tax Revenues may be applied for other purposes as provided in the Indenture.

This Bond is not a debt of the City of Garden Grove, the State of California, or any of its political subdivisions (other than the Agency), and neither said City, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties other than the Tax Revenues.

The rights and obligations of the Agency and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages of the owners required to effect any such modification or amendment.

The Bonds maturing on or before December 1, 20__, shall not be subject to optional redemption prior to their respective maturity dates. The Bonds maturing on or after December 1, 20__, shall be subject to redemption, as a whole, or in part, among maturities on a pro rata basis and by lot within a maturity, on any date on or after December 1, 20__, at the principal amount thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Agency shall be required to give the Trustee written notice of its intention to redeem Bonds under the Indenture, and the manner of selecting such Bonds for redemption from among the maturities thereof, at least forty-five (45) days prior to the date fixed for such redemption (unless the Trustee shall accept a notice at any later time at least thirty (30) days prior to the date fixed for redemption).

The 2011 Bonds maturing on December 1, 20__ shall also be subject to redemption in part by lot, from sinking account installments deposited in the Sinking Account on each December 1, on and after December 1, 20__, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, according to the following schedule (provided, however, that if some but not all of such 2011 Bonds have been redeemed, the total amount of all future Sinking Account payments attributable to such 2011 Bonds shall be reduced by the aggregate principal amount of such 2011 Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (written notice of which determination shall be given by the Agency to the Trustee)):

Sinking Account Redemption of 2011 Term Bonds
Maturing on December 1, 20__ in the Amount of \$ _____

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed or Purchased
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(maturity)

The 2011 Bonds maturing on December 1, 20__ shall also be subject to redemption in part by lot, from sinking account installments deposited in the Sinking Account on each December 1, on and after December 1, 20__, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, according to the following schedule (provided, however, that if some but not all of such 2011 Bonds have been redeemed, the total amount of all future Sinking Account payments attributable to such 2011 Bonds shall be reduced by the aggregate principal amount of such 2011 Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (written notice of which determination shall be given by the Agency to the Trustee)):

Sinking Account Redemption of 2011 Bonds
Maturing on December 1, 20__ in the Amount of \$ _____

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed or Purchased
---	--

(maturity)

In lieu of sinking account redemption of any of the Term Bonds, amounts on deposit in the Special Fund (to the extent not required to be transferred to the Trustee pursuant to the Indenture during the current Bond Year) may also be used and withdrawn by the Agency at any time for the purchase of such 2011 Bonds at public or private sale as and when at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any of such 2011 Bonds so purchased by the Agency and delivered to the Trustee for cancellation in any twelve-month period ending on December 1 in any year shall be credited towards and shall reduce the par amount of 2011 Bonds required to be redeemed pursuant to the Indenture on December 1 in such year.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default shall occur, the principal of all Bonds shall be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said principal corporate office of the Trustee in San Francisco or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Agency and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Redevelopment Law and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Agency, does not exceed any limit prescribed by the Redevelopment Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Trustee's Certificate of Authentication hereon endorsed shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chairman and attested to by the facsimile signature of its Secretary, all as of the Dated Date specified above.

GARDEN GROVE AGENCY FOR COMMUNITY
DEVELOPMENT

By: _____
Its: Chairman

ATTEST:

Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Indenture.

Dated: _____, 2011

J.P. MORGAN TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee

By: _____

Its: Authorized Signatory

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address, and Tax Identification or Social Security Number of Assignee)

the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s)

_____ attorney,
to transfer the same on the Registration Books of the Trustee with full power of substitution in the
premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an
eligible guarantor institution.

Note: The signature(s) on this Assignment must
correspond with the name(s) as written on the
face of the within Bond in every particular
without alteration or enlargement or any change
whatsoever.