

ADOPTION OF A RESOLUTION CORRECTING
RESOLUTION NO. 18-13, WHICH AUTHORIZED
THE ISSUANCE OF 2013 REFUNDING BONDS

April 8, 2014

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authorizing the Successor Agency to assemble the financing team that includes a Financial Advisor, Bond Counsel, Disclosure Counsel, Fiscal Agent, Trustee, Verification Agent, and an Underwriter who will be responsible for preparing, marketing and actually selling the debt is deemed approved.

Following approval by the Successor Agency, the Resolution correcting Resolution No. 18-13 will be submitted to the Oversight Board for approval, and then to the Department of Finance as an informational update. With these approvals, the Successor Agency will proceed with the assistance of the financing team, to ready and issue the refunding bonds as soon as practicable.


FINANCIAL IMPACT

Coverage analysis and cash flow savings related to the refunding of the 2003 bonds remains as previously reported, showing actual principal and interest savings of about \$5.99 million over the life of the bonds.

RECOMMENDATION

Staff recommends that the Successor Agency:

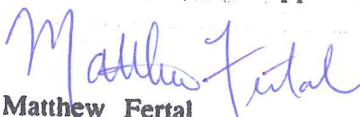
- Adopt the attached Resolution correcting Resolution No. 18-13, which authorized the issuance of refunding bonds for the 2003 Tax Allocation Bonds;
- Authorize the Director to transmit said Resolution to the Oversight Board for approval; and
- Authorize the Director or his designee to enter into all other necessary agreements to assemble the financing team including Underwriter, Trustee, Fiscal Agent, etc. to effectively ready and issue the 2014 Refunding Bonds.


KINGSLEY OKEREKE
Finance Director


By: Maria Stipe
Deputy City Manager

Attachment 1: Resolution
Attachment 2: Resolution No. 18-13
Attachment 3: Indenture of Trust
Attachment 4: Draft Preliminary Official Statement

Recommended for Approval


Matthew Fertal
Director

RESOLUTION NO. _____

RESOLUTION OF THE GOVERNING BOARD OF THE SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT CORRECTING RESOLUTION NO. 18-13, WHICH AUTHORIZED THE ISSUANCE AND SALE OF TAX ALLOCATION REFUNDING BONDS AND APPROVED THE FORM OF AN INDENTURE OF TRUST AND RELATED DOCUMENTS AND AUTHORIZED CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Garden Grove Agency for Community Development (the "Prior Agency") was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) (the "Law"), and the powers of the Prior Agency included the power to issue bonds for any of its corporate purposes; and

WHEREAS, a Redevelopment Plan for a redevelopment project known and designated as the Garden Grove Community Project (the "Redevelopment Project") has been adopted and approved by the City of Garden Grove and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, on June 28, 2011, the California Legislature adopted ABx1 26 (the "Dissolution Act") and ABx1 27 (the "Opt-in Bill"); and

WHEREAS, the California Supreme Court subsequently upheld the provisions of the Dissolution Act and invalidated the Opt-in Bill resulting in the Prior Agency being dissolved as of February 1, 2012; and

WHEREAS, the powers, assets and obligations of the Prior Agency were transferred on February 1, 2012 to the Successor Agency to the Garden Grove Agency for Community Development (the "Successor Agency"); and

WHEREAS, on or about June 27, 2012, AB1484 was adopted as a trailer bill in connection with the 2012-13 California Budget; and

WHEREAS, AB1484 specifically authorizes the issuance of refunding bonds by the Successor Agency to refund outstanding bonds for the purpose of reducing debt service provided the debt service savings provisions of California Health and Safety Code Section 34177.5(a)(1) (the "Savings Test") are met; and

WHEREAS, the Prior 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 Prior Agency and to finance redevelopment activities of the Prior Agency for the Redevelopment Project; and

WHEREAS, by Resolution No. 18-13, adopted November 12, 2013 (the "Resolution of Issuance") the Successor Agency authorized the issuance of bonds in the principal amount of not to exceed Forty-Five Million Dollars (\$45,000,000) (herein, the "2013 Bonds") to be secured by a

pledge of property tax revenues authorized by California Health and Safety Code Section 34177.5(a) and/or Section 34177.5(g), to refund the 2003 Bonds in their entirety, all to the extent feasible on a parity with the 2008 Loan, and all pursuant to the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, provided the Savings Test is met; and

WHEREAS, the Prior 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"), which 2008 Loan is payable from certain tax increment revenues of the Prior Agency for the Redevelopment Project, though not secured by a pledge of such revenues; and

WHEREAS, Union Bank has delivered to the Successor Agency a letter dated January 30, 2014 (the "Union Bank Letter") pursuant to which, subject to satisfaction of the conditions listed in the letter, Union Bank consents to the issuance of the 2013 Bonds together with bonds to be issued to finance the "McWhinney DDA Obligation" (as such term is defined in the Indenture) ("McWhinney Bonds") on a "parity in payment" basis, as set forth in the Indenture approved by this Resolution; and

WHEREAS, the Resolution of Issuance incorrectly recited that the 2008 Loan "is secured by" certain tax increment revenues, though it is payable from such revenues pursuant to the Dissolution Act and otherwise and does include terms and conditions to assure repayment from such revenues on a priority basis; and

WHEREAS, in fact, the 2008 Loan does not contain a pledge of tax increment but rather is payable from such revenues and in such order of priority as determined pursuant to the Dissolution Act and otherwise; and

WHEREAS, the Resolution of Issuance also approved the form of an Indenture of Trust (the "Indenture" therein and herein) to be entered into in connection with the issuance of the 2013 Bonds; and

WHEREAS, Section 6 of the Resolution of Issuance conditioned the issuance of the 2013 Bonds on the "receipt and acceptance by the Successor Agency of a written consent to parity treatment by Union Bank (the 'Union Bank Consent') pursuant to which Union Bank will agree that the pledge of tax increment revenues to it securing the 2008 Loan shall be considered on a parity with the lien on such tax increment revenues pledged to the 2013 Bonds pursuant to the Indenture" approved in the Resolution of Issuance; and

WHEREAS, the corrected Indenture presented with this Resolution acknowledges that the 2008 Loan represents an unsecured obligation of the Successor Agency payable from tax increment revenues and provides for payment of the 2008 Loan on a parity in payment basis with the 2013 Bonds, substantially as provided in the Indenture; and

WHEREAS, the Agency wishes at this time to approve the revised form of the Indenture and to correct the Resolution of Issuance accordingly, relative to the 2008 Loan and the Union Bank Consent; and

WHEREAS, the Agency has determined that the Union Bank Consent facilitates the issuance of the 2013 Bonds and the McWhinney Bonds, both individually and together on the lowest cost

basis and in accordance with the purpose and intent of the Dissolution Act, including the provisions of Sections 34177.5 and 34180 thereof.

WHEREAS, the Resolution of Issuance authorized the Director to prepare a Preliminary Official Statement for the 2013 Bonds for subsequent consideration by the Successor Agency, and there has been presented with this resolution the form of such a Preliminary Official Statement for use in connection with the offering and sale of the 2013 Bonds; and

WHEREAS, capitalized terms which are not otherwise defined in this resolution shall have the meaning ascribed to them in the Resolution of Issuance; and

WHEREAS, the Oversight Board has previously approved the issuance of the Bonds by its Resolution No. 27-13, adopted November 13, 2013 and the Department of Finance has issued its letter dated February 21, 2014 approving the issuance of the 2013 Bonds (the "DOF Approval Letter"); and

WHEREAS, the Successor Agency wishes at this time to correct the Resolution of Issuance and to approve the revised form of the Indenture and the Preliminary Official Statement for the 2013 Bonds and approve all matters relating to the issuance and sale of the 2013 Bonds and the Union Bank Consent.

NOW, THEREFORE, THE SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

Section 1. Each of the foregoing recitals is true and correct.

Section 2. The Indenture of Trust in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein (the "Indenture"), is hereby approved. All references in the Resolution of Issuance to the Indenture shall mean and refer to the Indenture of Trust in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein (and all references herein to the 2013 Bonds shall mean and refer to the Bonds or 2014 Bonds, as set forth in the Indenture).

Section 3. Section 6 of the Resolution of Issuance is hereby corrected and restated in full to read as follows: "Anything to the contrary herein notwithstanding, the issuance of the 2013 Bonds shall be subject to the receipt and acceptance by the Successor Agency of a written consent to parity treatment by Union Bank (the "Union Bank Consent"), pursuant to which Union Bank will agree that payments to Bondholders of the 2013 Bonds shall be payable on a parity in payment basis with the 2008 Loan in accordance with the terms of the Indenture; provided, the Director is also authorized, with the concurrence and advice of Bond Counsel and the Financial Advisor, to also approve the Union Bank Consent if it authorizes parity in payment treatment of the series of 2013 Bonds that refunds the 2003 Bonds as described herein, while requiring the tax allocation bonds that fund the McWhinney DDA Obligation to be payable on a different basis. The Director and the Secretary of the Successor Agency are hereby authorized and directed to negotiate, acknowledge, execute and deliver the Union Bank Consent in such form as may be approved by Agency Counsel and the Underwriter, said execution being conclusive evidence of such approval. The Union Bank Consent may be evidenced in whole or in part by the Union Bank Letter and by Union Bank's acknowledgment of the terms of the Indenture related thereto."

Section 4. The form of Preliminary Official Statement on file with the Secretary with such changes, insertions and omissions therein as may be approved by the Director or his written designee (“Authorized Officer”), is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved. The Authorized Officers are each hereby authorized to certify on behalf of the Successor Agency that the Preliminary Official Statement is deemed final as of its date within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12). The Authorized Officers are each hereby authorized and directed to furnish, or cause to be furnished, to prospective bidders for the Bonds a reasonable number of copies of the Preliminary Official Statement.

Section 5. The preparation and delivery of an Official Statement, and its use in connection with the offering and sale of the Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized and directed, for and in the name of and on behalf of the Successor Agency, to execute the final Official Statement and any amendment or supplement thereto for and in the name and on behalf of the Successor Agency.

Section 6. The Successor Agency expressly affirms the findings of the Resolution of Issuance and hereby finds and determines, based on all evidence and testimony contained in the record, that the Successor Agency has made diligent efforts to ensure that the lowest long-term cost financing will be obtained for the 2013 Bonds and the McWhinney Bonds, taken individually and together, that the 2013 Bonds shall not provide for any bullets or spikes and shall not use variable rates, and that the Successor Agency has retained an independent financial advisor (the “Financial Advisor”) in developing financing proposals; the Successor Agency shall make the work product of the Financial Advisor available to the California Department of Finance at its request.

Section 7. To the extent of any inconsistency herewith, this Resolution corrects and restates the Resolution of Issuance, and except as expressly amended herein, the Resolution of Issuance shall remain in full force and effect, including without limitation the requirement that the 2013 Bonds shall be issued only if the Savings Test is met. This Resolution shall take effect immediately upon its adoption.

IN WITNESS WHEREOF, this Resolution is adopted and approved the _____ day of April 2014.

Chair of the Successor Agency to the
Garden Grove Agency for Community Development

(SEAL)

ATTEST:

Secretary of the Successor Agency to the
Garden Grove Agency for Community Development

GARDEN GROVE SUCCESSOR AGENCY

RESOLUTION NO. 18-13

RESOLUTION OF THE CITY OF GARDEN GROVE AS SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT AUTHORIZING THE ISSUANCE AND SALE OF TAX ALLOCATION REFUNDING BONDS AND APPROVING THE FORM OF AN INDENTURE OF TRUST, BOND PURCHASE CONTRACT, CONTINUING DISCLOSURE AGREEMENT, 2003 BONDS ESCROW AGREEMENT AND RELATED DOCUMENTS AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Garden Grove Agency for Community Development (the "Prior Agency") was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) (the "Law"), and the powers of the Prior Agency included the power to issue bonds for any of its corporate purposes; and

WHEREAS, a Redevelopment Plan for a redevelopment project known and designated as the Garden Grove Community Project (the "Redevelopment Project") has been adopted and approved by the City of Garden Grove and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the Prior 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 Prior Agency and to finance redevelopment activities of the Prior Agency for the Redevelopment Project; and

WHEREAS, the Prior 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"), which 2008 Loan is secured by certain tax increment revenues of the Prior Agency for the Redevelopment Project; and

WHEREAS, on June 28, 2011, the California Legislature adopted ABx1 26 (the "Dissolution Act") and ABx1 27 (the "Opt-in Bill"); and

WHEREAS, the California Supreme Court subsequently upheld the provisions of the Dissolution Act and invalidated the Opt-in Bill resulting in the Prior Agency being dissolved as of February 1, 2012; and

WHEREAS, the powers, assets and obligations of the Prior Agency were transferred on February 1, 2012 to the Successor Agency to the Garden Grove Agency for Community Development (the "Successor Agency"); and

WHEREAS, on or about June 27, 2012, AB1484 was adopted as a trailer bill in connection with the 2012-13 California Budget; and

WHEREAS, AB1484 specifically authorizes the issuance of refunding bonds by the Successor Agency to refund outstanding bonds for the purpose of reducing debt service provided the debt services savings provisions of California Health and Safety Code Section 34177.5(a)(1) (the "Savings Test") are met; and

WHEREAS, the Successor Agency wishes at this time to issue bonds in the principal amount of not to exceed Forty-Five Million Dollars (\$45,000,000) (the "2013 Bonds") secured by a pledge of property tax revenues authorized by California Health and Safety Code Section 34177.5, subdivisions (a) and/or Section 34177.5(g), to refund the 2003 Bonds in their entirety, all to the extent feasible on a parity with the 2008 Loan, and all pursuant to the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, provided the Savings Test is met; and

WHEREAS, the sale and delivery of such bonds by the Successor Agency may be subject to a prior judicial determination of the validity of such bonds and the Successor Agency also wishes at this time to authorize the institution of judicial proceedings to determine the validity of such bonds; and

WHEREAS, the Successor Agency wishes at this time to approve all matters relating to the issuance and sale of the 2013 Bonds.

NOW, THEREFORE, THE SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

Section 1. Provided the Savings Test is met and subject to the provisions of the Indenture referred to in Section 2 hereof, the issuance of the 2013 Bonds in the aggregate principal amount of not to exceed Forty-Five Million Dollars (\$45,000,000) on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture, is hereby authorized and approved. The 2013 Bonds will be dated, will bear interest at the rates, will mature on the dates, will be issued in the form, will be subject to redemption, and will be as otherwise provided in the Indenture, as the same will be completed as provided in this Resolution. The proceeds of the sale of the 2013 Bonds shall be applied as provided in the Indenture.

The Successor Agency hereby further finds and determines, based on all evidence and testimony contained in the record, that the Successor Agency has made diligent efforts to ensure that the lowest long-term cost financing will be obtained for the 2013 Bonds, that the financing shall not provide for any bullets or spikes and shall not use variable rates, and that the Successor Agency has retained an independent financial advisor (the "Financial Advisor") in developing financing

proposals and the Successor Agency shall make the work product of the Financial Advisor available to the California Department of Finance at its request.

Section 2. The Indenture of Trust in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein (the "Indenture"), is hereby approved. The Chair and the Secretary of the Successor Agency are hereby authorized and directed to execute and deliver the Indenture in the form presented at this meeting with such changes, insertions and omissions as may be requested by Bond Counsel and approved by the Chair (including any such changes to conform the documents to the provisions of AB 1484, including those related to permissible pledges of property tax revenues comprising former tax increment revenues), said execution being conclusive evidence of such approval. Specifically and without limiting the foregoing, the Director is authorized and directed to solicit and accept bids for bond insurance and/or a surety for reserve for the 2013 Bonds, provided he determines acceptance of the best bid will result in further debt service savings, and appropriate changes to each of the documents referenced herein to evidence such bond insurance and the terms thereof, are hereby authorized and approved.

Section 3. The Bond Purchase Contract between the Successor Agency and Mitsubishi UFJ Securities (USA) Inc. (the "Underwriter"), in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, is hereby approved. Subject to Successor Agency approval of the Preliminary Official Statement described in Section 4 below, the Director of the Successor Agency is hereby authorized and directed to execute the Bond Purchase Contract in the form presented at this meeting with such changes, insertions and omissions as may be approved by the Director, said execution being conclusive evidence of such approval; provided, however, that the Bond Purchase Contract shall be signed only if the terms of the agreement are such that (i) the principal amount of the 2013 Bonds will not exceed the amount required to finance the refunding of the 2003 Bonds, including establishing a customary debt service reserve fund, and paying related costs of issuance, and (iii) the net present value savings amount attributable to the refunding of the 2003 Bonds, generated from the issuance of the 2013 Bonds, expressed as a percentage of the aggregate principal amount being refunded, will be at least 3.00%.

Section 4. The Director is hereby authorized and directed to prepare for subsequent consideration by the Successor Agency a Preliminary Official Statement or Statements relating to the 2013 Bonds (the "Preliminary Official Statement") for use by the Successor Agency and the Underwriter, in connection with the offering and sale of the 2013 Bonds.

Section 5. The 2003 Bonds Escrow Agreement, in substantially the form submitted at this meeting and made a part hereof as though set forth in full herein, is hereby approved. The Director and the Secretary of the Successor Agency are hereby authorized and directed to execute and deliver the 2003 Bonds Escrow

Agreement in the form presented at this meeting with such changes, insertions and omissions as may be requested by Bond Counsel and approved by the Director, said execution being conclusive evidence of such approval.

Section 6. Anything to the contrary herein notwithstanding, the issuance of the 2013 Bonds shall be subject to the receipt and acceptance by the Successor Agency of a written consent to parity treatment by Union Bank (the "Union Bank Consent"), pursuant to which Union Bank will agree that the pledge of tax increment revenues to it securing the 2008 Loan shall be considered on a parity with the lien on such tax increment revenues pledged to the 2013 Bonds pursuant to the Indenture; provided, the Director is authorized, with the concurrence and advice of Bond Counsel and the Financial Advisor, to approve the Union Bank Consent if it authorizes parity treatment of the series of 2013 Bonds that refunds the 2003 Bonds, while requiring the series of the 2013 Bonds that funds the DDA Payment to remain subordinate to the 2008 Loan. The Director and the Secretary of the Successor Agency are hereby authorized and directed to negotiate, acknowledge, execute and deliver the Union Bank Consent in such form as may be approved by Agency Counsel and the Underwriter, said execution being conclusive evidence of such approval.

Section 7. The Successor Agency hereby finds and determines, based on all evidence contained in the record before the Successor Agency, that (1) notwithstanding the issuance of the 2013 Bonds, there will be sufficient legally available monies to apply Threshold Site Tax Increment (as that term is defined in that certain Note Purchase Agreement dated as of June 1, 2008, by and between the Prior Agency and Van Kampen California Value Municipal Income Trust (the "Katella Cottages Note Purchase Agreement") to pay the Note and the Revised Developer Note (as those terms are defined in the Katella Cottages Note Purchase Agreement) and additional Pledged Tax Revenues (as defined in the Indenture) in excess of the Threshold Site Tax Increment to pay debt service on the 2008 Loan and the 2013 Bonds; and (2) the principal amount of the 2013 Bonds has been sized in a manner that provides reasonable assurance that sufficient Threshold Site Tax Increment will be available to pay the Note and the Revised Developer Note.

Section 8. The Chair of the Successor Agency, the Director of the Successor Agency, the Secretary of the Successor Agency, and any other proper officer of the Successor Agency, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments, relating to the 2013 Bonds, and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture, the Bond Purchase Contract, the Official Statement, the Continuing Disclosure Agreement, the 2003 Bonds Escrow Agreement, this Resolution and any such agreements.

Section 9. To the extent the Director determines, based on the advice of Bond Counsel, that the sale of the 2013 Bonds will be facilitated by a judgment

supporting the validity of the 2013 Bonds, the issuance of the 2013 Bonds may be made subject to a prior judicial determination of the validity of the 2013 Bonds, the Indenture and related matters and this Board hereby authorizes the filing of an action to determine the validity of the 2013 Bonds, the Indenture (or two Indentures of Trust as provided in Section 2, if applicable) and related matters in the appropriate California court under the provisions of Sections 860 *et seq.* of the Code of Civil Procedure of the State of California. In such event, the City Attorney and Bond Counsel are hereby authorized and directed to prepare and cause to be filed and prosecuted to completion all proceedings required for the judicial validation of the 2013 Bonds, the Indenture and related matters.

Section 10. The Successor Agency hereby finds and determines, based on all evidence and testimony contained in the record, that the Successor Agency has made diligent efforts to ensure that the lowest long-term cost financing will be obtained for the 2013 Bonds, that the financing shall not provide for any bullets or spikes and shall not use variable rates, and that the Successor Agency has retained an independent financial advisor (the "Financial Advisor") in developing financing proposals; the Successor Agency shall make the work product of the Financial Advisor available to the California Department of Finance at its request.

Section 11. U.S. Bank National Association, (or such other trustee bank as may be selected by the Director), is hereby appointed as Trustee and Dissemination Agent, Stradling Yocca Carlson & Rauth, a Professional Corporation is hereby appointed as Bond Counsel and Jones Hall is hereby appointed as Disclosure Counsel.

Section 12. To the extent of any inconsistency herewith, this Resolution amends and supersedes Resolution No. 15-13 of the Successor Agency dated August 13, 2013. This Resolution shall take effect immediately upon its adoption.

Adopted this 12th day of November 2013.

ATTEST:

/s/ STEVEN R. JONES
CHAIR

/s/ TERESA POMEROY, CMC
DEPUTY SECRETARY

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

I, TERESA POMEROY, Deputy Secretary of The City of Garden Grove as Successor Agency to the Garden Grove Agency for Community Development, do hereby certify that the foregoing Resolution was duly adopted by the Successor Agency, at a meeting held on the 12th day of November 2013, by the following vote:

AYES: MEMBERS: (5) BEARD, BROADWATER, NGUYEN, PHAN, JONES
NOES: MEMBERS: (0) NONE
ABSENT: MEMBERS: (0) NONE

 /s/ TERESA POMEROY, CMC
DEPUTY SECRETARY

INDENTURE OF TRUST

Dated as of April 1, 2014

by and between the

SUCCESSOR AGENCY TO THE
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

and

U.S. Bank National Association
as Trustee

Relating to

[\$[Bond Amount]]
Successor Agency to the
Garden Grove Agency for Community Development
Garden Grove Community Project
Tax Allocation Refunding Bonds, Issue of 2014

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "Indenture") is dated as of April 1, 2014, by and between the SUCCESSOR AGENCY TO 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 "Successor Agency"), and U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, the Garden Grove Agency for Community Development (the "Prior Agency") was a public body, corporate and politic, duly created, established and authorized to transact business and exercise its powers under and pursuant to the provisions of the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) (the "Law"), and the powers of the Garden Grove Agency for Community Development included 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 Law, and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan, as amended, have been duly complied with; and

WHEREAS, the Prior Agency has previously issued \$57,025,000 Garden Grove Agency for Community Development, 2003 Tax Allocation Refunding Bonds (Garden Grove Community Project) (the "2003 Bonds") pursuant to the provisions of the Law for the purpose of providing funds to refund certain prior bonds of the Prior Agency and to pay costs of redevelopment activities of the Prior Agency relating to the Redevelopment Project; and

WHEREAS, the Prior Agency has previously entered into a Credit Agreement dated as of June 2, 2008 (the "2008 Loan Credit Agreement") with Union Bank of California, N.A. ("Union Bank") related to a term loan facility in the original aggregate principal amount of \$32,000,000 (the "2008 Loan"); and

WHEREAS, Union Bank has agreed by written consent dated January 30, 2014 ("Union Bank Consent"), and all Owners from time to time of the Bonds and any Parity Bonds, in consideration of their acceptance of the Bonds, agree that the 2008 Loan, the Bonds and any Parity Bonds shall be payable on a parity basis under this Indenture for purposes of the payment provisions hereof, as further set forth in this Indenture;

WHEREAS, for the corporate purposes of the Successor Agency, the Successor Agency deems it necessary to issue at this time tax allocation refunding bonds (the "Bonds") in a principal amount not to exceed _____ Million _____ Thousand Dollars (\$[Bond Amount]), and to irrevocably set aside a portion of the proceeds of such Bonds in a separate segregated trust fund which will be used to (1) refund the outstanding 2003 Bonds of the Prior Agency, (2) fund a deposit to a reserve account, and (3) pay costs in connection with the issuance of the Bonds; and

WHEREAS, on June 28, 2011, the California Legislature adopted ABx1 26 (the "Dissolution Act") and ABx1 27 (the "Opt-in Bill"); and

WHEREAS, the California Supreme Court subsequently upheld the provisions of the Dissolution Act and invalidated the Opt-in Bill resulting in the Prior Agency being dissolved as of February 1, 2012; and

WHEREAS, the powers, assets and obligations of the Prior Agency were transferred on February 1, 2012 to the Successor Agency; and

WHEREAS, on or about June 27, 2012, AB1484 was adopted as a trailer bill in connection with the 2012-13 California Budget; and

WHEREAS, AB1484 specifically authorizes the issuance of refunding bonds by the Successor Agency to refund the bonds or other indebtedness of the Prior Agency to provide savings to the Successor Agency, provided that (A) the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds shall not exceed the total remaining interest cost to maturity on the bonds to be refunded plus the remaining principal of the bonds to be refunded, and (B) the principal amount of the refunding bonds shall not exceed the amount required to defease the refunded bonds, to establish customary debt service reserves, and to pay related costs of issuance; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and redemption premium (if any) thereon, the Successor Agency and the Trustee have duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Successor Agency hereby certifies that all acts and proceedings required by law necessary to make the Bonds, when executed by the Successor Agency, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the Successor 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, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Bonds issued and Outstanding 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 considerations, the receipt of which is hereby acknowledged, the Successor 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

DETERMINATIONS; DEFINITIONS

Section 1.1 Findings and Determinations. The Successor 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 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Successor Agency is now duly empowered, pursuant to each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

Section 1.2 Definitions. Unless the context otherwise requires, the terms defined in this Section 1.2 shall, for all purposes of this Indenture, of any Supplemental Indenture, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

“Act” means Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

“Annual Debt Service” means, for any Bond Year, the principal and interest payable on the Outstanding Bonds and, as the context requires, Outstanding Parity Bonds in such Bond Year.

“Bond Counsel” means Stradling Yocca Carlson & Rauth, a Professional Corporation, or any other attorney or firm of attorneys acceptable to the Successor Agency of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions.

“Bond”, “Bonds” or “2014 Bonds” means the Garden Grove Community Project, Tax Allocation Refunding Bonds, Issue of 2014, authorized by and at any time Outstanding pursuant to this Indenture.

“Bond Year” means the twelve (12) month period commencing on October 2 of each year, provided that the first Bond Year shall extend from the Delivery Date to October 1, 2014.

“Bondowner” or “Owner”, or any similar term, means any person who shall be the registered owner or his duly authorized attorney, trustee or representative of any Outstanding Bond and as the context may require, Parity Bond.

“Business Day” means any day other than (i) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city in which the Trust Office of the Trustee is located are authorized to close, or (ii) a day on which the New York Stock Exchange is closed.

“Certificate” or “Certificate of the Successor Agency” means a Written Certificate of the Successor Agency.

“Chairman” means the chairman of the Successor Agency or other duly appointed officer of the Successor Agency authorized by the Successor Agency by resolution or bylaw to perform the functions of the chairman in the event of the chairman’s absence or disqualification.

“City” means the City of Garden Grove, State of California.

“Code” means the Internal Revenue Code of 1986, as amended, and any regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Computation Year” means, with respect to the Bonds, the period beginning on the Delivery Date and ending on October 1, 2014, and each 12-month period ending on October 1 thereafter until there are no longer any Bonds Outstanding.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement between the Successor Agency and the dissemination agent dated the Delivery Date as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means the costs and expenses incurred in connection with the issuance and sale of the Bonds including the initial fees and expenses of the Trustee, rating agency fees, legal fees and expenses, costs of printing the Bonds and Official Statement, fees of financial consultants and other fees and expenses set forth in a Written Certificate of the Successor Agency.

“Costs of Issuance Fund” means the trust fund established in Section 3.3 of this Indenture.

“County” means the County of Orange, California.

“Debt Service Fund” means that trust fund established in Section 4.2 of this Indenture.

“Defeasance Securities” means (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4), pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (5), securities eligible for “AAA” defeasance under then existing criteria of S & P or any combination.

“Delivery Date” means the date on which the Bonds are delivered to the initial purchaser thereof.

“Dissolution Act” means Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State of California.

“DOF” means the California Department of Finance.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Fiscal Year” means any twelve (12) month period beginning on July 1st and ending on the next following June 30th.

“Fund or Account” means any of the funds or accounts referred to herein.

“Indenture” means that certain Indenture of Trust dated as of April 1, 2014, between the Successor Agency and U.S. Bank National Association, approved by Resolution No. _____, as

amended by Resolution No. _____, adopted by the Successor Agency on November 12, 2013 and _____, 2014, respectively, and Resolution No. 27-13, as amended by Resolution No. _____ adopted by the Oversight Board on November 13, 2013, amended _____, 2014, respectively, authorizing the issuance of the Bonds.

“Independent Financial Consultant” “Independent Engineer” “Independent Certified Public Accountant” or “Independent Redevelopment Consultant” means any individual or firm engaged in the profession involved, appointed by the Successor Agency, and who, or each of whom, has a favorable reputation in the field in which his/her opinion or certificate will be given, and:

- (1) is in fact independent and not under domination of the Successor Agency;
- (2) does not have any substantial interest, direct or indirect, with the Successor Agency, other than as original purchaser of the Bonds; and
- (3) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

“Interest Account” means the account by that name referenced in Section 4.3 of this Indenture.

“Interest Payment Date” means April 1 and October 1, commencing October 1, 2014 so long as any of the Bonds remain Outstanding hereunder.

“Law” means the Community Redevelopment Law of the State of California as cited in the recitals hereof.

“Maximum Annual Debt Service” means the largest of the sums obtained for any Bond Year after the computation is made, by totaling the following for each such Bond Year:

- (1) The principal amount of all Bonds and Parity Bonds, if any, and the amount of any sinking account payments payable in such Bond Year; and
- (2) The interest which would be due during such Bond Year on the aggregate principal amount of Bonds and Parity Bonds which would be outstanding in such Bond Year if the Bonds and Parity Bonds outstanding on the date of such computation were to mature or be redeemed in accordance with the maturity schedules for the Bonds and Parity Bonds. At the time and for the purpose of making such computation, the amount of term Bonds and term Parity Bonds already retired in advance of the above-mentioned schedules shall be deducted pro rata from the remaining amounts thereon; and
- (3) 2008 Loan Annual Debt Service coming due and payable in such Bond Year.

“McWhinney DDA Obligation” means the obligation of the Successor Agency to fund that certain Covenant Consideration in the amount of \$42,000,000 pursuant to Sections 408 and 408.1 of that certain First Amended and Restated Disposition and Development Agreement dated as of April 13, 2010, as amended from time to time, and pursuant to that certain Implementation Agreement (Water Park DDA) dated as of October 8, 2013, as may be amended from time to time in each case by and between the Successor Agency, (as successor to the Prior Agency) and Garden Grove MXD, Inc. or its permitted successor and assigns.

“Opinion of Counsel” means a written opinion of an attorney or firm of attorneys of favorable reputation in the field of municipal bond law. Any opinion of such counsel may be based upon, insofar as it is related to factual matters, information which is in the possession of the Successor Agency as shown by a certificate or opinion of, or representation by, an officer or officers of the Successor Agency, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which his or her opinion may be based, as aforesaid, is erroneous.

“Outstanding” means, when used as of any particular time with reference to Bonds or Parity Bonds, as the context may require, subject to the provisions of this Indenture, all Bonds or Parity Bonds theretofore issued and authenticated under this Indenture except:

(a) Bonds or Parity Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds or Parity Bonds paid or deemed to have been paid; and

(c) Bonds or Parity Bonds in lieu of or in substitution for which other Bonds or Parity Bonds shall have been authorized, executed, issued and authenticated pursuant to this Indenture.

“Oversight Board” means the oversight board to the Successor Agency duly constituted from time to time pursuant to Section 34179 of the Dissolution Act.

“Parity Bonds” means any additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations) issued by the Successor Agency as permitted by Section 3.4 of this Indenture.

“Paying Agent” means any paying agent appointed by the Successor Agency pursuant to the Indenture.

“Permitted Investments” means:

(a) For all purposes, including defeasance investments in refunding escrow accounts.

(1) Defeasance Securities

(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
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- 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
- (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their 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 maturing not more than 360 calendar 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, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;
- (5) Investments in a money market fund, including those of an affiliate of the Trustee rated "AAAm" or "AAAm-G" or better by S&P;
- (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 Moody's or S&P 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 (2) of the definition of Defeasance Securities, 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 “A2/A” or higher by S&P.
 - (8) Investment Agreements with an entity rated “A” or higher by S&P; and;
 - (9) The Local Agency Investment Fund of the State or any state administered pooled investment fund in which the Successor 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:
- (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, and Bank of America Merrill Lynch.
 - (2) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and
 - (3) As to any investment not specified above: the value thereof established by prior agreement among the Successor Agency and the Trustee.

“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 Prior Agency (and now the Successor 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 Law, as applicable.

“Pledged Tax Revenues” means the portion of the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (c) of Section 34172 of the Dissolution Act, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act that are equal to that portion of taxes levied upon taxable property in the Project Area and received by the Successor Agency on or after the date of issue of the Bonds, pursuant to Article 6 of Chapter 6 of the Prior Law and Section 16 of Article XVI of the Constitution of the State, 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 Successor 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 Bonds as shall be specified in the proceedings for such Parity Bonds, 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 Successor 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 Successor 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 Successor 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. In accordance with the Dissolution Act, the Bonds and Parity Bonds shall be payable from and secured by, and Pledged Tax Revenues shall include, moneys deposited, from time to time, in the Redevelopment Property Tax Trust Fund established pursuant to subdivision (b) of Health & Safety Code Section 34170.5 and subdivision (c) of Health & Safety Code Section 34172, and paid to the Successor Agency as provided in paragraph (2) of subdivision (a) of Health & Safety Code Section 34183. If, and to the extent, that the provisions of Section 34170.5, Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

“Principal Account” means the account by that name referenced in Section 4.3 of this Indenture.

“Prior Agency” means the Garden Grove Agency for Community Development.

“Prior Law” means the Community Redevelopment Law of the State of California (commencing with Health and Safety Code Section 33000) as it existed on or before June 29, 2011.

“Rebate Regulations” means the final Treasury Regulations issued under Section 148(f) of the Code.

“Recognized Obligation Payment Schedule” means a Recognized Obligation Payment Schedule, each prepared and approved from time to time pursuant to subdivision (l) of Section 34177 of the Dissolution Act.

“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 July 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 Garden Grove Community Project established pursuant to the Redevelopment Plan.

“Redevelopment Project Area,” or “Project Area” means the means the area within the Garden Grove Community Project, as described in the Redevelopment Plan.

“Refunded Bonds” means the 2003 Bonds.

“Regular Record Date” means the fifteenth day of the month preceding any Interest Payment Date whether or not such day is a Business Day.

“Report” means a document in writing signed by an Independent Financial Consultant and including:

(a) A statement that the person or firm making or giving such Report has read the pertinent provisions of the 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 said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

“Reserve Account” means the account by that name referenced in Section 4.3 hereof.

“Reserve Requirement” means, as of the date of computation and with respect to each series of Bonds or Parity Bonds for which a reserve is to be funded, an amount equal to the lesser of (i) Maximum Annual Debt Service on the Bonds or Parity Bonds exclusive of the 2008 Loan, (ii) 10% of the net proceeds of the Bonds or Parity Bonds exclusive of the 2008 Loan, or (iii) 125% of the average Annual Debt Service on the Bonds or Parity Bonds Outstanding exclusive of the 2008 Loan.

“Redevelopment Obligation Retirement Fund” means the fund by that name established pursuant to Health & Safety Code Section 34170.5(a) and administered by the Successor Agency.

“Redevelopment Property Tax Trust Fund” or “RPTTF” means the fund by that name established pursuant to Health & Safety Code Section 34170.5(b) and administered by the County auditor-controller.

“State” means the State of California, United States of America.

“Supplemental Indenture” means any indenture then in full force and effect which has been duly adopted by the Successor Agency under the Dissolution Act, or any act supplementary thereto or amendatory thereof, at a meeting of the Successor Agency duly convened and held, of which a quorum was present and acted thereon, amendatory of or supplemental to this Indenture or any indebtedness entered into in connection with the issuance of Parity Bonds; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Certificate” means that certain Tax Certificate executed by the Successor Agency with respect to the Bonds.

“Tax Sharing Agreements” means the following agreements between the Prior Agency (now the Successor 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 Prior Agency, dated as of August 25, 1992;
- Tax Sharing Agreement dated as of September 29, 1992 by and among the County of Orange, the County of Orange Harbors, Beaches and Parks Service Area No. 26, the Court of Orange Flood Control District, the County of Orange Public Library;
- Tax Sharing Agreement by and between the County Sanitation District No. 2 and the Prior Agency, Dated November 24, 1992;
- Tax Sharing Agreement by and between the Garden Grove Sanitary District and the Prior Agency, dated November 10, 1992;
- Tax Sharing Agreement by and between the Huntington Beach Union High School District and the Prior Agency, dated February 9, 1993;
- Tax Sharing Agreement by and between the Orange County Vector Control District and the Prior Agency, dated as of July, 1993;
- Tax Sharing Agreement by and between the Westminster School District and the Prior Agency, dated November 10, 1992;
- Capital Facilities Agreement by and between the Rancho Santiago Community College District and the Prior Agency, dated as of August 25, 1992;
- Tax Sharing Agreement by and between the Orange County Water District and the Prior Agency, dated as of June 3, 1992;
- Tax Sharing Agreement by and between the Orange Unified School District and the Prior Agency, dated April 13, 1993;
- Tax Sharing Agreement by and between the Orange County Superintendent of Schools and the Prior Agency, dated June 8, 1993;
- Tax Sharing Agreement by and between the North Orange County Community College District and the Prior Agency, dated June 8, 1993;
- Tax Sharing Agreement by and between the Coast Community College District and the Prior Agency, dated as of July, 1993;
- Owner Participation Agreement by and between the Prior Agency and La Quinta Homes, LLC dated as of November 12, 1996; and

- 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).

“Tax Sharing Statutes” means Sections 33607.5 and/or 33607.7 of the Law and Section 34183 of the Dissolution Act.

“Term Bonds” means, collectively, (a) the Bonds maturing on October 1, _____, 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.

“Trust Office” means the corporate trust office of the Trustee, currently at U.S. Bank National Association, Los Angeles, California except for exchange, surrender and payment of the Bonds, in which case “Trust Office” shall refer to the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota, or such other or additional offices as may be specified to the Successor Agency by the Trustee in writing.

“Trustee” means U.S. Bank National Association, a national banking association, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in this Indenture.

“Union Bank” means Union Bank, N.A., successor to Union Bank of California, N.A., and its permitted successors and assigns with respect to the 2008 Loan.

“Union Bank Provisions” means terms of this Indenture pertaining to the 2008 Loan parity payment, namely Section 3.4, Sections 4.1-4.4, inclusive, Section 5.1 [covenants 2, 3, 10 and 11], Section 6.10, Section 7.2, Section 8.1 and _____.

“2003 Bonds” means the Prior Agency’s \$57,025,000 2003 Tax Allocation Refunding Bonds (Garden Grove Community Project).

“2003 Bonds Escrow Bank” means U.S. Bank National Association, a national banking association, as escrow bank under the Escrow Agreement.

“2003 Bonds Escrow Fund” means the trust fund established under the 2003 Bonds Escrow Agreement.

“2003 Bonds Escrow Agreement” means the 2003 Bonds Escrow Agreement between the Successor Agency and the 2003 Bonds Escrow Bank.

“2003 Indenture” means the Indenture of Trust dated as of May 1, 2003 providing for the issuance of the 2003 Bonds.

“2008 Credit Agreement” means the Credit Agreement dated as of June 2, 2008 between the Prior Agency and Union Bank N.A., formerly known as Union Bank of California, N.A., and that certain Union Bank Consent dated as of January 30, 2014 referenced in the recitals hereof, providing for the 2008 Loan and certain parity payment treatment of the 2008 Loan under this Indenture, respectively.

“2008 Loan” means the Prior Agency’s \$ _____ loan, [and any Parity Bonds issued to refund the 2008 Loan in accordance with Section 3.4 hereof].

“2008 Loan Annual Debt Service” means for the purpose of issuance of Parity Bonds under Section 3.4 hereof and for calculation of Maximum Annual Debt Service, for any Bond Year, the scheduled principal and interest payable on the 2008 Loan and any obligations issued to refund the 2008 Loan, in whole or in part, in such Bond Year, assuming interest during any period that the 2008 Loan (or refunding loan) bears interest at a variable rate at a fixed rate to maturity equal to the average LIBO Rate (as such term is defined in the 2008 Loan Credit Agreement) applicable to one month LIBO commencing on the first business day of each month for the past 84 months for which such LIBO Rate has been reported plus the Applicable Margin (as such term is defined in the 2008 Credit Agreement) in no event less than four and one quarter percent (4.25%) per annum, as certified by the Independent Financial Consultant in connection with delivery of its certificate or opinion.

“2008 Loan Revenues” means Successor Agency moneys available and designated for payment of the 2008 Loan pursuant to the Dissolution Act, the Prior Law and the 2008 Loan Credit Agreement from moneys deposited in the Redevelopment Property Tax Trust Fund to pay the 2008 Loan or to refinance the 2008 Loan.

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

Section 1.3 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

Section 2.1 Authorization of Bonds. (a) Bonds in the aggregate principal amount of _____ Million _____ Dollars (\$[Bond Amount]) are hereby authorized to be issued by the Successor Agency under and subject to the terms of this Indenture, the Act and the Dissolution Act. This Indenture constitutes a continuing agreement with the Trustee for the benefit of the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal and redemption premiums (if any) and the interest on all Bonds and Parity Bonds which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The Bonds shall be designated the “Successor Agency to the Garden Grove Agency for Community Development, Garden Grove Community Project, Tax Allocation Refunding Bonds, Issue of 2014.”

(b) The Bonds shall be and are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, from Pledged Tax Revenues and other funds as hereinafter provided and subject to application of such Pledged Tax Revenues and other funds in accordance with this Indenture. The Bonds, interest and premium, if any, thereon are not a debt of the City, the State or any of its political subdivisions

(except the Successor Agency), and none of the City, the State nor any of its political subdivisions (except the Successor Agency) is liable on them. In no event shall the Bonds, interest thereon and premium, if any, be payable out of any funds or properties other than those of the Successor Agency as set forth in this Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Successor Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

The Bonds shall be and are equally secured together with any Parity Bonds, by an irrevocable pledge of the Pledged Tax Revenues and other funds as hereinafter provided, without priority for number, maturity, date of sale, date of execution or date of delivery, except as expressly provided herein, and shall be payable from Pledged Tax Revenues and the 2008 Loan Revenues on a parity basis with the 2008 Loan to the extent and in accordance with Article IV and, in the case of default, Article VIII of this Indenture. 2008 Loan Revenues and Pledged Tax Revenues received by the Trustee shall be applied as provided in this Indenture and in any Supplemental Indenture adopted in accordance with this Indenture.

Nothing in this Indenture shall preclude: (a) the payment of the Bonds or any Parity Bonds from the proceeds of refunding bonds issued pursuant to applicable law, or (b) the payment of the Bonds, any Parity Bonds or the 2008 Loan from any legally available funds. Nothing in this Indenture shall prevent the Successor Agency from making advances of its own funds, however derived, to any of the uses and purposes mentioned in this Indenture.

The Successor Agency shall have the right to defease the Bonds and any Parity Bonds and be discharged from the lien of this Indenture in accordance with the provision of Section 9.3 hereof and to prepay and/or defease the 2008 Loan to the extent permitted under the 2008 Credit Agreement ("2008 Loan Defeasance"). If the Successor Agency shall cause to be paid, or shall have made provision to pay upon maturity or upon redemption prior to maturity, to the Bondowners, Bondowners of any Parity Bonds secured by a pledge hereunder, the principal of, premium, if any, and interest to become due on the Bonds and any such Parity Bonds, through setting aside trust funds or setting apart in a reserve fund or special trust account created pursuant to this Indenture or otherwise, or through the irrevocable segregation for that purpose in some sinking fund or other fund or trust account with a fiscal agent or otherwise, moneys sufficient therefor, including, but not limited to, interest earned or to be earned on the investment of such funds, then the lien of this Indenture, including, without limitation, the pledge of the Pledged Tax Revenues, and all other rights granted hereby, shall cease, terminate and become void and be discharged and satisfied, and the principal of, premium, if any, and interest on the Bonds and any such Parity Bonds shall no longer be deemed to be outstanding and unpaid; provided, however, that nothing in this Indenture shall require the deposit of more than such amount as may be sufficient, taking into account both the principal amount of such funds and the interest to become due on the investment thereof, to implement any refunding of the Bonds or Parity Bonds, if the Successor Agency shall provide for the 2008 Loan Defeasance then the Union Bank Provisions shall no longer be in effect and all interest of Union Bank under this Agreement shall cease and terminate.

Section 2.2 Term of Bonds. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof and the Bonds shall mature on October 1, in the years and in the amounts and shall bear interest at the rate per annum as follows:

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------------------|-------------------------|----------------------|
| October 1 | | |

Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed on the Interest Payment Date by first class mail to such Owner at the address of such Owner as it appears on the Registration Books; provided, however, that upon the written request of any Owner of at least \$1,000,000 in principal amount of Bonds received by the Trustee at least fifteen (15) days prior to such Regular Record Date, payment shall be made by wire transfer in immediately available funds to an account in the United States designated by such Owner. Principal of and redemption premium (if any) on any Bond shall be paid upon presentation and surrender thereof, at maturity or redemption, at the Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America. Interest shall be calculated based upon a 360-day year comprised of twelve thirty-day months.

Each Bond shall be initially dated as of the Delivery Date and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Regular Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) a Bond is authenticated on or before September 15, 2014, in which event it shall bear interest from the Delivery Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 2.3 Redemption of Bonds.

(a) Optional Redemption. The Bonds maturing on or before October 1, 20__, are not subject to optional redemption prior to maturity. The Bonds maturing on or after October 1, 20__, shall be subject to redemption, at the option of the Successor Agency on any date on or after October 1, 20__, as a whole, or in part among such maturities as shall be determined by the Successor 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 Successor Agency shall be required to give the Trustee, written notice of its intention to redeem 2003 Bonds under this subsection (a), 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 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) Mandatory Sinking Account Redemption. The Term Bonds maturing on October 1, 20__ shall also be subject to redemption in part by lot, from sinking account installments deposited in the 2014 Bonds Principal Account on each October 1, on and after October 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 Bonds have been redeemed, the total amount of all future mandatory sinking account payments attributable to such Bonds shall be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such mandatory sinking account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Successor Agency (written notice of which determination shall be given by the Successor Agency to the Trustee)):

**Mandatory Sinking Account Redemption of 2014 Term Bonds
Maturing on October 1, 20__ in the Amount of \$ _____**

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

\$

(maturity)

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 Successor Agency at any time for the purchase of such Bonds at public or private sale as and when at such prices (including brokerage and other charges and including accrued interest) as the Successor Agency may in its discretion determine. The par amount of any of such Bonds so purchased by the Successor Agency and delivered to the Trustee for cancellation in any twelve-month period ending on July 1 in any year shall be credited towards and shall reduce the par amount of Bonds required to be redeemed pursuant to this subsection (b) on October 1 in such year.

(c) Notice of Redemption. The Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail, postage prepaid) notice of any redemption at least twenty (20) but not more than sixty (60) days prior to the redemption date, to (i) the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, (ii) the Securities Depositories and to one or more Information Services designated in a Request of the Successor 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 2014 Bonds or the cessation of the accrual of interest thereon. Notice of redemption of the Bonds (other than notice of mandatory Sinking Account redemption pursuant to Section 2.3(B) and other than notice that refers to 2014 Bonds which are the subject of an advance refunding) shall be given only if sufficient funds have been deposited with the Trustee to pay the redemption price of the Bonds to be redeemed. Such notice shall state the redemption date and the redemption price, shall designate the CUSIP number of the Bonds to be redeemed, shall state the individual number of each Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) unless all Bonds within a maturity have

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

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

(e) Conditional Notice. With respect to any notice of optional redemption of the Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the principal of, premium if any, and interest on the Bonds to be redeemed and upon other conditions set forth therein and that, if such moneys shall not have been so received and such other conditions shall not have been satisfied, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. If any condition stated in the redemption notice for an optional redemption shall not have been satisfied on or prior to the redemption date: (i) the redemption notice shall be of no force and effect; (ii) the Successor Agency shall not be required to redeem such Bonds; (iii) the redemption shall not be made; and (iv) the Trustee shall within a reasonable time thereafter give notice to the persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

(f) 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 Bonds so called for redemption shall have been duly deposited with the Trustee, such 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.

(g) Manner of Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds 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 Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

Section 2.4 Form of Bonds. The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the form set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

Section 2.5 Execution of Bonds. The Bonds shall be executed on behalf of the Successor Agency by the signature of its Executive Director 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 Bond ceases to be such officer before delivery of the Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the purchaser. Any Bond may be signed and attested on behalf of

the Successor Agency by such persons as at the actual date of the execution of such Bond shall be the proper officers of the Successor Agency although on the date of such Bond any such person shall not have been such officer of the Successor Agency.

Only such of the Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit A hereto, manually executed and dated by and in the name of the Trustee 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 Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture. In the event temporary Bonds are issued pursuant to Section 2.9 hereof, the temporary Bonds shall bear thereon a certificate of authentication manually executed and dated by the Trustee, shall be initially registered by the Trustee, and, until so exchanged as provided under Section 2.9 hereof, the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.6 Transfer of Bonds. Any 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 Bond to the Trustee at its Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Successor Agency shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of like series, interest rate, maturity and principal amount of authorized denominations. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds pursuant to this Section 2.6. The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any exchange or transfer shall be paid by the Successor Agency.

The Trustee may refuse to transfer, under the provisions of this Section 2.6, either (a) any Bonds during the period established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption pursuant to the provisions of Section 2.3.

Section 2.7 Exchange of Bonds. Bonds may be exchanged at the Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds pursuant to this Section 2.7. The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any exchange or transfer shall be paid by the Successor Agency.

The Trustee may refuse to exchange, under the provisions of this Section 2.7, either (a) any Bonds during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bonds selected by the Trustee for redemption pursuant to the provisions of Section 2.3.

Section 2.8 Registration Books. The Trustee will keep or cause to be kept, at its Trust Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours be open to inspection by the Successor Agency with reasonable prior notice; 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, Bonds as hereinbefore provided.

Section 2.9 Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Successor Agency, and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Successor Agency upon the same conditions and in substantially the same manner as the definitive Bonds. If the Successor Agency issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange therefor at the Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.10 Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Successor Agency, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon deliver, a new Bond of like amount and maturity in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Successor Agency and the Trustee and, if such evidence is satisfactory to both and indemnity satisfactory to them shall be given, the Successor Agency, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like amount and maturity in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Successor Agency may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section 2.10 and of the expenses which may be incurred by the Successor Agency and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Successor Agency whether or not the Bond so alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued pursuant to this Indenture.

Section 2.11 Book-Entry Only System. It is intended that the Bonds be registered so as to participate in a securities depository system with DTC (the "DTC System"), as set forth herein. The Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities of the Bonds in the name of Cede & Co., as nominee of DTC. The Successor 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 representation letter in the form required by DTC (the "Representation Letter"). In the event of any conflict between the terms of any such letter or agreement, including the Representation Letter, 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 hereof applicable to the exercise of such rights.

With respect to the Bonds registered in the books of the Trustee in the name of Cede & Co., as nominee of DTC, the Successor 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 herein 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 herein referred to as an "Indirect Participant"). Without limiting the immediately preceding sentence,

Successor 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 a Bondholder, as shown in the Register, 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 a Bondholder, as shown in the Register, of any amount with respect to principal of, premium, if any, or interest on, the Bonds or (d) any consent given by DTC as registered owner. So long as certificates for the Bonds are not issued pursuant to Section 2.12 and the Bonds are registered to DTC, the Successor 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 thereto, as nominee for DTC, shall receive a Bond certificate with respect to any Bond. 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 Representation Letter.

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.

Section 2.12 Successor Securities Depository; Transfers Outside Book-Entry Only System. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Successor Agency and the Trustee and discharging its responsibilities with respect thereto under applicable law. The Successor Agency, without the consent of any other person, but following written notice to the Successor Agency and the Trustee, 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 hereunder, the Successor Agency, at the expense of the Successor Agency, 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 books of the Trustee in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or name Bondowner transferring or exchanging Bonds shall designate to the Trustee in writing, in accordance with the provisions of this Indenture. The Successor Agency 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 Successor Agency, or such depository's agent or designee.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS OF BONDS; PARITY BONDS

Section 3.1 Issuance of Bonds. Upon the execution and delivery of this Indenture and receipt by the Successor Agency of evidence satisfactory to it of satisfaction of the conditions precedent to issuance of the Bonds, the Successor Agency shall execute and deliver Bonds in the aggregate principal amount of _____ Million _____ Dollars (\$[Bond Amount]) to the Trustee and the Trustee shall authenticate and deliver the Bonds upon the Written Request of the Successor Agency.

Section 3.2 Application of Proceeds of Bonds. (a) On the Delivery Date the proceeds of sale of the Bonds shall be paid to the Trustee and said amount together with moneys transferred from the Funds and Accounts held in connection with the Refunded Bonds shall be applied as follows:

(i) The Trustee shall deposit the amount of \$ _____ into the 2014 Bonds Reserve Account of the Debt Service Fund:

(ii) The Trustee shall transfer the amount of \$ _____ to the 2003 Bonds Escrow Bank for deposit in the 2003 Bonds Escrow Fund pursuant to the 2003 Bonds Escrow Agreement;

(iii) The Trustee shall deposit the amount of \$ _____ from Bond proceeds into the Costs of Issuance Fund.

The Trustee may establish a temporary fund or account in its records to facilitate and record such deposits and transfers.

Moneys deposited in the 2003 Bonds Escrow Fund pursuant to Section 3.2(b) hereof shall be held by the 2003 Bonds Escrow Bank for the payment of the principal of and interest on the 2003 Bonds in accordance with the provisions of the 2003 Bonds Escrow Agreement.

Section 3.3 Costs of Issuance Fund. There is hereby established a separate fund to be known as the "Costs of Issuance Fund," 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 Written Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said Fund. On the date which is three (3) months following the Delivery Date, or upon the earlier Written Request of the Successor Agency, all amounts (if any) remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Debt Service Fund and the Trustee shall close the Costs of Issuance Fund.

Section 3.4 Issuance of Parity Bonds. In addition to the Bonds, subject to the requirements of this Indenture and the 2008 Credit Agreement, the Successor Agency may issue or incur Parity Bonds for the purpose of refunding any Bonds or Parity Bonds, all or any portion of the 2008 Loan, or for the purpose of financing the McWhinney DDA Obligation, in such principal amount as shall be determined by the Successor Agency, pursuant to a separate or Supplemental

Indenture adopted or entered into by the Successor Agency and Trustee and for such purposes as are permitted under the Dissolution Act, including without limitation, as applicable, Section 34177.5 thereof. The Successor Agency may issue or incur such Parity Bonds subject to the following specific conditions precedent:

(a) The Successor Agency will be in compliance with all covenants set forth in this Indenture and the 2008 Credit Agreement (unless such compliance is waived by Union Bank);

(b) The Oversight Board shall have approved the issuance of such Parity Bonds, if and to the extent required by the Dissolution Act;

(c) The Parity Bonds will be on such terms and conditions as may be set forth in a separate or Supplemental Indenture, which will provide for (i) bonds or other obligations substantially in accordance with this Indenture such that the Parity Bonds are secured on a parity basis with the Bonds by Pledged Tax Revenues and funds and accounts pledged hereunder (except for the 2014 Bonds Reserve Account) or, with respect to a refunding of the 2008 Loan such that the related Parity Bonds are payable on the same basis as the 2008 Loan is payable hereunder or otherwise in such form as may be approved by the Successor Agency so long as the parity payment provisions of this Indenture applicable to the 2008 Loan (including Sections 4.4 and 4.5 hereof) are made applicable thereto, and (ii) unless otherwise consented by the Bond Insurer, a separate reserve account deposit equal to the Reserve Requirement for such Parity Bonds shall be required for the issuance of Parity Bonds to refund in whole or in part the 2008 Loan or to fund the McWhinney DDA Obligation;

(d) Receipt of a Report of an Independent Financial Consultant stating:

(i) For the current and each future Bond Year the Annual Debt Service for each such Bond Year with respect to all Bonds, and other Parity Bonds and 2008 Loan Annual Debt Service reasonably expected to be outstanding following the issuance of the Parity Bonds and all other payments reasonably expected to be payable by the Successor Agency ("Other Payments");

(ii) For the then current Fiscal Year, the Pledged Tax Revenues to be received by the Successor Agency based upon the most recently certified assessed valuation of taxable property in the Project Area provided by the appropriate officer of the County;

(iii) For each future Fiscal Year, the Pledged Tax Revenues referred to in item (ii) together with (a) the amount determined in accordance with Section 51(a) of the California Revenue and Taxation Code and (b) the amount of Pledged Tax Revenues to be payable with respect to construction completed but not yet on the tax rolls, and taking into account the expiration of the time to receive Pledged Tax Revenues with respect to any portion of the Project Area and any amounts to be paid pursuant to the Pass Through Agreements and the Tax Sharing Statutes; and

(iv) That for the then current Fiscal Year, the Pledged Tax Revenues referred to in item (ii) and for each future Fiscal Year the Pledged Tax Revenues referred to in item (iii) are at least equal to both (x) the sum of 150% of the Maximum Annual Debt Service with respect to amounts referred to in item (i) above, and, (y) for the then current Fiscal Year, 100% of Annual Debt Service with respect to any subordinate or unsecured debt

(inclusive of the 2008 Loan) and Other Payments and that the Successor Agency is entitled under the Dissolution Act, the Law and the Redevelopment Plan to receive taxes under Section 33670 of the Law in an amount sufficient to meet expected debt service with respect to all Bonds, the 2008 Loan and any Parity Bonds.

(e) Except for any obligations issued to refund the 2008 Loan, in whole or in part (which may be payable on the same dates as the 2008 Loan is payable, or on any Interest Payment Date the Parity Bonds will mature on and interest will be payable on the same dates as the Bonds (except the first interest payment may be from the date of the Parity Bonds until either the next succeeding April 1 or October 1 as the Agency may select) provided, however, nothing herein shall preclude the Successor Agency from issuing and selling Parity Bonds which do not pay current interest.

(f) Issuance of Subordinate Debt. In addition to the Bonds and any Parity Debt, from time to time the Agency may issue or incur obligations secured by Pledged Tax Revenues on a basis subordinate to the 2014 Bonds and any Parity Bonds, or unsecured obligations in such principal amount as shall be determined by the Agency, provided that the issuance of such debt shall be in compliance with the 2008 Credit Agreement and shall not cause the Agency to exceed any applicable Plan Limitations.

Section 3.5 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 his obligation with respect to the Redevelopment Project.

ARTICLE IV

SECURITY OF BONDS; FLOW OF FUNDS

Section 4.1 Security of Bonds; Equal Security. Except as provided in Sections 4.2 and 6.6, the Bonds shall be equally secured by a pledge of and lien on all of the Pledged Tax Revenues and on all of the moneys in the Redevelopment Obligation Retirement Fund and the Debt Service Fund (including the Interest Account, the Principal Account and the Reserve Account therein) on a parity (except as to the 2014 Bonds Reserve Account) with the first pledge of and lien thereon of the Parity Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery, subject to application to the purposes and in the manner described herein. Except for the Pledged Tax Revenues and such moneys, no funds or properties of the Successor 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 and Parity Bonds by those who shall own the same from time to time, this Indenture shall be deemed to be and shall constitute a contract between the Successor Agency and the Trustee for the benefit of the Owners from time to time of the Bonds, and Parity Bonds and the covenants and agreements herein set forth to be performed on behalf of the Successor Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds and Parity Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds or Parity 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 Redevelopment Obligation Retirement Fund, Debt Service Fund, 2008 Loan Debt Service Fund Deposit of Pledged Tax Revenues and 2008 Loan Revenues. (a) There has been established a special trust fund known as the “Redevelopment Obligation Retirement Fund,” which shall be held by the Successor Agency pursuant to Section 34170.5(a) of the Dissolution Act. The Successor Agency shall establish subaccounts therein to which Pledged Tax Revenues and 2008 Loan Revenues shall be deposited, to be known as the 2014 Bonds Subaccount, the Parity Bonds Subaccount and the 2008 Loan Subaccount.

(b) There is hereby continued a special trust fund known as the “Debt Service Fund” and the accounts therein referred to below which shall be held by the Trustee in accordance with this Indenture. The Successor Agency shall deposit all of the Pledged Tax Revenues received in any Bond Year from the RPTTF in accordance with the Dissolution Act in the applicable subaccount of the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency, and promptly thereafter shall transfer amounts therein to the Trustee for deposit in the Debt Service Fund established and continued under this Indenture until such time that the aggregate amounts on deposit in such Debt Service Fund equal the aggregate amounts required to be deposited into the Interest Account, the Principal Account and the Reserve Account in such Bond Year pursuant to Section 4.3 of this Indenture and for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in any Supplemental Indenture.

(c) There is hereby established a special trust fund known as the “2008 Loan Debt Service Fund” and the accounts therein referred to below which shall be held by the Trustee in accordance with this Indenture. The Successor Agency shall deposit all of the 2008 Loan Revenues received in any Bond Year from the RPTTF for payment of the 2008 Loan in accordance with the Dissolution Act in the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency, and promptly thereafter shall transfer amounts therein to the Trustee for deposit in the 2008 Loan Debt Service Fund established and held under this Indenture until such time that the aggregate amounts on deposit in such 2008 Loan Debt Service Fund equal the aggregate amounts required to be deposited into the 2008 Loan Interest Account and the 2008 Loan Principal Account in such Bond Year pursuant to the 2008 Loan Credit Agreement and this Indenture. In no event are Pledged Tax Revenues or 2008 Loan Revenues subject to a lien hereunder securing payment of the 2008 Loan.

Section 4.3 Transfer of Amounts by the Trustee. There are hereby created accounts and subaccounts within the Debt Service Fund as set forth below, to be known respectively as the Interest Account, the Principal Account and the Reserve Account and subaccounts therein for each issue of Bonds and Parity Bonds. The subaccounts for the 2014 Bonds shall be known as the 2014 Bonds Interest Account, 2014 Bonds Principal Account and the 2014 Bonds Reserve Account. At the same time as moneys are transferred to the respective interest and principal accounts of the 2008 Loan Debt Service Fund pursuant to Section 4.4 hereof and subsection 4.3(d) hereoffor the payment of the 2008 Loan, moneys in the Debt Service Fund will be transferred by the Trustee in the following amounts at the following times, for deposit in the following respective accounts within the Debt Service Fund, which are hereby established with the Trustee, in the following order of priority:

(a) 2014 Bonds Interest Account. On or before the 5th Business Day preceding each Interest Payment Date, the Trustee will withdraw from the Debt Service Fund and transfer to the 2014 Bonds Interest Account and related account for any Parity Bonds an amount which, when added to the amount contained in the 2014 Bonds Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds and Parity

Bonds on such Interest Payment Date. No such transfer and deposit need be made to the 2014 Bonds Interest Account and related account for any Parity Bonds from the Debt Service Fund if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds and Parity Bonds. Subject to this Indenture, all moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds and Parity Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to this Indenture).

(b) 2014 Bonds Principal Account. On or before the 5th Business Day preceding each Interest Payment Date in each calendar year beginning October 1, 2014, the Trustee will withdraw from the Debt Service Fund and transfer to the 2014 Bonds Principal Account and any related account for any Parity Bonds an amount equal to the principal payments becoming due and payable on Outstanding Bonds and Parity Bonds on such October 1, whether by reason of maturity, early call for redemption, mandatory sinking account installments or otherwise, to the extent monies on deposit in the Redevelopment Obligation Retirement Fund are available therefor. No such transfer and deposit need be made to the 2014 Bonds Principal Account or any related account for any Parity Bonds if the amount contained therein is at least equal to the principal payments to become due on such October 1 on all Outstanding Bonds and Parity Bonds. Subject to this Indenture, all moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal payments of the Bonds and Parity Bonds as it becomes due and payable.

(c) 2014 Bonds Reserve Account. In the event the moneys on deposit in the Debt Service Fund five (5) Business Days before any Interest Payment Date are less than the full amount of the interest and principal payments required to be deposited, the Trustee will, five (5) Business Days before such Interest Payment Date, withdraw from the 2014 Bonds Reserve Account (and any subaccount of the Reserve Account created for Parity Bonds, if any) an amount equal to any such deficiency and will notify the Successor Agency of any such withdrawal. Promptly upon receipt of any such notice, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Reserve Account an amount that will be sufficient to maintain the Reserve Requirement on deposit in the 2014 Bonds Reserve Account and to maintain the Reserve Requirement for Parity Bonds, if any, in the Reserve Account of any additional Parity Bonds. So long as the 2008 Loan remains outstanding, Reserve Account shortfalls shall be funded only from the respective subaccount of the Redevelopment Obligation Retirement Fund to which such shortfall is attributable and in no event will Pledged Tax Revenues be applied to replenishment of Reserve Account shortfalls attributable to inadequate 2008 Loan Revenues to fully fund deposits to the 2008 Loan Debt Service Fund. Subject to the preceding sentence, if there is not sufficient moneys in the Redevelopment Obligation Retirement Fund to transfer an amount that, when added to the amount on deposit in the Reserve Account, will be sufficient to maintain the Reserve Requirement on deposit in, the 2014 Bonds Reserve Account and the Reserve Account for any additional Parity Bonds, the Successor Agency will have an obligation to continue making transfers of Pledged Tax Revenues and, if applicable, 2008 Loan Revenues into the Debt Service Fund, as such revenues become available, and thereafter, as moneys become available in the Debt Service Fund, the Trustee will make transfers to the 2014 Bonds Reserve Account and the Reserve Account for any additional Parity Bonds until there is an amount sufficient to maintain the Reserve Requirement on deposit in the 2014 Bonds Reserve Account and the Reserve Account for any additional Parity Bonds. No such transfer and deposit need be made to the 2014 Bonds Reserve Account (or any subaccount therein) so long as there is on deposit therein a sum at least equal to the Reserve Requirement. Subject to this Indenture all money in the 2014 Bonds Reserve Account will

be used and withdrawn by the Trustee solely for the purpose of making transfers to the 2014 Bonds Interest Account and the 2014 Bonds Principal Account, in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Successor Agency is not in default hereunder, any amount in the 2014 Bonds Reserve Account in excess of the Reserve Requirement will be withdrawn from the 2014 Bonds Reserve Account semiannually on or before the 5th Business Day preceding April 1 and October 1 by the Trustee and deposited in the 2014 Bonds Interest Account. All amounts in the 2014 Bonds Reserve Account on the 5th Business Day preceding the final Interest Payment Date will be withdrawn from the Reserve Account and will be transferred either (i) to the 2014 Bonds Interest Account and the 2014 Bonds Principal Account, in such order, to the extent required to make the deposits then required to be made or, (ii) if the Successor Agency shall have caused to be deposited with the Trustee an amount sufficient to make the deposits required by this Indenture, then at the Written Request of the Successor Agency such amount shall be transferred as directed by the Successor Agency. Notwithstanding anything to the contrary set forth in this Indenture, amounts on deposit in the 2014 Bonds Reserve Account shall be applied solely to the payment of debt service due on the Bonds **[add terms of surety for reserve if provided or permissible for Parity Debt] --TBD.**

At the time the Bonds mature, amounts on deposit in the 2014 Bonds Reserve Account shall be transferred to the Reserve Account for any Parity Bonds to the extent necessary to maintain the Reserve Requirement on any Parity Bonds then outstanding.

(d) Equal Rights. It is the intention of the Successor Agency that the Bonds and all Parity Bonds shall be payable from all moneys deposited in the Interest Account and the Principal Account of the Redevelopment Obligation Retirement Fund on an equal basis and that the 2008 Loan, the Bonds and Parity Bonds shall be payable on a parity basis in accordance with this Article IV from amounts deposited in the RPTTF. To the extent that moneys deposited in the Redevelopment Obligation Retirement Fund are insufficient to pay debt service on the Bonds, Parity Bonds and 2008 Loan as it becomes due, the Bonds and Parity Bonds and the 2008 Loan shall be payable on a pro-rata basis from all available moneys deposited in the respective subaccounts of the Redevelopment Obligation Retirement Fund described in Article IV hereof and to the extent that moneys deposited in the respective subaccounts of the Principal Account and the Interest Account of the Debt Service Fund and the 2008 Loan Debt Service Fund are insufficient to pay debt service on the Bonds, Parity Bonds and the 2008 Loan as it becomes due, the Bonds, Parity Bonds and 2008 Loan shall be payable on a prorata basis from all available moneys deposited in the respective subaccounts of the Principal Account and the Interest Account of the Redevelopment Obligation Retirement Fund and the 2008 Loan Debt Service Fund; to the extent described in this Article IV; in no event shall amounts in the Reserve Account be available to pay debt service on the 2008 Loan.

Section 4.4 Transfer of Amounts by the Trustee. There are hereby created accounts within the 2008 Loan Debt Service Fund, to be known respectively as the 2008 Loan Interest Account and the 2008 Loan Principal Account. Subject in all respects to Section 4.3(d) at the same time as moneys are transferred to the respective Principal Account and Interest Account of the Debt Service Fund pursuant to Section 4.3 of this Indenture for the payment of the Bonds and Parity Bonds, moneys will be transferred by the Trustee in the following amounts at the following times, for deposit in the following respective accounts within the 2008 Loan Debt Service Fund, which are hereby established with the Trustee, in the following order of priority:

(a) 2008 Loan Interest Account. On or before the 5th Business Day preceding each Interest Payment Date, the Trustee will withdraw from the 2008 Loan Debt Service Fund and

transfer to the 2008 Loan Interest Account an amount which, when added to the amount contained in the 2008 Loan Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the 2008 Loan on each payment date under the 2008 Loan Credit Agreement for the six month period following such Interest Payment Date as estimated and set forth in a Written Certificate of the Successor Agency. No such transfer and deposit need be made to the 2008 Loan Interest Account from the 2008 Loan Debt Service Fund if the amount contained therein is at least equal to the interest estimated to become due in such six month period in the Written Certificate of the Successor Agency except that the Successor Agency shall amend such Written Certificate to reflect increases in actual interest coming due on the 2008 Loan. Subject to this Indenture, all moneys in the 2008 Loan Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2008 Loan as it becomes due and payable (including accrued interest on the 2008 Loan payable under the 2008 Credit Agreement), pursuant to Written Certificates of the Successor Agency directing such payment and delivered at least two Business Days prior to the date of such payments.

(b) 2008 Loan Principal Account. On or before the 5th Business Day preceding each Interest Payment Date in each calendar year beginning September 1, 2014, the Trustee will withdraw from the 2008 Loan Debt Service Fund and transfer to the 2008 Loan Principal Account an amount equal to the principal payments becoming due and payable on the 2008 Loan for the next six month period, whether by reason of maturity, or prepayment, as set forth in a Written Certificate of the Successor Agency which shall be final and conclusive, or otherwise, to the extent monies on deposit in the Redevelopment Obligation Retirement Fund are available therefor. No such transfer and deposit need be made to the 2008 Loan Principal Account if the amount contained therein is at least equal to the principal payments to become due in such six month period on all the 2008 Loan. Subject to this Indenture, all moneys in the 2008 Loan Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal payments of the 2008 Loan as it becomes due and payable pursuant to this Indenture pursuant to Written Certificates of the Successor Agency directing such payment and delivered at least two Business Days prior to the date of such payments.

Section 4.5 Rebate Fund. The Trustee shall establish the Rebate Fund and the Successor Agency shall comply with the requirements below. 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 and the applicable Tax Certificate, unless the Successor Agency obtains an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes if such requirements are not satisfied.

(a) Excess Investment Earnings

(i) Computation. Within 55 days of the end of each fifth Computation Year with respect to the Bonds, the Successor 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 exception of Section 148(f)(4)(B) and the construction expenditure exception of Section 148(f)(4)(C) of the Code), for this purpose treating the last day of the applicable Computation Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the "Rebatable Arbitrage"). The Successor Agency shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Transfer. Within 55 days of the end of each fifth Computation Year with respect to the Bonds, upon the written direction of an authorized officer, an amount shall be deposited to the Rebate Fund by the Trustee from any legally available funds, including the other funds and accounts established herein, so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this Section 4.5(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 receipt of a Written Certificate of the Successor Agency, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the Debt Service Fund.

(iii) Payment to the Treasury. The Successor Agency shall direct the Trustee in writing to pay to the United States Treasury, out of amounts in the Rebate Fund.

(X) Not later than 60 days after the end of (A) the fifth Computation Year with respect to the Bonds, and (B) each applicable fifth Computation Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Computation Year; and

(Y) Not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Computation Year, and any income attributable to the Rebatable 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 Successor Agency shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source, including the other funds and accounts established herein, equal to such deficiency in the Rebate Fund prior to the time such payment is due. Each payment required to be made pursuant to this Subsection 4.5(a)(iii) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T prepared by the Successor Agency, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Bonds and the payments described in Section 4.5(a)(iii), shall be transferred by the Trustee to the Successor Agency at the written direction of the Successor Agency and utilized in any manner by the Successor Agency.

(c) Survival of Defeasance. Notwithstanding anything in this Section 4.5 or this Indenture to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of the Bonds and any Parity Bonds.

(d) Trustee Responsible. The Trustee shall have no obligations or responsibilities under this Section other than to follow the written directions of the Successor Agency. The Trustee shall have no responsibility to make any calculations of rebate or to independently review or verify such calculations.

ARTICLE V

OTHER COVENANTS OF THE SUCCESSOR AGENCY

Section 5.1 Covenants of the Successor Agency. As long as the Bonds or any Parity Bonds are Outstanding and unpaid, the Successor Agency shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants, undertakings and provisions contained in this Indenture or in any Bond issued hereunder, including the following covenants and agreements for the benefit of the Bondowners which are necessary, convenient and desirable to secure the Bonds and the Parity Bonds and will tend to make them more marketable; provided, however, that the covenants do not require the Successor Agency to expend any funds other than the Pledged Tax Revenues and with respect to the 2008 Loan, 2008 Loan Revenues:

Covenant 1. Use of Proceeds; Management and Operation of Properties. The Successor Agency covenants and agrees that the proceeds of the sale of the Bonds will be deposited and used as provided in this Indenture and that it will manage and operate all properties owned by it comprising any part of the Project Area in a sound and businesslike manner.

Covenant 2. No Priority. The Successor Agency covenants and agrees that it will not issue any obligations payable, either as to principal or interest, from the Pledged Tax Revenues which have any lien upon the Pledged Tax Revenues prior or superior to the lien of the Bonds and Parity Bonds. Except as permitted by Section 3.4 hereof, it will not issue any obligations, payable as to principal or interest, from the Pledged Tax Revenues, which have any lien upon the Pledged Tax Revenues on a parity with the Bonds authorized herein. Notwithstanding the foregoing, nothing in this Indenture shall prevent the Successor Agency (i) from issuing and selling pursuant to law, refunding obligations payable from and having any lawful lien upon the Pledged Tax Revenues, if such refunding obligations are issued for the purpose of, and are sufficient for the purpose of, refunding all of the Outstanding Bonds or Parity Bonds, (ii) from issuing and selling obligations which have, or purport to have, any lien upon the Pledged Tax Revenues which is junior or subordinate to the Bonds or (iii) from issuing and selling bonds or other obligations which are payable in whole or in part from sources other than the Pledged Tax Revenues. As used herein "obligations" includes, without limitation, bonds, notes, interim certificates, debentures or other obligations.

Covenant 3. Punctual Payment. The Successor Agency covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds, Parity

Bonds and the 2008 Loan on the date, at the place and in the manner provided in the Bonds, Parity Bonds and the 2008 Credit Agreement. Further, it will take all actions required under the Dissolution Act to include on the Recognized Obligation Payment Schedule for each six-month period all payments to the Trustee to satisfy the requirements of Section 4.2 of this Indenture and the 2008 Credit Agreement, including any amounts required under the Indenture and to replenish the Reserve Account of the Debt Service Fund to the full amount of the Reserve Requirement.

Covenant 4. Payment of Taxes and Other Charges. The Successor Agency covenants and agrees that it will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments or other governmental charges which may lawfully be imposed upon the Successor Agency or any of the properties then owned by it in the Project Area, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials and supplies which if unpaid might become a lien or charge upon any of the properties, revenues or income or which might impair the security of the Bonds or Parity Bonds or the use of Pledged Tax Revenues or other legally available funds to pay the principal of and interest on the Bonds, all to the end that the priority and security of the Bonds and Parity Bonds shall be preserved; provided, however, that nothing in this covenant shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of the payment.

Covenant 5. Books and Accounts: Financial Statements. The Successor Agency covenants and agrees that it will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Redevelopment Project and the Tax Revenues and other funds relating to the Redevelopment Project. The Successor Agency will prepare within one hundred eighty (180) days after the close of each of its Fiscal Years a complete financial statement or statements for such year, in reasonable detail covering the Tax Revenues and other funds, accompanied by an opinion of an Independent Certified Public Accountant appointed by the Successor Agency, and will furnish a copy of the statement or statements to the Trustee and any rating agency which maintains a rating on the Bonds and, upon written request, to any Bondowner. The Trustee shall have no duty to review the Successor Agency's financial statements. The Successor Agency's financial statements may be included as part of the City's Comprehensive Annual Financial Report.

Covenant 6. Eminent Domain Proceeds. The Successor Agency covenants and agrees that if all or any part of the Redevelopment Project Area should be taken from it without its consent, by eminent domain proceedings or other proceedings authorized by law, for any public or other use under which the property will be tax exempt, it shall take all steps necessary to adjust accordingly the base year property tax roll of the Project Area.

Covenant 7. Disposition of Property. The Successor Agency covenants and agrees that it will not dispose of more than ten percent (10%) of the land area in the Project Area (except property shown in the Redevelopment Plan in effect on the date this Indenture is adopted as planned for public use, or property to be used for public streets, public offstreet parking, sewage facilities, parks, easements or right-of-way for public utilities, or other similar uses) to public bodies or other persons or entities whose property is tax exempt, unless such disposition will not result in Pledged Tax Revenues to be less than the amount required for the issuance of Parity Bonds as provided in Section 3.4, based upon the Report of an Independent Financial Consultant appointed by the Successor Agency.

Covenant 8. Protection of Security and Rights of Bondowners. The Successor Agency covenants and agrees to preserve and protect the security of the Bonds and any Parity Bonds and the rights of the Bondowners and to contest by court action or otherwise (a) the assertion by any officer of any government unit or any other person whatsoever against the Successor Agency that (i) the Act or the Dissolution Act is unconstitutional or (ii) that the Pledged Tax Revenues pledged under this Indenture cannot be paid to the Successor Agency for the debt service on the Bonds and any Parity Bonds or (b) any other action affecting the validity of the Bonds or diluting the security for the Bonds or any Parity Bonds, including, with respect to the Pledged Tax Revenues, the senior lien position of the Bonds and any Parity Bonds to the Tax Sharing Agreements.

Covenant 9. Tax Covenants. The Successor Agency covenants and agrees to contest by court action or otherwise any assertion by the United States of America or any departments or agency thereof that the interest received by the Bondowners is includable in gross income of the recipient under federal income tax laws on the date of issuance of the Bonds. 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 Bonds will not be adversely affected for federal income tax purposes, the Successor 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:

(1) Private Activity. The Successor Agency will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other monies or property which would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(2) Arbitrage. The Successor Agency will make no use of the proceeds of the Bonds 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 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(3) Federal Guaranty. The Successor Agency will make no use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(4) Information Reporting. The Successor 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;

(5) Hedge Bonds. The Successor Agency will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause either any Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Successor 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 Bonds for federal income tax purposes; and

(6) Miscellaneous. The Successor Agency will take no action or refrain from taking any action inconsistent with its expectations stated in that certain Tax Certificate executed by the Successor Agency in connection with each issuance of Bonds and will

comply with the covenants and requirements stated therein and incorporated by reference herein.

Covenant 10. Compliance with Dissolution Act. The Successor Agency covenants that in addition to complying with the requirements of Covenant 3, it will comply with all other requirements of the Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Successor Agency with its covenants hereunder. Further, it will take all actions required under the Dissolution Act to include scheduled debt service on the Bonds, any Parity Bonds and on the 2008 Loan, as well as any amount required under this Indenture to replenish the respective subaccounts of the Reserve Account of the Debt Service Fund, in Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds, any Parity Bonds and the 2008 Loan coming due in the respective six-month period in accordance with their terms. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest under this Indenture and any Supplemental Indenture and the 2008 Credit Agreement when the next property tax allocation is projected to be insufficient to pay all obligations due under this Indenture, any Supplemental Indenture and the 2008 Credit Agreement for the next payment due thereunder and hereunder in the following six-month period.

Covenant 11. Limitation on Indebtedness. The Successor Agency covenants and agrees that it has not and will not incur any loans, obligations or indebtedness repayable from Pledged Tax Revenues such that the total aggregate debt service on said loans, obligations or indebtedness incurred from and after the date of adoption of the Redevelopment Plan, when added to the total aggregate debt service on the Bonds, Parity Bonds and the 2008 Loan, will exceed the maximum amount of Pledged Tax Revenues and 2008 Loan Revenues. The Successor Agency shall file annually with the Trustee on or prior to August 1 of each year a Written Certificate of the Successor Agency certifying that Pledged Tax Revenues received by the Successor Agency through the date of the certificate combined with the amount remaining to be paid on all outstanding obligations of the Successor Agency will not exceed the Plan Limit. To the extent it does, all Pledged Tax Revenues will be deposited in an escrow account up to the full amount of remaining Annual Debt Service on the Bonds and Parity Bonds and applied to the Debt Service Fund in accordance with this Indenture or any Supplemental Indenture.

Covenant 12. Further Assurances. The Successor Agency covenants and agrees to 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 Owners of the rights and benefits provided in this Indenture.

Covenant 13. Continuing Disclosure. The Successor Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Indenture, failure of the Successor Agency to comply

with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any participating underwriter, holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

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 man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Successor 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 Successor Agency has knowledge that the Trustee has ceased to be eligible in accordance with subsection (e) of this Section, or has become incapable of acting, or has been adjudged as bankrupt or insolvent, or a receiver of the Trustee or its property has been appointed, or any public officer shall have taken 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 written notice of such removal by the Successor Agency to the Trustee, whereupon the Successor Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving prior written notice of such resignation to the Successor 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 Successor 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 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner 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 Successor Agency and to its predecessor Trustee a written acceptance thereof, and thereupon 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 at the Written Request of the Successor 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 Successor Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming 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 Successor Agency shall mail, with a copy to the Successor Trustee, a notice of the succession of such Trustee to the trusts hereunder to each rating agency which then has a current rating on the Bonds and to the Owners at their respective addresses shown on the Registration Books. If the Successor Agency fails to mail such notice within 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 Successor Agency. Notwithstanding any other provisions of this Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed.

(e) Every successor Trustee appointed under the provisions of this Indenture shall be a trust company or bank in good standing authorized to exercise trust powers or having the powers of a trust company and duly authorized to exercise trust powers within the State having a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such bank 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 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) The Trustee shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

(g) Before taking any action under Article VIII or this Section 6.1 at the request or direction of the Owners, the Trustee may require that an indemnity bond satisfactory to the Trustee be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or its willful misconduct in connection with any action so taken.

Section 6.2 Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank 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 Successor 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 negligence or willful misconduct. 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 in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith 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 in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon 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 Trust 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 thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee pursuant to Section 5.1 and may rely conclusively on the certificates accompanying such financial statements to establish the Successor Agency's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Pledged Tax Revenues into the Redevelopment Obligation Retirement Fund and the investment and application of moneys on deposit in the Redevelopment Obligation Retirement Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

(f) No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder.

(g) The Trustee may execute any of the trust or powers hereof and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

(h) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(i) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

Section 6.4 Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, 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, counsel of or to the Successor Agency, with regard to legal questions, and, in the absence of 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.

The Trustee shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is established to the satisfaction of the Trustee.

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 Written Certificate of the Successor 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 Written Certificate, but in its discretion the Trustee may, 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 of report of any Independent Accountant or Independent Redevelopment Consultant appointed by the Successor 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 at all reasonable times during regular business hours upon reasonable notice to the inspection of the Successor Agency and any Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 6.6 Compensation and Indemnification. The Successor Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under this Indenture and also all reasonable 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. Upon the occurrence of an Event of Default, the Trustee shall have a first lien on the Pledged Tax Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all fees, costs and expenses, including reasonable 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 hereof.

The Successor Agency further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense, 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 and those of its attorneys and advisors of defending against any claim of liability, 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 Successor Agency under this section shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

Section 6.7 Investment of Moneys in Funds and Accounts. Subject to the provisions of Article V hereof, all moneys held by the Trustee in the Debt Service Fund, 2008 Loan Debt Service Fund, Costs of Issuance Fund or the Rebate Fund, shall, at the written direction of the Successor Agency, be invested only in Permitted Investments. If the Trustee receives no written directions from the Successor Agency as to the investment of moneys held in any Fund or Account, the Trustee shall request such written direction from the Successor Agency and, pending receipt of instructions, shall invest such moneys solely in Permitted Investments described in subsection (b) of the definition thereof.

(a) Moneys in the Redevelopment Obligation Retirement Fund shall be invested by the Successor Agency only in obligations permitted by the Law which will by their terms mature not later than the date the Successor Agency estimates the moneys represented by the particular investment will be needed for withdrawal from the Redevelopment Obligation Retirement Fund.

(b) Moneys in the Interest Account and the Principal Account of the Debt Service Fund and the 2008 Loan Debt Service Fund shall be invested only in obligations which will by their terms mature on such dates as to ensure that before each interest and principal payment date, there will be in such account, from matured obligations and other moneys already in such account, cash equal to the interest and principal payable on such payment date.

(c) Moneys in the Reserve Account shall be invested in (i) obligations which will by their terms mature on or before the date of the final maturity of the Bonds or five (5) years from the date of investment, whichever is earlier 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.

(d) Moneys in the Rebate Fund shall be invested in Defeasance Securities which mature on or before the date such amounts are required to be paid to the United States.

Obligations purchased as an investment of moneys in any of the Funds or Accounts shall be deemed at all times to be a part of such respective Fund or Account and the interest accruing thereon and any gain realized from an investment shall be credited to such Fund or Account and any loss resulting from any authorized investment shall be charged to such Fund or Account without liability to the Trustee. The Successor Agency or the Trustee, as the case may be, shall sell or present for redemption any obligation purchased whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such Fund or Account as required by this Indenture and shall incur no liability for any loss realized upon such a sale. All interest earnings received on any monies invested in the 2014 Bonds Interest Account, 2014 Bonds Principal Account or 2014 Bonds Reserve Account, to the extent they exceed the amount required to be in such Accounts, shall be transferred on each Interest Payment Date to the Debt Service Fund. All interest earnings

received on any monies invested in the 2008 Loan Interest Account or 2008 Loan Principal Account, to the extent they exceed the amount required to be in such Accounts, shall be transferred on each Interest Payment Date to the 2008 Loan Debt Service Fund. All interest earnings on monies invested in the Rebate Fund shall be retained in such Fund and applied as set forth in Section 4.6. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 6.7. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 6.7 hereof. The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Successor Agency periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

The value of Permitted Investments shall be determined as follows: (i) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; (ii) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; (iii) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and (iv) as to any investment not specified above: the value thereof established by prior agreement between the Successor Agency and the Trustee. If more than one provision of this definition of "value" shall apply at any time to any particular investment, the value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment; provided, notwithstanding the foregoing, in making any valuations hereunder, the Trustee may utilize and conclusively rely upon such pricing services as may be regularly available to it, including, without limitation, those within its regular accounting system.

Section 6.8 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 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 held by it established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Successor Agency at reasonable hours and under reasonable circumstances with reasonable prior notice. The Trustee shall furnish to the Successor Agency, at least quarterly, an accounting of all transactions made by the Trustee in the form of its regular account statements relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to this Indenture.

Section 6.9 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 banking corporations 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 or Successor Agency appoint an additional individual or institution as a separate co-trustee. The following provisions of this Section 6.9 are adopted to these ends.

In the event that the Trustee or Successor Agency appoint 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 to exercise such powers, rights and remedies, and every covenant an 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 Successor Agency be required by the separate trustee or co-trustee so appointed by the Trustee or Successor Agency 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 Successor 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.

In addition to the appointment of a co-trustee hereunder, the Trustee may, at the expense and with the prior written consent of the Successor Agency, appoint any agent of the Trustee in California for the purpose of administering the transfers or exchanges of Bonds or Parity Bonds or for the performance of any other responsibilities of the Trustee hereunder.

Section 6.10 [TBD]

ARTICLE VII

MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 7.1 Amendment Without Consent of Owners. This Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Owners or Union Bank, to the extent permitted by law and any for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Successor Agency in this Indenture contained, other covenants and agreements thereafter to be observed or to limit or surrender any rights or power herein reserved to or conferred upon the Successor 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 Successor 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; or

(c) to provide for the issuance of Parity Bonds pursuant to Section 3.4, and to provide the terms and conditions under which such Parity Bonds may be issued, including but not limited to the establishment of funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 3.4; or

(d) to amend any provision hereof relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any of the Bonds, in the opinion of nationally-recognized bond counsel.

Section 7.2 Amendment With Consent of Owners; Union Bank. (a) Except as set forth in Section 7.1, this Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (i) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premiums (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, (ii) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (iii) without its written consent thereto, modify any of the rights or obligations of the Trustee, or (iv) without its written consent thereto, modify any of the rights of Union Bank or provisions with respect to the 2008 Loan.

(b) Except as set forth in Section 7.1, this Indenture and the rights and obligations of the Successor Agency and of Union Bank with respect to the Union Bank Provisions may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of Union Bank is filed with the Trustee. No such modification or amendment shall (i) materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds except as provided under Sections 7.1 or 7.2(a) hereof, or (ii) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Section 7.3 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.

Section 7.4 Endorsement or Replacement of Bonds After Amendment. After the effective date of any amendment or modification hereof pursuant to this Article VII, the Successor Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Successor Agency, as to such amendment or modification and in that case upon

demand of the Successor Agency, the Owners of such Bonds shall present such Bonds for that purpose at the Trust 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 Successor 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 Successor Agency, the Owners of the Bonds shall present such Bonds for exchange at the Trust Office of the Trustee, without cost to such Owners.

Section 7.5 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 7.6 Opinion of Counsel. The Trustee shall be provided an opinion of counsel that any such Amendment or Supplemental Indenture entered into by the Successor Agency and the Trustee complies with the provisions of this Article VII and the Trustee may conclusively rely upon such opinion.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

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

(a) if default shall be made in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond or Parity Bonds or the 2008 Loan when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements (including default by the obligor on any underlying agreement) or conditions on its part in this Indenture or in the Bonds contained or with respect to any Parity Bonds or the 2008 Loan, other than a default described in the preceding clause (a), and such default shall have continued for a period of 30 days following receipt by the Successor Agency of written notice from the Trustee or any Owner of the occurrence of such default; or

(c) if the Successor Agency shall commence a voluntary action under Title 11 of the United States Code or any substitute or successor statute;

(d) if any Parity Bonds or the 2008 Loan shall have been accelerated following default with respect thereto in accordance with their terms.

If an Event of Default has occurred and is continuing, the Trustee may, or if requested in writing by the Owners of the majority in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, the Trustee shall, by written notice to the Successor Agency, (a) declare the principal of the Bonds and Parity 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, and (b) upon receipt of indemnity to its satisfaction 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, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds and/or Parity 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 (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Successor Agency, and 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 and Parity Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds and Parity Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid interest on the Bonds and Parity 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 and Parity 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 Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds and any Parity Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds and Parity 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 Parity Bonds, and the reasonable fees and expenses of the Trustee, including but not limited to attorneys fees, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds and Parity 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 at least a majority in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds and Parity 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.

Upon the occurrence of an event of default, the Trustee may, with the consent of a majority of the Holders of Bonds and Parity Bonds, by written notice to the Successor Agency, declare the principal of the Bonds and Parity Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds and Parity Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Bonds or Parity Bonds to the contrary notwithstanding.

Application of Funds Upon Acceleration. All of the Pledged 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 in the order following, upon presentation of the several Bonds and/or Parity Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in this Article VIII, including reasonable compensation to its agents, attorneys and counsel including all sums owed the Trustee pursuant to Section 6.6 herein; and

Second, subject to Section 4.3(d) hereof relating to parity payments of the 2008 Loan, to the payment of the whole amount then owing and unpaid upon the Bonds, Parity Bonds and 2008 Loan for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds, Parity Bonds and 2008 Loan (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, Parity Bonds and 2008 Loan, then to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest or any Bond, Parity Bonds or 2008 Loan over any other Bond, Parity Bonds or 2008 Loan.

Section 8.2 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 or upon the request of the Owners of a majority in principal amount of the Bonds and Parity Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds and Parity 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 and Parity Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 8.3 Limitation on Owner's Right to Sue. No Owner of any Bond or Parity Bonds 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 and Parity 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, including a writ of mandamus 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 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 any remedy hereunder; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provisions of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds and Parity Bonds.

The right of any Owner of any Bond or any Parity Bonds to receive payment of the principal of (and premium, if any) and interest on such Bond or Parity 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 8.4 Non-waiver. Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds or Parity Bonds, shall affect or impair the obligation of the Successor Agency, which is absolute and unconditional, to pay from the Pledged Tax Revenues and other amounts pledged hereunder, the principal of and interest and redemption premium (if any) on the Bonds and Parity Bonds to the respective Owners on the respective Interest Payment Dates, 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 and Parity 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 Owners by the Dissolution Act or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Owners, the Successor Agency and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 8.5 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 or Parity Bonds, as applicable, 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, provided the Trustee shall have no duty or obligation to enforce any such right or remedy if it has not been indemnified to its satisfaction from loss, liability or any expense including, but not limited to reasonable fees and expenses of its attorneys.

Section 8.6 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 by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Benefits Limited to Parties. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Successor Agency, the Trustee, and the registered Owners of the Bonds or any Parity Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and

on behalf of the Successor Agency shall be for the sole and exclusive benefit of the Successor Agency, the Trustee, and the registered Owners of the Bonds and any Parity Bonds, as applicable.

Section 9.2 Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture either the Successor 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 Successor 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 Discharge of Indenture. If the Successor Agency shall pay and discharge the entire indebtedness on all Bonds and Parity Bonds or any portion thereof in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on all Outstanding Bonds and/or Parity Bonds, including all principal, interest and redemption premiums, (if any), or;

(ii) by irrevocably depositing with the Trustee, 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, is fully sufficient to pay all Outstanding Bonds and/or Parity Bonds, including all principal, interest and redemption premiums (if any), or,

(iii) by irrevocably depositing with the Trustee, in trust, Defeasance Securities in such amount as an Independent Certified Public Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds and/or Parity Bonds (including all principal, interest and redemption premiums, if any) at or before maturity and notwithstanding that any Bonds and Parity Bonds shall not have been surrendered for payment, the pledge of the Pledged Tax Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the Successor Agency under this Indenture with respect to all Outstanding Bonds and/or Parity Bonds shall cease and terminate, except only (a) the obligation of the Trustee to transfer and exchange Bonds or Parity Bonds hereunder and (b) the obligation of the Successor Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees, expenses and costs of the Trustee. 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 Successor Agency. To accomplish defeasance, the Successor Agency shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds and/or Parity Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement, (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds and/or Parity Bonds are no longer "Outstanding" under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the Bonds and/or Parity Bonds and/or Parity Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Successor Agency.

Bonds and any Parity Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

Section 9.4 Execution of Documents and Proof of Ownership by Owners. Any request, 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 provided by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond or Parity Bond shall bind all future Owners of such Bond or Parity Bond in respect of anything done or suffered to be done by the Successor 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 and Parity Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds or Parity Bonds which are owned or held by or for the account of the Successor Agency or the City (but excluding Bonds or Parity 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 and Parity Bonds which the Trustee knows to be so owned or held shall be disregarded.

Section 9.6 Waiver of Personal Liability. No member, officer, agent or employee of the Successor Agency shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds and Parity 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 Trustee of any Bonds or Parity Bonds which have been paid or canceled pursuant to the provisions of this Indenture, the Trustee shall destroy such Bonds and Parity Bonds and upon written request of the Successor Agency, provide the Successor Agency a certificate of destruction. The Successor Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds and Parity Bonds therein referred to.

Section 9.8 Notices. Any notice, request, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by first class mail, postage prepaid, or sent by telegram or facsimile, addressed as follows:

If to the Successor Agency: Successor Agency to the Garden Grove Agency for
Community Development
460 N. Euclid Avenue
Garden Grove, CA91786
Attention: Executive Director

If to the Trustee: U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attention: Linda Verstuyft, Vice President
Ref. Successor Agency to the Garden Grove Agency for
Community Development, Garden Grove Community
Project Tax Allocation Refunding Bonds, Issue of 2014

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 Successor Agency hereby declares that it would have adopted 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. If, by reason of the judgment of any court, the Trustee is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Trustee hereunder shall, pending appointment of a successor Trustee in accordance with the provisions of Section 6.1 hereof, be assumed by and vest in the Finance Officer of the Successor Agency in trust for the benefit of the Owners that the Finance Officer in such case shall be vested with all of the rights and powers of the Trustee hereunder, and shall assume all of the responsibilities and perform all of the duties of the Trustee hereunder, in trust for the benefit of the Bondowners, pending appointment of a successor Trustee in accordance with the provisions of Section 6.1 hereof.

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 and Parity Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium (if any) 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 or Parity Bonds have become payable, shall be repaid by the Trustee to the Successor Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall

look only to the Successor Agency for the payment of the principal of and interest and redemption premium (if any) on such Bonds and/or Parity 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.

Section 9.13 Payments Due on Other Than a Business Day. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment, with no interest accruing for the period from and after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided therefore in this Indenture.

ARTICLE X

MATTERS RELATED TO THE BOND INSURER

[RESERVED]

IN WITNESS WHEREOF, the SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, has caused this Indenture to be signed in its name by its Chair and attested by its Secretary, and U.S. Bank 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 hereunto duly authorized, all as of the day and year first above written.

SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

By: _____
Its: Chair

ATTEST:

By: _____
Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Its: Authorized Officer

Acknowledged and Accepted With Respect to
the Union Bank Provisions only:

UNION BANK N.A.

By: _____
Its: Authorized Officer

EXHIBIT A
(FORM OF BOND)

No. R-__

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
(COUNTY OF LOS ANGELES)

SUCCESSOR AGENCY TO THE
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT
GARDEN GROVE COMMUNITY PROJECT
TAX ALLOCATION REFUNDING BOND, ISSUE OF 2014

| Interest Rate | Maturity Date | Dated Date | CUSIP |
|----------------------|----------------------|-------------------|--------------|
| _____% | _____ 1, 20__ | _____, 2014 | _____ |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: _____ DOLLARS

The SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California (the "Successor Agency"), for value received hereby promises to pay to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above (subject to any right of prior redemption hereinafter provided for), the Principal Sum stated above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond, unless (i) this Bond is authenticated on an interest payment date, in which event it shall bear interest from such date of authentication, or (ii) this Bond is authenticated prior to an interest payment date and after the close of business on 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 (iii) this Bond is authenticated on or before September 15, 2014, in which event it shall bear interest from the Dated Date stated 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 has previously been paid or made available for payment on this Bond, until payment of such Principal Sum in full, at the rate per annum stated above, payable semiannually on April 1 and October 1 in each year (each an "interest payment date"), commencing April 1, 2014, calculated on the basis of a 360-day year composed of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable upon presentation and surrender of this Bond at the corporate trust office of U.S. Bank National Association, as trustee (the "Trustee"). Interest hereon (including the final interest payment upon maturity or earlier redemption) is payable by check of the Trustee mailed on the interest payment date by first class mail to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books maintained

by the Trustee at the close of business on the Record Date next preceding such interest payment date; provided, however, that upon the written request of any Registered Owner of at least \$1,000,000 in principal amount of Bonds received by the Trustee at least fifteen (15) days prior to such Record Date, payment shall be made by wire transfer in immediately available funds to an account in the United States designated by such Owner.

This Bond is one of a duly authorized issue of Bonds of the Successor Agency designated as "Successor Agency to the Garden Grove Agency for Community Development Garden Grove Community Project Tax Allocation Refunding Bonds, Issue of 2014" (the "Bonds"), in an aggregate principal amount of _____ Million _____ Dollars (\$[Bond Amount]), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, maturities, interest rates or redemption and other provisions) and all issued pursuant to the provisions of the Refunding Bond Act, being Article II (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), and pursuant to a resolution of the Successor Agency adopted _____, 2014, and a resolution adopted by the Oversight Board (as defined in the Indenture) on _____, 2014, and an Indenture of Trust, dated as of April 1, 2014, entered into by and between the Successor Agency and the Trustee (the "Indenture"), authorizing the issuance of the Bonds. Additional bonds, notes or other obligations may be issued on a parity with the Bonds, but only subject to the terms of the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Successor Agency) and all indentures supplemental thereto and to the Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Pledged Tax Revenues, as that term is defined in the Indenture, and the rights thereunder of the registered owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Successor Agency thereunder, to all of the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Successor Agency to refund the Prior Agency's (as defined in the Indenture) previously issued \$52,075,000 aggregate initial principal amount, 2003 Tax Allocation Refunding Bonds, (Garden Grove Community Project) (the "2003 Bonds").

The Bonds are special obligations of the Successor Agency and are payable from, and are secured by a pledge of and lien on the Pledged Tax Revenues derived by the Successor Agency from the Project Area (as that term is defined in the Indenture), subject to application of such funds to the 2008 Loan (as such term is defined in the Indenture) and otherwise in accordance with the Indenture.

There has been created and will be maintained by the Successor Agency the Redevelopment Obligation Retirement Fund (as defined in the Indenture) into which Pledged Tax Revenues shall be deposited and transferred to the Trustee for deposit into the Debt Service Fund (as defined in the Indenture) from which the Trustee shall pay the principal of and the interest and redemption premium, if any, on the Bonds when due. As and to the extent set forth in the Indenture, all such Pledged Tax Revenues are exclusively and irrevocably pledged to and constitute a trust fund for, in accordance with the terms hereof and the provisions of the Indenture and the Law, the security and payment or redemption of, including any premium upon early redemption, and for the security and payment of interest on, the Bonds, any additional bonds, notes or other obligations, authorized by the Indenture to be issued on a parity therewith. In addition, the Bonds (and, if the indenture authorizing any loans, advances or indebtedness issued on a parity with the Bonds shall so provide, any such loan, advance or indebtedness) shall be additionally secured at all times by a first and exclusive pledge of and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the

Principal Account and the Reserve Account (as such terms are defined in the Indenture). Except for the Pledged Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium, if any, on the Bonds.

The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as set forth in the Indenture.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may 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.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 each and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the corporate trust office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new fully registered 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 Successor Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Successor Agency and the Trustee shall not be affected by any notice to the contrary.

The rights and obligations of the Successor Agency and the registered 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 extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided herein of any Bond without the express written consent of the registered owner of such Bond, reduce the percentage of Bonds required for the written consent to any such amendment or modification or, without its written consent thereto, modify any of the rights or obligations of the Trustee.

This Bond is not a debt of the City of Garden Grove, the State of California, or any of its political subdivisions (except the Successor Agency), and none of said City, said State, nor any of its political subdivisions (except the Successor Agency) is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than those of the Successor Agency as set forth in the Indenture. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

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 and manner as required by the Law and the

laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Successor Agency, does not exceed any limit prescribed by the 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 shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Successor Agency to the Garden Grove Agency for Community Development has caused this Bond to be executed in its name and on its behalf with the facsimile signatures of its Executive Director and its Secretary, all as of the Dated Date.

SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

By: _____
Executive Director

By: _____
Secretary

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

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

Authentication Date: _____, 2014

U.S. Bank National Association,
as Trustee

By: _____
Authorized Officer

LEGAL OPINION

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

Secretary of the Successor Agency to the Garden
Grove Agency for Community Development

STATEMENT OF INSURANCE

(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-registered Bond and hereby irrevocably constitute(s) and appoint(s) _____
_____ attorney, to transfer the same on the
bond register of the Trustee with full power of substitution in the premises.

Dated: _____

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.

Signature Guaranteed:

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

NEW ISSUE—BOOK-ENTRY

Rating:
(See "Rating")

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2014 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2014 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2014 Bonds. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$ _____ *

**SUCCESSOR AGENCY TO THE
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT
GARDEN GROVE COMMUNITY PROJECT
TAX ALLOCATION REFUNDING BONDS,
ISSUE OF 2014**

Dated: Delivery Date

Due: October 1, as shown on the inside front cover

Purpose of the 2014 Bonds. The above-captioned bonds (the "2014 Bonds") are being issued by the Successor Agency to the Garden Grove Agency for Community Development (the "Successor Agency") for the purpose of refunding and defeasing an outstanding issue of Garden Grove Agency for Community Development, 2003 Tax Allocation Refunding Bonds (Garden Grove Community Project) which were issued by the former Garden Grove Agency for Community Development (the "Prior Agency") in the aggregate original principal amount of \$57,025,000 (the "2003 Bonds").

Book-Entry. The 2014 Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in integral multiples of \$5,000, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the 2014 Bonds. Principal of, premium if any, and semiannual interest on the 2014 Bonds due April 1 and October 1 of each year, commencing October 1, 2014, will be payable by U.S. Bank National Association, as Trustee, to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the 2014 Bonds (see "THE 2014 BONDS—Book-Entry System"). See "THE 2014 BONDS."

Redemption. The 2014 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their scheduled maturity. See "THE 2014 BONDS - Redemption."

Security for the 2014 Bonds. The 2014 Bonds are secured by and payable from "Pledged Tax Revenues." Pledged Tax Revenues generally consist of property Pledged Tax Revenues to be derived from the Garden Grove Community Project (the "Project Area") which are deposited into the Redevelopment Property Tax Trust Fund (as described more fully in this Official Statement), less unsubordinated contractual and statutory pass-through obligations. See "SECURITY FOR THE 2014 BONDS." The receipt of Pledged Tax Revenues is subject to certain risks and limitations. See "SECURITY FOR THE 2014 BONDS" and "RISK FACTORS."

Bond Insurance. [to come, if any]

Existing Parity Obligations. The Successor Agency has previously entered into an agreement with Union Bank N.A., formerly known as Union Bank of California, N.A., which is payable from the Pledged Tax Revenues in a manner which is functionally on parity with the 2014 Bonds. See "SECURITY FOR THE 2014 BONDS – 2008 Loan."

Future Senior and Parity Obligations. The Indenture prohibits the Successor Agency from issuing bonds that are payable from Pledged Tax Revenues on a senior basis to the 2014 Bonds. The Indenture authorizes the Successor Agency to issue Additional Parity Bonds payable from Pledged Tax Revenues on a parity basis to the 2014 Bonds.

Cover is a Summary. This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the 2014 Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain risk factors more fully described in this Official Statement. See "RISK FACTORS".

Limited Obligations. The 2014 Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, from Pledged Tax Revenues and other funds described in this Official Statement. The 2014 Bonds, interest and premium, if any, are not a debt of the City of Garden Grove (the "City"), the County of Orange (the "County"), the State of California (the "State") or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency is liable for payment of the 2014 Bonds. The 2014 Bonds, related interest and premium, if any, are not payable out of any funds or properties other than those set forth in the Indenture. Neither the members of the Successor Agency, the Oversight Board, the County Board of Supervisors nor any persons executing the 2014 Bonds are liable personally on the 2014 Bonds.

The 2014 Bonds are offered, when, as and if issued, subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Los Angeles, California, Bond Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel. Certain legal matters will be passed on for the Successor Agency by the City Attorney and for the Underwriter by Orrick, Herrington & Sutcliffe, Los Angeles, California, Underwriter's Counsel. It is anticipated that the 2014 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2014.

Mitsubishi UFJ Securities

The date of this Official Statement is _____, 2014.

* Preliminary; subject to change.

MATURITY SCHEDULE

\$ _____
SUCCESSOR AGENCY TO THE
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT
GARDEN GROVE COMMUNITY PROJECT
TAX ALLOCATION REFUNDING BONDS,
ISSUE OF 2014

| <u>Maturity Date</u> (October 1) | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP[†]</u> (Base ____) |
|-------------------------------------|-----------------------------------|--------------------------------|--------------|--------------|---|
|-------------------------------------|-----------------------------------|--------------------------------|--------------|--------------|---|

[†] Copyright 2014, CUSIP Global Services, and a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the Successor Agency nor the Underwriter assumes any responsibility for the accuracy of the CUSIP data.

**SUCCESSOR AGENCY TO THE
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT
GARDEN GROVE, CALIFORNIA**

CITY COUNCIL

Bruce Broadwater, *Mayor*
Dina Nguyen, *Mayor Pro Tem*
Steve Jones, *Council Member*
Christopher Phan, *Council Member*
Kris Beard, *Council Member*

CITY/SUCCESSOR AGENCY STAFF

Matthew J. Fertal, *Director/City Manager*
Kingsley C. Okereke, *Finance Director*
William Murray, *Director of Public Works*

SPECIAL SERVICES

Financial Advisor

Springsted Incorporated
Woodland Hills, California

Bond Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Fiscal Consultant

HdL Coren & Cone
Diamond Bar, California

Trustee

U.S. Bank National Association
Los Angeles, California

Verification Agent

[to come]

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2014 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2014 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or the Project Area since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2014 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2014 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market price of the 2014 Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2014 Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the 2014 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Website. The City maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

[INSERT AREA MAP]

OFFICIAL STATEMENT

\$ _____ *

**SUCCESSOR AGENCY TO THE
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT
GARDEN GROVE COMMUNITY PROJECT
TAX ALLOCATION REFUNDING BONDS,
ISSUE OF 2014**

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the Garden Grove Agency for Community Development (the “**Successor Agency**”) of the captioned bonds (the “**2014 Bonds**”).

Authority for Issuance

The 2014 Bonds are being issued pursuant to the Constitution and laws of the State of California (the “**State**”), including the Community Redevelopment Law, Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the “**Redevelopment Law**”), and an Indenture of Trust dated as of April 1, 2014, between the Successor Agency and U.S. Bank National Association, as trustee (the “**Trustee**”). See “THE 2014 BONDS – Authority for Issuance.”

Purpose

The 2014 Bonds are being issued to refund and defease the outstanding Garden Grove Agency for Community Development, 2003 Tax Allocation Refunding Bonds (Garden Grove Community Project) which were issued by the Prior Agency in the aggregate original principal amount of \$57,025,000 (the “**Refunded Bonds**”).

The City and the Successor Agency

City. The City of Garden Grove (the “**City**”) encompasses approximately 17 square miles. As of January 1, 2013, the City had a population of approximately 173,075. The City is located in Orange County approximately 40 miles southeast of the downtown area of the City of Los Angeles. Incorporated on June 18, 1956, the City operates as a general law city under California law. The City has a council-manager form of government, with the Mayor elected at large for a two-year term and four Council members elected at large for four-year terms. The City Council acts as the governing board of the Successor Agency. See “Appendix F – Supplemental Information – City of Garden Grove and County of Orange.”

* Preliminary; subject to change.

Prior Agency. The Garden Grove Agency for Community Development (the "**Prior Agency**") was activated on November 20, 1970, by an ordinance of the City Council, at which time the City Council declared itself to be the governing board of the Prior Agency.

Dissolution Act. On June 29, 2011, Assembly Bill No. 26 ("**AB X1 26**") was enacted together with a companion bill, Assembly Bill No. 27 ("**AB X1 27**"). The provisions of AB X1 26 provided for the dissolution of all redevelopment agencies. The provisions of AB X1 27 permitted redevelopment agencies to avoid such dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. The California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 ("**AB 1484**"), enacted as Chapter 26, Statutes of 2012 (as amended from time to time, the "**Dissolution Act**").

Successor Agency. Pursuant to Section 34173 of the Dissolution Act, the City made an election to act as the successor agency to the Prior Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity and legal entity from the City, that the two entities shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City.

The Redevelopment Plan and the Project Area

The Garden Grove Community Project consists of several component areas resulting from a series of actions by the City Council of the City, including the project area (the "**Original Project Area**") as originally established pursuant to 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. The Garden Grove Community Project has been amended on a variety of occasions between 1974 and 2002. Several of these amendments expanded the Project Area. The Project Area, as so amended, consisting of several component areas, including the 1992 Area, the 1998 Area and the 2002 Area (as combined, the "**Project Area**"), includes approximately 1,975.4 acres. The Project Area is comprised of industrial, residential, commercial and public uses.

See "THE PROJECT AREA" for additional information on land use and property ownership within the Project Area.

Tax Allocation Financing

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that

the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies receiving property taxes thereafter received only that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion of property taxes produced by applying then current tax rates to the increase in valuation over the base year. Such incremental Pledged Tax Revenues allocated to a redevelopment agency were authorized to be pledged to the payment of redevelopment agency obligations.

The Dissolution Act authorizes the issuance of refunding bonds, including the 2014 Bonds, to be secured by a pledge of, and lien on, Pledged Tax Revenues created by the Indenture. The 2014 Bonds are further secured by a pledge and lien created by Section 34177.5(g) of the Dissolution Act on monies deposited from time to time in the Redevelopment Property Tax Trust Fund (the "**Redevelopment Property Tax Trust Fund**") which is held by the County Auditor-Controller with respect to the Successor Agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. See "SECURITY FOR THE 2014 BONDS."

Successor agencies have no power to levy property taxes and must rely on the allocation of taxes as described above. See "RISK FACTORS."

Security for the 2014 Bonds

The Dissolution Act requires the Orange County Auditor-Controller (the "**County Auditor-Controller**") to determine the amount of property taxes that would have been allocated to the Prior Agency had the Prior Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same lien priority and legal effect as if the 2014 Bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedule (see "SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedule").

The Dissolution Act further provides that bonds to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the 2014 Bonds, are taxes allocated to the Successor Agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax increment revenues under the Redevelopment Law, as described in the foregoing paragraph.

The term "Pledged Tax Revenues" is generally defined under the Indenture to mean the portion of the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established under the Dissolution Act that are equal to that portion of taxes levied upon taxable property in the Project Area and received by the Successor Agency on or after the date

of issue of the 2014 Bonds, within the Plan Limitations (as hereinafter defined). The term "Pledged Tax Revenues" includes the following:

- (a) all payments, subventions and reimbursements (if any) to the Successor 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 Bonds as shall be specified in the proceedings for such Parity Bonds, 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.

The term "Pledged Tax Revenues" excludes the following:

- (i) all amounts of such taxes which are payable to entities other than the Successor Agency under 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 Successor Agency have not subordinated their right to receive payments,
- (ii) except as set forth above, all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund in any fiscal year under Section 33334.3 of the Redevelopment Law, and
- (iii) amounts, if any, payable by the State of California to the Successor Agency under 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 of California.

See "SECURITY FOR THE 2014 BONDS – Additional Parity Bonds."

Existing Parity Obligations

The Successor Agency has not issued any notes, bonds or other obligations which are payable from and secured by a pledge of and lien on the Pledged Tax Revenues on parity with the 2014 Bonds. However, the Successor Agency has previously entered into a Credit Agreement with Union Bank N.A. (formerly known as Union Bank of California, N.A.), which is payable from Pledged Tax Revenues on a basis which is functionally on a parity with the 2014 Bonds. See "SECURITY FOR THE 2014 BONDS – 2008 Loan" below.

Additional Parity Bonds

The Successor Agency is authorized by the Indenture to issue bonds in the future ("**Additional Parity Bonds**") that would be payable from and secured by Pledged Tax Revenues on parity with the 2014 Bonds, subject to certain conditions. See "SECURITY FOR THE 2014 BONDS – Additional Parity Bonds."

Together, the 2014 Bonds and any Additional Parity Bonds are referred to in this Official Statement as "**Bonds**."

Reserve Account

The Successor Agency will fund a debt service reserve account for the benefit of the 2014 Bonds. See "SECURITY FOR THE 2014 BONDS – Reserve Account."

Limited Obligation

The 2014 Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, from Pledged Tax Revenues and other funds. The 2014 Bonds, interest and premium, if any, are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency are liable for the payment of the 2014 Bonds. The 2014 Bonds, related interest and premium, if any, are not payable out of any funds or properties other than those set forth in the Indenture. No member of the Successor Agency, the Oversight Board, the County Board of Supervisors or any person executing the 2014 Bonds is liable personally on the 2014 Bonds by reason of their issuance.

Professionals Involved in the Offering

Springsted Incorporated, of Woodland Hills, California, has served as financial advisor to the Successor Agency and has advised the Successor Agency with respect to the financial structure of the refinancing and as to other financial aspects of the transaction. *Payment of the fees and expenses of the financial advisor is contingent upon the sale and delivery of the 2014 Bonds.*

HdL Coren & Cone, Diamond Bar, California, has acted as fiscal consultant to the Successor Agency (the "**Fiscal Consultant**") and advised the Successor Agency as to the taxable values and Pledged Tax Revenues projected to be available to pay debt service on the 2014 Bonds as referenced in this Official Statement. The report prepared by the Fiscal Consultant (the "**Fiscal Consultant's Report**") is attached to this Official Statement as Appendix G.

U.S. Bank National Association, Los Angeles, California, will act as trustee with respect to the 2014 Bonds.

All proceedings in connection with the issuance of the 2014 Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Los Angeles, California, Bond Counsel to the Successor Agency. Jones Hall, A Professional Law Corporation, Newport Beach, California, is Disclosure Counsel. The City Attorney and Successor Agency Counsel will render certain opinions on behalf of the Successor Agency. Certain legal matters will be passed on for the Underwriter by Orrick, Herrington & Sutcliffe, Los Angeles, California. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the sale and delivery of the 2014 Bonds.*

Further Information

Brief descriptions of the Redevelopment Law, the Dissolution Act, the 2014 Bonds, the Indenture, the Successor Agency, the Prior Agency, the County and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or

definitive. All references herein to the Redevelopment Law, the Dissolution Act, the 2014 Bonds, the Indenture, the Constitution and the laws of the State as well as the proceedings of the Prior Agency, the Successor Agency, the County and the City are qualified in their entirety by reference to such documents and laws. References herein to the 2014 Bonds are qualified in their entirety by the form included in the Indenture and by the provisions of the Indenture. During the period of the offering of the 2014 Bonds, copies of the forms of all documents are available from the City Clerk, City of Garden Grove, 11222 Acacia Parkway, Garden Grove, California 92840.

REFUNDING PLAN

Estimated Sources and Uses of Funds

The estimated sources and uses of funds are summarized below.

Sources:

Principal Amount of 2014 Bonds
Plus: Prior Reserve Fund
Less: Underwriter's Discount
[Plus: Original Issue Premium/Less: Original Issue Discount]
Total Sources

Uses:

2003 Bonds Escrow Fund
Reserve Account
Costs of Issuance⁽¹⁾
Total Uses

-
- (1) Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Financial Advisor, Fiscal Consultant, Trustee, Successor Agency Counsel, [municipal bond insurance and surety reserve bond premium], printing expenses, rating fee and other costs related to the issuance of the 2014 Bonds.

Refunding of the 2003 Bonds

The 2003 Bonds are currently subject to redemption on any date. Pursuant to such redemption provision, the Successor Agency intends to call the 2003 Bonds for redemption on June __, 2014 (the "**Redemption Date**"), 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.

Pursuant to an Escrow Agreement dated as of April 1, 2014 (the "**Escrow Agreement**"), between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "**Escrow Agent**"), the Successor Agency will deliver a portion of the proceeds of the 2014 Bonds to the Escrow Agent for deposit in an escrow fund established under the Escrow Agreement (the "**2003 Bonds Escrow Fund**"). The Escrow Agent will hold amounts deposited in the 2003 Bonds Escrow Fund either in the United States Treasury securities set forth in the Escrow Agreement or uninvested. From the moneys on deposit in the 2003 Bonds Escrow Fund, the Escrow Agent will pay, on the Redemption Date, the outstanding principal amount of the 2003 Bonds and accrued interest to the redemption date (without premium).

Sufficiency of the deposits in the 2003 Bonds Escrow Fund for those purposes will be verified by _____, as verification agent (the "**Verification Agent**"). See "VERIFICATION OF MATHEMATICAL ACCURACY." Assuming the accuracy of the verification agent's computations, as a result of the deposit and application of funds as provided in the 2003 Bonds Escrow Fund, the Successor Agency's obligations under the Indenture related to the 2003 Bonds will be discharged.

The amounts held and invested, if invested, by the Escrow Agent in the 2003 Bonds Escrow Fund are pledged solely to the payment of amounts coming due and payable with respect to the 2003 Bonds. Neither the funds deposited in the 2003 Bonds Escrow Fund nor interest on the invested funds, if any, will be available for the payment of debt service with respect to the 2014 Bonds.

Debt Service Schedule

The following table shows the annual debt service schedule for the 2014 Bonds and the outstanding 2008 Loan.

**Table 1
Debt Service Schedule***

| Bond Year Ending Oct. 1 | 2008 Loan(1) | 2014 Bonds Principal | 2014 Bonds Interest | 2014 Bonds Total | Total Debt Service |
|------------------------------------|-------------------------|---------------------------------|--------------------------------|-----------------------------|-------------------------------|
| 2014 | \$5,101,594 | | | | |
| 2015 | 4,892,438 | | | | |
| 2016 | 4,683,281 | | | | |
| 2017 | 4,474,125 | | | | |
| 2018 | 4,264,969 | | | | |
| 2019 | 4,055,813 | | | | |
| 2020 | 3,846,656 | | | | |
| 2021 | | | | | |
| 2022 | | | | | |
| 2023 | | | | | |
| 2024 | | | | | |
| 2025 | | | | | |
| 2026 | | | | | |
| 2027 | | | | | |
| 2028 | | | | | |
| 2029 | | | | | |
| Total⁽²⁾ | | | | | |

* Preliminary; subject to change.
 (1) Calculated at an assumed interest rate of ____%.

THE 2014 BONDS

Authority for Issuance

The 2014 Bonds were authorized for issuance pursuant to the Indenture, the Redevelopment Law and the Dissolution Act. The issuance of the 2014 Bonds and the Indenture were authorized by the Successor Agency pursuant to Resolution No. 18-13 adopted on November 12, 2013, as corrected (the "**Resolution**"), and by the Oversight Board for the Successor Agency pursuant to Resolution No. 27-13 adopted on November 13, 2013, as corrected (the "**Oversight Board Resolution**").

Pursuant to the Dissolution Act, written notice of the Oversight Board Resolution was provided to the State Department of Finance (the "**DOF**"), which requested a review of the Oversight Board Resolution. The DOF provided a letter dated February 21, 2014 to the Successor Agency stating that based on the DOF's review and application of the law, the Oversight Board Resolution approving the 2014 Bonds is approved by the DOF.

Section 34177.5 of the Dissolution Act provides that when, as here, a successor agency issues refunding bonds with the approval of the oversight board and the Department of Finance, the oversight board may not unilaterally approve any amendments to or early termination of the 2014 Bonds, and the scheduled payments on the 2014 Bonds shall be listed in the Recognized Obligation Payment Schedule and are not subject to further review and approval by the Department of Finance or the California State Controller.

Description of the 2014 Bonds

The 2014 Bonds will be issued and delivered as one fully-registered Bond in integral multiples of \$5,000 for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, as registered owner of all Bonds. The initially executed and delivered Bonds will be dated the date of delivery (the "**Delivery Date**") and mature on October 1 in the years and in the amounts shown on the inside cover page of this Official Statement.

Interest on the 2014 Bonds will be calculated on the basis of 30-day months and a 360-day year at the rates shown on the inside cover page of this Official Statement, payable semiannually on April 1 and October 1 in each year, commencing on October 1, 2014, by check mailed to the registered owners or upon the request of the Owners of \$1,000,000 or more in principal amount of Bonds, by wire transfer to an account in the United States which shall be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the Interest Payment Date.

One fully-registered certificate will be issued for each maturity of the 2014 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX C – Book-Entry Only System."

Optional Redemption

The 2014 Bonds maturing on or before October 1, 2024, are not subject to optional redemption prior to maturity. The 2014 Bonds maturing on or after October 1, 2025, are subject to redemption, at the option of the Successor Agency on any date on or after October 1, 2024, as a whole, or in part among such maturities as shall be determined by the Successor 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.

Mandatory Sinking Account Redemption

The 2014 Bonds maturing on October 1, _____ are subject to redemption prior to their stated maturity, in part by lot, from sinking account installments deposited in the 2014 Bonds Principal Account, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, without premium, according to the following schedule:

| Redemption Date (October 1) | Principal Amount To be Redeemed |
|--------------------------------|------------------------------------|
|--------------------------------|------------------------------------|

If some but not all of such 2014 Bonds have been redeemed, the total amount of all future mandatory sinking account payments attributable to such 2014 Bonds shall be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such mandatory sinking account payments on a pro rata basis in integral multiples of \$5,000 as determined by the Successor Agency (written notice of which determination shall be given by the Successor Agency to the Trustee)

Notice of Redemption

The Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail, postage prepaid) notice of any redemption at least 30 but not more than 60 days prior to the redemption date, to (i) the Owners of any 2014 Bonds designated for redemption at their respective addresses appearing on the Registration Books, (ii) the Securities Depositories and to the Municipal Securities Rulemaking Board; *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 the 2014 Bonds or the cessation of the accrual of interest thereon.

Notice of redemption of the 2014 Bonds (other than notice of mandatory sinking account redemption described above and other than notice that refers to 2014 Bonds which are the subject of an advance refunding) shall be given only if sufficient funds have been deposited with the Trustee to pay the redemption price of the 2014 Bonds to be redeemed. Such notice shall state the redemption date and the redemption price, shall designate the CUSIP number of the 2014 Bonds to be redeemed, shall state the individual number of each 2014 Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) unless all 2014 Bonds within a maturity have been called, or shall state that all of the outstanding 2014 Bonds of one or more maturities are to be redeemed, and shall require that such 2014 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 2014 Bonds to be redeemed will not accrue from and after the date fixed for redemption.

Selection of Bonds for Redemption

In the event only a portion of any 2014 Bond is called for redemption, then upon surrender thereof the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new 2014 Bond or Bonds of the same interest rate and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2014 Bond to be redeemed

Conditional Notice

With respect to any notice of optional redemption of the 2014 Bonds, such notice may state that redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the redemption price of the 2014 Bonds to be redeemed and upon other conditions set forth therein and that, if such moneys have not been so received and such other conditions shall not have been satisfied, the redemption notice will be of no force and effect and the Trustee shall not be required to redeem the 2014 Bonds. If any condition stated in the redemption notice for an optional redemption has not been satisfied on or prior to the redemption date: (i) the redemption notice shall be of no force and effect; (ii) the Successor Agency will not be required to redeem such 2014 Bonds; (iii) the redemption will not be made; and (iv) the Trustee will within a reasonable time thereafter give notice to the persons in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

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 2014 Bonds so called for redemption have been deposited with the Trustee, such 2014 Bonds will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest will accrue thereon from and after the redemption date specified in such notice.

THE DISSOLUTION ACT

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Prior Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Prior Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized to be issued by the Successor Agency will be considered indebtedness incurred by the Prior Agency, with the same lien priority and legal effect as if the 2014 Bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedule (see "SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedule").

The Dissolution Act further provides that bonds authorized by the Dissolution Act to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid

from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property Pledged Tax Revenues pledged to any bonds authorized to be issued by the Successor Agency under the Dissolution Act, including the 2014 Bonds, are taxes allocated to the Successor Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution and as provided in the Redevelopment Plan, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "**taxing agencies**") after the effective date of the ordinance approving the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable, are to be divided as follows:

(a) To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable (each, a "**base year valuation**"), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) To the Prior Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the Plan Limitations following the Delivery Date, when collected will be paid into a special fund of the Successor Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Prior Agency or the Successor Agency to finance or refinance the redevelopment projects of the Prior Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from paragraph (b) above.

SECURITY FOR THE 2014 BONDS

The County Auditor-Controller will deposit property Pledged Tax Revenues into the Redevelopment Property Tax Trust Fund pursuant to the requirements of the Health and Safety Code, including *inter alia* Health and Safety Code section 34183 and 34170.5(b). The 2014 Bonds are payable from and secured by the Pledged Tax Revenues to be derived from the Project Area.

Pledge Under the Indenture

The 2014 Bonds are equally secured by a pledge of, security interest in, and lien on all of the Pledged Tax Revenues, and a pledge of all of the moneys in the Redevelopment Obligation Retirement Fund which has been established under Health & Safety Code Section 34170.5(a) and which is administered by the Successor Agency (the "**Redevelopment Obligation Retirement Fund**"), and all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account and the Reserve Account therein) which is established under the Indenture. See "APPENDIX A – Summary of Certain Provisions of the Indenture."

The pledge of the Pledged Tax Revenues is on a parity with the pledge to any Additional Parity Bonds that may be issued in the future. See "- Additional Parity Bonds" below. In addition, the application of the Pledged Tax Revenues to make payments of principal of and interest on the 2014 Bonds is functionally on a parity with the application of Pledged Tax Revenues to make payments of principal of and interest on the 2008 Loan. See "-2008 Loan" below.

Pledged Tax Revenues

The term "Pledged Tax Revenues" is generally defined under the Indenture to mean the portion of the monies deposited from time to time in the Redevelopment Property Tax Trust Fund established under the Dissolution Act that are equal to that portion of taxes levied upon taxable property in the Project Area and received by the Successor Agency on or after the date of issue of the 2014 Bonds, within the Plan Limitations (as hereinafter defined). The term "Pledged Tax Revenues" includes the following:

- (a) all payments, subventions and reimbursements (if any) to the Successor 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 Bonds as shall be specified in the proceedings for such Parity Bonds, 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.

The term "Pledged Tax Revenues" excludes the following:

- (i) all amounts of such taxes which are payable to entities other than the Successor Agency under 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 Successor Agency have not subordinated their right to receive payments,

- (ii) except as set forth above, all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund in any fiscal year under Section 33334.3 of the Redevelopment Law, and
- (iii) amounts, if any, payable by the State of California to the Successor Agency under 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.

In accordance with the Dissolution Act, the 2014 Bonds and other Parity Bonds are payable from and secured by, and Pledged Tax Revenues shall include, moneys deposited, from time to time, in the Redevelopment Property Tax Trust Fund.

If, and to the extent, that the provisions of Section 34170.5, Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution.

2008 Loan

The Prior Agency has previously entered into a Credit Agreement dated as of June 2, 2008 (the "**Credit Agreement**"), with Union Bank of California, N.A. (formerly known as Union Bank of California, N.A.) (the "**Bank**"), under which the Bank agreed to make a loan to the Prior Agency which is currently outstanding in the aggregate principal amount of \$_____ (the "**2008 Loan**"). The bank has agreed by written consent dated January 30, 2014 ("**Union Bank Consent**"), that the 2008 Loan, the Bonds and Parity Bonds shall be payable on a parity basis under the Indenture for purposes of the payment provisions set forth in the Indenture. The Credit Agreement, along with the Union Bank Consent, is referred to herein as the "**2008 Credit Agreement**." The 2008 Loan is payable from "**2008 Loan Revenues**", being moneys available and designated by the Successor Agency for payment of the 2008 Loan pursuant to the Dissolution Act, the Redevelopment Law and the 2008 Loan Credit Agreement from moneys deposited in the Redevelopment Property Tax Trust Fund to pay the 2008 Loan.

If the amount of Pledged Tax Revenues received is at any time insufficient to enable the Successor Agency to pay the full amount of debt service then due and payable on the 2014 Bonds and the 2008 Loan, a portion of the Pledged Tax Revenues which is held by the Trustee will be applied to make a portion of the debt service on the 2008 Loan such that the net amounts paid with respect to the 2014 Bonds and the 2008 Loan are proportionately the same. The 2008 Loan is functionally on a parity with the 2014 Bonds with respect to the application of Pledged Tax Revenues to pay debt service on the 2014 Bonds and the 2008 Loan. See "Table 1 – Debt Service Schedule" below for the remaining payments due on the 2008 Loan.

Additional Parity Bonds

In addition to the 2014 Bonds, the Successor Agency is authorized by the Indenture to issue bonds in the future ("**Additional Parity Bonds**") that would be payable from and secured by Pledged Tax Revenues on parity with the 2014 Bonds, for the purpose of refunding any 2014

Bonds or Parity Bonds, all or any portion of the 2008 Loan, or for the purpose of financing the McWhinney DDA Obligation, subject to the following conditions:

- (a) The Successor Agency is in compliance with all covenants set forth in the Indenture and the 2008 Credit Agreement;
- (b) The Oversight Board has approved the issuance of such Parity Bonds if and to the extent required by the Dissolution Act;
- (c) the Parity Bonds will be on such terms and conditions as may be set forth in a separate or Supplemental Indenture, which will provide for (i) bonds or other obligations substantially in accordance with the Indenture, such that the Parity Bonds are secured on a parity basis with the 2014 Bonds by Pledged Tax Revenues and funds and accounts pledged hereunder or, with respect to a refunding of the 2008 Loan such that the related Parity Bonds are payable on the same basis as the 2008 Loan is payable under the Indenture or otherwise in such form as may be approved by the Successor Agency so long as the parity payment provisions of the Indenture applicable to the 2008 Loan are made applicable thereto, and (ii) no Reserve Account deposit shall be required for the issuance of Parity Bonds to refund in whole or in part the 2008 Loan or to fund the McWhinney DDA Obligation, but a separate reserve account may be so funded to secure the related issue of the Parity Bonds;
- (d) Receipt of a Report of an Independent Financial Consultant (as such terms are defined in the Indenture) stating:
 - (i) For the current and each future Bond Year the Annual Debt Service for each such Bond Year with respect to all Bonds and Additional Parity Bonds reasonably expected to be outstanding following the issuance of such Additional Parity Bonds and 2008 Loan debt service;
 - (ii) For the then current Fiscal Year, the Pledged Tax Revenues to be received by the Successor Agency based upon the most recently certified assessed valuation of taxable property in the Project Area provided by the appropriate officer of the County;
 - (iii) For each future Fiscal Year, the Pledged Tax Revenues referred to in item (ii) together with (a) the amount determined in accordance with Section 51(a) of the California Revenue and Taxation Code and (b) the amount of Pledged Tax Revenues to be payable with respect to construction completed but not yet on the tax rolls, and taking into account the expiration of the time to receive Pledged Tax Revenues with respect to any portion of the Project Area and any amounts to be paid pursuant to the Pass Through Agreements and the Tax Sharing Statutes; and
 - (iv) That for the then current Fiscal Year, the Pledged Tax Revenues referred to in item (ii) and for each future Fiscal Year the Pledged Tax Revenues referred to in item (iii) are at least equal to the sum of 150% of the Maximum Annual Debt Service with respect to amounts

referred to in item (i) above , and, for the then current Fiscal Year, 100% of Annual Debt Service with respect to any subordinate or unsecured debt (inclusive of the 2008 Loan) and that the Successor Agency is entitled under the Dissolution Act, the Law and the Redevelopment Plan to receive taxes under Section 33670 of the Law in an amount sufficient to meet expected debt service with respect to all Bonds and any Parity Bonds.

- (e) Except for any obligations issued to refund the 2008 Loan, in whole or in part, which may be payable on the same dates as the 2008 Loan is payable, or on any Interest Payment Date the Parity Bonds will mature on and interest will be payable on the same dates as the 2014 Bonds (except the first interest payment may be from the date of the Parity Bonds until either the next succeeding April 1 or October 1) as the Successor Agency may select) *provided, however*, nothing precludes the Successor Agency from issuing and selling Parity Bonds which do not pay current interest.

The Dissolution Act currently prohibits the Successor Agency from issuing obligations payable from Pledged Tax Revenues except to refinance existing obligations, and to comply with an enforceable obligation pursuant to which the Successor Agency is obligated to issue bonds. Pursuant to such provisions, the Successor Agency anticipates issuing Additional Parity Bonds in the amount of approximately \$42 million for the purpose of financing its obligations with respect to an enforceable obligation contained in the First Amended and Restated Disposition and Development Agreement between the Prior Agency and Garden Grove MXD, LLC dated as of April 13, 2010, as amended. The Successor Agency anticipates issuing such Additional Parity Bonds in the next 2-3 years.

See "APPENDIX A – Summary of Certain Provisions of the Indenture" for additional detail about the issuance of Additional Parity Bonds.

Flow of Funds Under the Indenture

General. The 2014 Bonds are equally secured by a pledge of, security interest in, and lien on all of the Pledged Tax Revenues, and a pledge of all of the moneys in the Redevelopment Obligation Retirement Fund which has been established under Health & Safety Code Section 34170.5(a) and which is administered by the Successor Agency (the "**Redevelopment Obligation Retirement Fund**"), and all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account and the Reserve Account therein) which is established under the Indenture.

The Successor Agency shall deposit all of the Pledged Tax Revenues received in any Bond Year from the Redevelopment Property Tax Trust Fund in accordance with the Dissolution Act in the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency, and promptly thereafter shall transfer amounts therein to the Trustee for deposit in the Debt Service Fund established under the Indenture, until such time that the aggregate amounts on deposit in such Debt Service Fund equal the aggregate amounts required to be deposited into the Interest Account, the Principal Account and the Reserve Account in such Bond Year under the Indenture and for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in any Supplemental Indenture.

The Indenture establishes a special trust fund known as the “**2008 Loan Debt Service Fund**”. The Successor Agency shall deposit all of the 2008 Loan Revenues received in any Bond Year from the RPTTF for payment of the 2008 Loan in accordance with the Dissolution Act in the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency, and promptly thereafter shall transfer amounts therein to the Trustee for deposit in the 2008 Loan Debt Service Fund established and held under the Indenture until such time that the aggregate amounts on deposit in such 2008 Loan Debt Service Fund equal the aggregate amounts required to be deposited into the 2008 Loan Interest Account and the 2008 Loan Principal Account in such Bond Year pursuant to the 2008 Loan Credit Agreement and this Indenture. In no event are Pledged Tax Revenues pledged hereunder to payment of the 2008 Loan.

Transfer of Amounts by the Trustee. Within the Debt Service Fund, the Indenture establishes the Interest Account, the Principal Account and the Reserve Account. Moneys in the Debt Service Fund will be transferred by the Trustee in the following amounts at the following times, for deposit in the following respective accounts within the Debt Service Fund, in the following order of priority:

- (a) Interest Account. On or before the 5th Business Day preceding each Interest Payment Date, the Trustee will withdraw from the Debt Service Fund and transfer to the Interest Account and related account for any Parity Bonds an amount which, when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the outstanding 2014 Bonds and any Parity Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account and related account for any Parity Bonds from the Debt Service Fund if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the outstanding 2014 Bonds and Parity Bonds. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2014 Bonds and Parity Bonds as it becomes due and payable (including accrued interest on any 2014 Bonds redeemed prior to maturity under the Indenture).

- (b) Principal Account. On or before the 5th Business Day preceding each Interest Payment Date beginning October 1, 2014, the Trustee will withdraw from the Debt Service Fund and transfer to the Principal Account and any related account for any Parity Bonds an amount equal to the principal payments becoming due and payable on outstanding 2014 Bonds and Parity Bonds on such October 1, whether by reason of maturity, early call for redemption, mandatory sinking account installments or otherwise, to the extent monies on deposit in the Redevelopment Obligation Retirement Fund are available therefor. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal payments to become due on such October 1 on all outstanding 2014 Bonds and Parity Bonds. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal payments of the 2014 Bonds and Parity Bonds as it becomes due and payable.

- (c) Reserve Account. In the event the moneys on deposit in the Debt Service Fund five Business Days before any Interest Payment Date are less than the full amount of the interest and principal payments required to be deposited, the Trustee will, five Business Days before such Interest Payment Date, withdraw from the Reserve Account (and any subaccount of the Reserve Account created for Parity Bonds, if any) an amount equal to any such deficiency and will notify the Successor Agency of any such withdrawal. Promptly upon receipt of any such notice, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Reserve Account an amount that will be sufficient to maintain the Reserve Requirement and to maintain the Reserve Requirement for Parity Bonds, if any, in on deposit in the Reserve Account, the Reserve Account and the Reserve Account of any Additional Parity Bonds.

So long as the 2008 Loan remains outstanding, Reserve Account shortfalls shall be funded only from the respective subaccount of the Redevelopment Obligation Retirement Fund to which such shortfall is attributable and in no event will Pledged Tax Revenues be applied to replenishment of Reserve Account shortfalls attributable to inadequate 2008 Loan Revenues to fully fund deposits to the 2008 Loan Debt Service Fund. Subject to the preceding sentence, if there is not sufficient moneys in the Redevelopment Obligation Retirement Fund to transfer an amount that, when added to the amount on deposit in the Reserve Account, will be sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Successor Agency will have an obligation to continue making transfers of Pledged Tax Revenues into the Debt Service Fund, as such revenues become available, and thereafter, as moneys become available in the Debt Service Fund, the Trustee will make transfers to the Reserve Account until there is an amount sufficient to maintain the Reserve Requirement on deposit therein. No such transfer and deposit need be made to the Reserve Account so long as there is on deposit therein a sum at least equal to the Reserve Requirement.

Amounts in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account, in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the 2014 Bonds then outstanding, except that so long as the Successor Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Requirement will be withdrawn from the Reserve Account semiannually on or before the 5th Business Day preceding April 1 and October 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the 5th Business Day preceding the final Interest Payment Date will be withdrawn from the Reserve Account and will be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made or, (ii) if the Successor Agency shall have caused to be deposited with the Trustee an amount sufficient to make the deposits required by this Indenture, then at the Written Request of the Successor

Agency such amount shall be transferred as directed by the Successor Agency.

Amounts on deposit in the Reserve Account shall be applied solely to the payment of debt service due on the 2014 Bonds.

Limitations on Pledged Tax Revenues. The Successor Agency's receipt of Pledged Tax Revenues is subject to certain limitations ("**Plan Limitations**") contained in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Successor Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.4 of the Redevelopment Law. As defined in the Indenture, the term "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 Prior Agency (and now the Successor 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 Law, as applicable. See "THE PROJECT AREA."

The Successor Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate, could reduce the amount of Pledged Tax Revenues that would otherwise be available to pay debt service on the 2014 Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "RISK FACTORS."

Limited Obligation

The 2014 Bonds are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State or any of their political subdivisions except the Successor Agency are liable for payment of the 2014 Bonds. The 2014 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. No member of the Successor Agency, the Oversight Board or the Board of Supervisors of the County shall be individually or personally liable for the payment of the principal of or interest or redemption premium (if any) on the 2014 Bonds; but nothing contained in the Indenture relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

Recognized Obligation Payment Schedules

Submission of Recognized Obligation Payment Schedule. Not less than 90 days prior to each to each January 2 and June 1, the Dissolution Act requires successor agencies to prepare, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule (the "**Recognized Obligation Payment Schedule**") pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation.

Payment of Amounts Listed on the Recognized Obligation Payment Schedule. As defined in the Dissolution Act, "**enforceable obligation**" includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or

similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and, under certain circumstances, amounts borrowed from the successor agency's low and moderate income housing fund.

A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the 2014 Bonds for the next payment due in the following six-month period.

Order of Priority of Distributions from Redevelopment Property Tax Trust Fund.

Under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act:

- (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act and no later than each January 2 and June 1, to each local successor agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;
- (ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;
- (iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and
- (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property Pledged Tax Revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

Sources of Payments for Enforceable Obligations. Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the low and moderate income housing fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance (successor agencies are entitled to receive not less than \$250,000, unless that amount is reduced by the oversight board), (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property Pledged Tax Revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue

sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues of the redevelopment agency, as approved by the oversight board).

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by a successor agency and only from the funds specified in the Recognized Obligation Payment Schedule.

Failure to Submit a Recognized Obligation Payment Schedule. The Recognized Obligation Payment Schedule must be approved by the oversight board and must be submitted by a successor agency to the county administrative office, the county auditor-controller, the State Department of Finance, and the State Controller no later than 90 days before the date of the next January 2 or June 1 property tax distribution. If the successor agency does not submit a Recognized Obligation Payment Schedule by the applicable deadline, the Successor Agency may not receive the property Pledged Tax Revenues that it otherwise would have received and the city that established the former redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the successor agency's administrative cost allowance will be reduced by 25% if the successor agency did not submit a Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for the subsequent six-month period. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the 2014 Bonds, see "RISK FACTORS – Recognized Obligation Payment Schedule."

Relevant Covenant by the Successor Agency. The Successor Agency covenants in the Indenture that it will comply with all other requirements of the Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Successor Agency with its covenants under the Indenture. Further, the Successor Agency will take all actions required under the Dissolution Act to include scheduled debt service on the 2014 Bonds, as well as any amount required under the Indenture to replenish the Reserve Account, in Recognized Obligation Payment Schedules for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the 2014 Bonds coming due in the respective six-month period. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and the Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest under the Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under the Indenture for the next payment due in the following six-month period.

Tax Sharing Agreements

As required by the Redevelopment Law as modified by the Dissolution Act, the County Auditor-Controller is responsible for administering all pass through payment calculations and payments. The Dissolution Act further requires that the calculation of pass through amounts be done as it was done prior to January 1, 2011. This means that where the payments are based

on revenue reduced for the Housing Set-Aside Requirement, this reduction is to continue despite the fact that the Housing Set-Aside is no longer required.

Pursuant to Section 33401 of the Redevelopment Law as in effect at the time of adoption of the Original Project Area and the amendments thereto, a redevelopment agency was authorized to enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project area in an amount which in the redevelopment agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provide for a pass-through of tax increment revenue directly to the affected taxing agency, and are called "Tax Sharing Agreements" herein.

The Prior Agency did not enter into any Tax Sharing Agreements in connection with any of the component project areas except for the 1992 Amendment. Within the 1992 Amendment, various Tax Sharing Agreements require payment by the Prior Agency of significant portions of the taxes which would otherwise be allocated and paid to the Prior Agency as described above are required to be paid to certain entities.

Senior Lien Agreements. The Tax Sharing Agreements listed below are treated as having a claim on Pledged Tax Revenues which is senior in right of payment to the 2014 Bonds. Amounts payable under these agreements are excluded from the definition of Tax Revenues. The Fiscal Consultant estimates the amount payable by the Successor Agency for fiscal year 2013-14 at \$4.02 million for the above-listed agreements. See Table 8 herein.

Orange County Taxing Entities - 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 County is required to pay each of these taxing entities 47% of their share of the 1992 Amendment general levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement.

Orange County Vector Control District - This agreement requires the County to construct specified capital improvements in connection with a District facility. The County's obligation to fund the Capital Improvements shall not exceed the amount of the District's share of the 1992 Amendment's general levy portion of Gross Revenues 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 County is obligated to pay to the District 100% of the District's share of the 1992 Amendment's general levy portion of Gross Revenues net of the Housing Set-Aside Requirement and any amounts that the Successor Agency is required by the State Legislature to pay on behalf of schools (ERAF).

County Sanitation District Nos. 2 and 3 - The County is obligated pay to the District 100% of the District's share of the 1992 Amendment's general levy portion of Gross Revenues net of the Housing Set-Aside Requirement and any amounts that the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF).

Garden Grove Unified School District - Pursuant to this agreement and beginning in the 1997-98 fiscal year, the County is required to pay the School District 50% of the School District's share of general levy tax increment generated by the 1992 Amendment 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 any ERAF payments made. In addition to the County's payment of the required portion of the annual tax increment, the Prior Agency or the Successor Agency, as applicable, 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. This amount has been calculated as \$449,945. |

Huntington Beach Union High School District - The District receives 30% of its share of the 1992 Amendment's general levy portion of Gross Revenues plus 100% 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 County shall pay into a Special Fund for the benefit of the District, 50% of the District's share of general levy portion of Gross Revenues from the 1992 Amendment after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF).

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

1. Commencing in fiscal year 1992-93, the County pays the District the greater of 30% of its share of the general levy portion of Gross Revenues plus 100% 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 Successor Agency, the County pays the District the greater of 30% of its share of the general levy portion of Gross Revenues plus 100% 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% of its share of the general levy portion of Gross Revenues plus 100% 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 Successor Agency the District has used its best efforts to bring into operation a Garden Grove satellite campus facility within the City.

An additional provision of the agreement states that notwithstanding any other provision, the Successor Agency's obligation is limited to the amount of the general levy portion of Gross Revenues which would have been received by the District from the 1992 Amendment revenues absent the adoption of the amendment. Subsequent to entering into the tax sharing agreement, the District and the Prior Agency entered into a lease agreement whereby the District was provided leased space at no cost in return for a waiver of payments under the tax sharing agreement. For purposes of the projections, the Fiscal Consultant has shown no payment to the District

Tax Sharing Agreements Subordinate to All Bonded Indebtedness. The agreements listed below under this heading are treated as having a claim on Tax Revenues which is subordinate in right of payment to the 2014 Bonds.

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

Orange County Office of Education - The County shall pay to the Office of Education 30% of its share of the 1992 Amendment's general tax levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition, the District receives 100% 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 Unified School District - The County shall pay to the District 30% of the District's share of the 1992 Amendment's general tax levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition, the District receives 100% 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 County is required pursuant to the tax sharing agreement to pay the District 30% of its share of the 1992 Amendment general levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition the District receives 100% 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 Prior Agency and the District whereby the Prior Agency conveyed a piece of property to the District in exchange for the District's payments. For purposes of the projections, the Fiscal Consultant has 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 County shall pay to the District 30% of the District's share of the 1992 Amendment's general levy portion of Gross Revenues after provision for the Housing Set-Aside Requirement and any amount the Successor Agency is required by the state Legislature to pay on behalf of schools (ERAF). In addition the District receives 100% 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.

Statutory Pass-Through Payments

In certain circumstances, Sections 33607.5 and 33607.7 of the Redevelopment Law require redevelopment agencies and successor agencies to make statutory pass-through payments to taxing agencies whose territory is located within the Project Area, to alleviate the financial burden or detriment caused by the redevelopment project.

The Prior Agency incurred statutory pass-through requirements in the Project Area, which are payable on a senior basis to debt service on the 2014 Bonds. See "THE PROJECT AREA – Statutory Pass Through Requirements."

Housing Set-Aside

Pre-Dissolution Housing Set-Aside Requirement. Before it was amended by the Dissolution Act, the Redevelopment Law required the Prior Agency to set aside not less than 20% of all tax increment generated in the Project Area into a low and moderate income housing fund to be used for the purpose of increasing, improving and/or preserving the supply of low and moderate income housing. These tax increment revenues were commonly referred to as "Housing Set-Aside."

Impact of Dissolution Act. The Dissolution Act eliminates the characterization of certain tax increment revenues as Housing Set-Aside.

Statement of Indebtedness

Pre-Dissolution Statement of Indebtedness Requirement. Prior to adoption of the Dissolution Act, Section 33675 of the Redevelopment Law required the Prior Agency to file not later than the first day of October of each year with the County Auditor-Controller a statement of indebtedness certified by the chief fiscal officer of the Prior Agency for each redevelopment plan which provides for the allocation of taxes (i.e., the Redevelopment Plan). The statement of indebtedness was required to contain the date on which the 2014 Bonds were delivered, the principal amount, term, purposes and interest rate of the 2014 Bonds and the outstanding balance and amount due on the 2014 Bonds. Similar information was required to be given for each loan, advance or indebtedness that the Prior Agency had incurred or entered into which is payable from tax increment. Section 33675 also provided that payments of tax increment revenues from the County Auditor-Controller to the Prior Agency could not exceed the amounts shown on the Prior Agency's statement of indebtedness.

Impact of Dissolution Act. The Dissolution Act eliminates this requirement and provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, the Recognized Obligation Payment Schedule supersedes the statement of indebtedness previously required under the Redevelopment Law, and commencing from such date, the statement of indebtedness will no longer be prepared nor have any effect under the Redevelopment Law.

PROPERTY TAXATION IN CALIFORNIA

Property Tax Collection Procedures

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

Generally, *ad valorem* taxes are collected by a county (the "Taxing Authority") for the benefit of the various entities (e.g., cities, schools and special districts) that share in the *ad valorem* tax (each a taxing entity) and successor agencies eligible to receive distributions from the respective Redevelopment Property Tax Trust Funds.

Collections. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer, (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (iii) filing a certificate of delinquency for record in the county recorder's office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

Penalty. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default by operation of law and declaration of the tax collector on or about June 30 of each fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date.

Delinquencies. The valuation of property is determined as of the January 1 lien date as equalized in August of each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent August 31.

Supplemental Assessments. California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments

for up to 14 months. This statute provides increased revenue to the Redevelopment Property Tax Trust Fund to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Area, Pledged Tax Revenues may increase.

Property Tax Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property Pledged Tax Revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. The County charged the Successor Agency \$268,696 for fiscal year 2012-13 under SB 2557.

In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property Pledged Tax Revenues before monies are deposited into the Redevelopment Property Tax Trust Fund.

The County's administrative charge to the Successor Agency, together with certain charges relating to the dissolution of the Prior Agency, was \$5,676 for the January 2014 distribution from the Redevelopment Property Tax Trust Fund. In addition, an amount of \$18,965 was deducted from the RPTTF for payment of State Controller's Office invoices for audit and oversight.

The County deducts the administrative charges from the property tax revenue that would otherwise be allocated to the Successor Agency, as permitted by Section 34183 of the Dissolution Act.

Statutory Pass-Through Amounts. The Prior Agency triggered an obligation to make statutory pass-through payments (see "THE PROJECT AREA – Statutory Pass Through Requirements.")

Recognized Obligation Payment Schedule. See "SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedule" and "RISK FACTORS – Recognized Obligation Payment Schedule."

County Property Tax Collection Procedures

The Orange County Auditor-Controller allocates tax increment revenue based on collections and does not utilize the alternative allocation method known as the Teeter Plan. Therefore, property Pledged Tax Revenues in the Project Area reflect actual collections. See "PLEGGED TAX REVENUES – Historic Assessed Value and Pledged Tax Revenues" for historical collection information.

Unitary Property

Assembly Bill ("AB") 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-

wide as follows: (i) each tax rate area will receive that same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro-rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro-rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

AB 454 (Statutes of 1987, Chapter 921) further modified Chapter 1457 regarding the distribution of Pledged Tax Revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

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 allocated an aggregate total of \$832,801 of unitary tax revenue to the Project Area for 2012-13. For purposes of the projection shown on Table 7, the Fiscal Consultant has assumed that the aggregate amount of unitary revenue for 2012-13 will continue to be allocated to the Project Area in the same amount for the life of the projection.

Article XIII A of the State Constitution

Article XIII A limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" of such property, as determined by the county assessor. Article XIII A defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value,' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." Furthermore, the "full cash value" of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Article XIII A (i) exempts from the 1% tax limitation taxes to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain additional *ad valorem* taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased Pledged Tax Revenues.

The validity of Article XIII A has been upheld by both the California Supreme Court and the United States Supreme Court.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms "purchase" and "change of ownership," for the purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. This amendment to Article XIII A may reduce the rate of growth of local property Pledged Tax Revenues.

Proposition 60 amended Article XIII A to permit the Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence assessed value to the new residence. As a result of the Legislature's action, the growth of property Pledged Tax Revenues may decline.

Legislation enacted by the Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

Appropriations Limitation - Article XIII B

Article XIII B limits the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The "base year" for establishing such appropriations limit is the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Redevelopment Law provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by a redevelopment agency of proceeds of taxes levied by or on behalf of a redevelopment agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions. On the basis of these decisions, the Successor Agency has not adopted an appropriations limit.

Proposition 87

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the State Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on certain bonded indebtedness issued by a taxing entity (not the Prior Agency or the Successor Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies.

Appeals of Assessed Values

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the County Assessment Appeals Board (the "**Appeals Board**"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor's Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. Appeals for reduction in the "base year" value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for "ongoing hardship" in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property Pledged Tax Revenues from which Pledged Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted.

See "THE PROJECT AREA" for information regarding historical and pending appeals of assessed valuations by property owners in the Project Area.

Proposition 8

Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions under this code section may be initiated by the County Assessor or requested by the property owner.

After a roll reduction is granted under this code section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

For a summary of the recent history of Proposition 8 reductions in the Project Area, see "THE PROJECT AREA – Historical Assessed Values."

The Successor Agency cannot guarantee that reductions undertaken by the County Assessor or requested by a property owner pursuant to Proposition 8 will not in the future reduce the assessed valuation of property in the Project Area and, therefore, Pledged Tax Revenues that secure the 2014 Bonds.

Propositions 218 and 26

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIC and XIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the "Supermajority Vote to Pass New Taxes and Fees Act." Proposition 26 amended Article XIIC of the California Constitution by adding an expansive definition for the term "tax," which previously was not defined under the California Constitution.

Pledged Tax Revenues securing the 2014 Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and Proposition 26.

Future Initiatives

Article XIIA, Article XIIB, Article XIIC and Article XIID and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Successor Agency revenues or the Successor Agency's ability to expend revenues.

THE SUCCESSOR AGENCY TO THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT

The Prior Agency was established pursuant to the Redevelopment Law and, upon activation, the City Council declared itself to be the governing board of the Prior Agency.

As described in "INTRODUCTORY STATEMENT," the Dissolution Act dissolved the Prior Agency as of February 1, 2012. Thereafter, pursuant to Section 34173 of the Dissolution Act, the City Council of the City became the Successor Agency to the Prior Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City.

The Successor Agency is governed by the City Council of the City of Garden Grove.

Successor Agency Powers

All powers of the Successor Agency are vested in its five members who are elected members of the City Council. Pursuant to the Dissolution Act, the Successor Agency is a separate public body from the City and succeeds to the organizational status of the Prior Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Successor Agency is tasked with expeditiously winding down the affairs of the Prior Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, substantially all Successor Agency actions are subject to approval by the Oversight Board, as well as review by the State Department of Finance. California has strict laws regarding public meetings (known as the Ralph M. Brown Act), which generally make all Successor Agency and Oversight Board meetings open to the public in similar manner as City Council meetings.

THE PROJECT AREA

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 the adoption dates and the names by which such component areas are referred to herein.

| <u>Component Area</u> | <u>Adoption Date</u> | <u>Referred to As</u> | <u>Base Years</u> |
|---------------------------------------|----------------------|----------------------------------|-------------------|
| Garden Grove Community Project | June 26, 1973 | Original Project | 1972-73 |
| 1974 Amendment Area | July 9, 1974 | 1974 Amendment | 1973-74 |
| Trask Avenue Project | November 25, 1975 | Trask | 1975-76 |
| 1976 Amendment Area | November 29, 1976 | 1976 Amendment | 1976-77 |
| Brookhurst/Chapman Project | March 21, 1977 | Brookhurst/Chapman | 1976-77 |
| Brookhurst/Katella Project | February 21, 1978 | Brookhurst/Katella | 1977-78 |
| 1979 Amendment Area | October 16, 1979 | 1979 Amendment | 1979-80 |
| 1981 Amendment ⁽¹⁾ | June 9, 1981 | 1981 Amendment | 1980-81 |
| 1992 Amendment Area | July 14, 1992 | 1992 Amendment | 1991-92 |
| 1998 Amendment Area | December 8, 1998 | 1998 Amendment | 1998-99 |
| 2002 Amendment Area (Added Territory) | July 9, 2002 | 2002 Amendment (Added Territory) | 2001-02 |

The Project Area consists of approximately 1,975 acres and is made up of a number of contiguous and non-contiguous parcels located throughout the City and includes commercial, industrial, housing and public land uses including the City's civic center.

Original Project and 1974 Amendment. The first redevelopment project area was created with the adoption of the Redevelopment Plan for Community Project No. 1 in June 1973. One year later in 1974, following the renaming of the redevelopment agency to the Garden Grove Agency for Community Development, the Redevelopment Plan was amended to include within the project area, twelve non-contiguous parts located throughout the City representing the community's need for redevelopment at that time.

Trask. A second redevelopment project area was designed in 1975, and in December of that year, the Redevelopment Plan for the Trask Avenue Project was adopted by the City Council. The Trask Avenue Project included former State excess property located along the Garden Grove Freeway between Brookhurst Street and Magnolia Street.

1976 Amendment. On November 29, 1976, the City Council approved and adopted a second amendment to the Redevelopment Plan for the Community Project. This amendment included the addition of approximately 100 acres to the Community Center portion of the project area, added several new areas throughout the community, and connected, by way of public streets, all the previously non-contiguous portion of the project area. A total of 78 acres of land was also amended out of the Community Project.

Brookhurst/Chapman. A third redevelopment project area was formally adopted in March 1977, with the approval and adoption of the Redevelopment Plan for the

Brookhurst/Chapman Project. This project area is located on the north side of Chapman Avenue between Brookhurst Street and Gilbert Street, and includes the area previously known as Orange County Plaza, one of the first shopping centers in Orange County.

Brookhurst/Katella. A fourth redevelopment project area was adopted on February 21, 1978, when the City Council adopted the Brookhurst/Katella Project. The project area, containing approximately 16 acres of land, is located at the southwest corner of Brookhurst/Katella area and is partially improved with retail, commercial and office professional uses.

1979 Amendment and 1981 Amendment. On October 16, 1979 and on June 9, 1981, the City Council approved and adopted amendments to the Redevelopment Plan for the Community Project to be known as the Garden Grove Community Project. These amendments combined four project areas: Community Center; Trask Avenue; Brookhurst/Chapman and Brookhurst/Katella into one project as well as incorporating various commercial centers and street frontage properties.

Plan Amendments Incorporating Redevelopment Law Changes. In 1987, the City amended the Redevelopment Plan for the Garden Grove Community Project by including certain provisions required under Section 33333.4 of the Redevelopment Law. In 1988, the City Council approved and adopted an amendment to the Redevelopment Plan deleting the Newhope Condominium project and on July 14, 1992 the City Council approved an ordinance adding 574 acres to the Project Area, consolidating the four (4) pre-existing tax increment revenue limits and increasing the consolidated limit, extending the Prior Agency's eminent domain time frame, extending the life of the Redevelopment Plan, extending the time frame in which the Prior Agency could incur debt in the Project Area, increasing the limit on bonded debt that the Prior Agency could incur at one time and updating and expanding the list of public improvements the Prior Agency could implement to benefit the Project Area.

1992 Amendment. In 1992, the City approved Ordinance No. 2232, under which the Redevelopment Plan was amended to add the 1992 Area to the Project Area, to extend the term of the Redevelopment Plan and to increase the financial limitations for the Project Area, as described in the above paragraph. In 1994, under Ordinance No. 2304 of the City, the Prior Agency amended certain time limits on the incurring of debt and the receipt of tax increment revenues in accordance with AB 1290.

1998 Amendment. In 1998, under City Ordinance No. 2455, the Prior Agency added the 1998 Area to the redevelopment project area for the Garden Grove Community Project.

2002 Amendment (Added Territory). In 2002, by City Ordinance No. 2576, the Prior Agency added the 2002 Area to the redevelopment project area for the Garden Grove Community Project.

Plan Limitations

In 1976, the Legislature enacted AB 3674 (Statutes of 1976, Chapter 1337) which added Section 33333.2, 33334.1 and 33354.6 to the Redevelopment Law. Section 33333.2 requires redevelopment plans adopted on or after October 1, 1976, to contain a time limit on the establishing of loans, advances and indebtedness to finance, in whole or in part, the redevelopment project and a time limit not to exceed twelve years for the commencement of eminent domain proceedings to acquire property within the project area.

Section 33334.1 requires a redevelopment plan adopted on or after October 1, 1976, to contain a limit on the amount of bonded indebtedness which can be outstanding at one time. Section 33354.6 provides that with respect to any amendment of a redevelopment plan (which provides for the allocation of taxes) to add new territory to a project area, the agency must follow the procedures and be subject to the same restrictions as provided in the adoption of a new redevelopment plan.

The Redevelopment Plan provides that: (i) with respect to the Project Area excepting the 1998 Area and the 2002 Area, the Prior Agency or the Successor Agency, as applicable, shall not receive tax increment revenues in excess of \$2,000,000,000; and (ii) the total amount of bonded indebtedness incurred by the Prior Agency, exclusive of other Agency contractual obligations and other forms of indebtedness of the Prior Agency or the Successor Agency, payable in whole or in part from tax increment revenues from the Project Area which can be outstanding at any one time cannot exceed \$475,000,000. The time to incur debt has been eliminated for all but the 1998 Area and the 2002 Area. See Table 2 below. Under the Redevelopment Plan, the last date upon which the Successor Agency may receive tax increment varies among the component areas comprising the Project Area as set forth in APPENDIX A — "FISCAL CONSULTANT'S REPORT." A portions of the Project Area will expire before the 2014 Bonds mature. Components of the Project Area expire in each of the years 2026 through 2032 and thereafter, but the most financially significant components expire in 2027 and 2032. However, the final maturity of the 2014 Bonds in in October 2029. As shown on Table 4 below, in 2013-14 the 1974 Amendment Area expiring in 2027 is expected to account for approximately 38.33% of all tax increment revenues received during such fiscal year by the Successor Agency.."

Assembly Bill 1290 and Time Limits for Agency Existence and Powers. In 1993, Assembly Bill 1290 ("**AB 1290**") was passed by the California Legislature and signed into law by the Governor amending various provisions of the Redevelopment Law. Among other amendments to the Redevelopment Law, AB 1290 imposed time limits on existing redevelopment plans for the incurrence of indebtedness, the duration of the plan and the collection of the tax increment revenues. On October 18, 1994, the City Council passed Ordinance No. 2304 with respect to the Project Area which brought the Redevelopment Plans for the component project areas into full compliance with AB 1290. Table 2 below shows the time limits for each component area of the Project Area.

Senate Bill 211. The California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 ("**SB 211**"). SB 211 provides, among other things, that the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body.

SB 211 also authorizes the amendment of a redevelopment plan adopted prior to January 1, 1994, in order to extend for not more than 10 years the effectiveness of the redevelopment plan and the time to receive tax increment revenues and to pay indebtedness. Any such extension must meet certain specified requirements, including the requirement that the redevelopment agency establish the existence of both physical and economic blight within a specified geographical area of the redevelopment project and that any additional tax increment revenues received by the redevelopment agency because of the extension be used solely within the designated blighted area. SB 211 authorizes any affected taxing entity, the Department of Finance, or the Department of Housing and Community Development to request the Attorney

General to participate in the proceedings to effect such extensions. It also would authorize the Attorney General to bring a civil action to challenge the validity of the proposed extensions.

SB 211 also prescribes additional requirements that a redevelopment agency would have to meet upon extending the time limit on the effectiveness of a redevelopment plan, including requiring an increased percentage of new and substantially rehabilitated dwelling units to be available at affordable housing cost to persons and families of low or moderate income prior to the termination of the effectiveness of the plan.

Pursuant to the authorization contained in SB 211, the City Council on July 9, 2002 adopted Ordinance No. 2576 deleting the limits on the Prior Agency's authority to incur loans, advances and indebtedness for all component project areas adopted prior to January 1, 1994. 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.

Senate Bill 1045. Senate Bill 1045 adopted by the Legislature in connection with the State's budget for fiscal year 2003-04 provided that the termination date of redevelopment plans may be extended by one year by reason of its Education Revenue Augmentation Fund (the "ERAF") payment that redevelopment agencies were obligated to make under provisions of the 2003-04 budget legislation. By Ordinance No. 2764 adopted on January 26, 2010, the City Council amended the Redevelopment Plan, in accordance with the Law as amended by Senate Bill 1045, to extend by one year the termination date of the Redevelopment Plan and by extension, the last date to repay indebtedness on each component area of the Project Area.

Senate Bill 1096. Legislation adopted by Senate Bill 1096 in connection with the State's 2004-05 budget provided that the termination dates and last dates to repay indebtedness of redevelopment plans with less than 20 years remaining may be extended by one year for each of the two ERAF payments that redevelopment agencies were obligated to make under other provisions of the 2004-05 budget legislation.

The Original Plan and all of the amendments except the 1981 Amendment, the 1992 Amendment and the 1998 Amendment and the 2002 Amendment were extended by two years by adoption of Ordinance Nos. 2765 and 2766. The redevelopment plan for the 1992 Amendment, the 1998 Amendment and the 2002 Amendment 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 1 below.

The redevelopment plan limits currently governing the component areas of the Project Area are summarized in Table 2 below:

Table 2
Successor Agency to the Garden Grove Agency for Community Development
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, 2022 | June 9, 2032 | 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 | |
| 2002 Amendment | July 9, 2033 | July 9, 2048 | July 9, 2022 | None | |
| Combined Limits | | | | | \$475 Million |

The Successor Agency's current amount of outstanding bonded indebtedness is approximately \$137.9 million. The Successor Agency is expecting to increase this amount by approximately \$42 million in order to fund its obligations under a Development and Disposition Agreement with Garden Grove MXD, Inc. (McWhinney). The addition of this bonded indebtedness amount will leave the total amount far below the limit on outstanding bonded debt of \$475 million. The Successor Agency is not currently authorized to issue any additional bonded debt.

According to the records of the Auditor-Controller, within the Project Area, excluding the 1998 Amendment and the 2002 Amendment, which have no tax increment limits, a total of \$299,702,925 in cumulative tax increment revenue through June 30, 2013 has been received. This figure is based on the gross amount of tax increment revenue allocated to the Successor Agency with no deductions. The \$2 billion tax increment limit listed above is inclusive of all tax increment revenue allocated to the former redevelopment agency and to the Successor Agency. 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 exceeds annual growth of 7.9% per year for the remaining time that tax increment may be allocated to the Successor Agency, the limit could be reached prior to the expiration of the Successor Agency's ability to repay indebtedness and Successor Agency revenues may be affected. Once the limit on cumulative tax increment is reached, the Project Area may receive no additional tax increment revenue.

The Successor Agency is of the opinion that the limitations described herein under "Plan Limitations" will not impair its ability in the future to repay any obligation or indebtedness, including the 2014 Bonds, incurred by the Successor Agency in connection with the development of the Project Area in accordance with the Redevelopment Plan. The projection of Tax Revenues herein and in APPENDIX A — "FISCAL CONSULTANT'S REPORT" take these expiration dates into account.

Statutory Pass Through Requirements

Debt service on the 2014 Bonds is subject to the statutory pass-through requirements described below. The projected Tax Revenue and debt service coverage tables set forth in this Official Statement (Table 8 and Table 9) assume that the amount of Tax Revenues available to pay debt service reflects the prior payment of the pass-through payments from tax increment generated in the Project Area.

Section 34183 of the Dissolution Act directs the County Auditor-Controller to compute the statutory pass through payments "as though the requirement to set aside funds for the Low and Moderate Income Housing Fund was still in effect".

Generally speaking, the County Auditor-Controller is required to deduct from the Successor Agency's Redevelopment Property Tax Trust Fund to pay to the affected taxing agencies percentages of tax increment generated in a Project Area as follows (the "Tax Sharing Statutes"):

Tier 1: throughout the period that the Successor Agency is eligible to receive property tax revenues from a Project Area, 25% of revenues in excess of revenues generated in the Project Area as of the initial redevelopment plan amendment that triggered the pass-through requirement computed as though housing set-aside is still in effect; plus,

Tier 2: for the 11th year of the receipt of tax increment and thereafter, 21% of revenues in excess of revenues based on assessed values in the Project Area for the 10th year; plus,

Tier 3: for the 31st year of the receipt of tax increment and thereafter, 14% of revenues in excess of revenues based on assessed values in the Project Area for the 30th year.

The Prior Agency did not enter into 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 Prior Agency was 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 Prior Agency was, and the Successor 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 Successor 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 began in 2013-14 and use the Project Area's 2012-13 values as a base, the Successor 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 amendment area's 2022-23 assessed values as a base value for the second tier of statutory tax sharing payments, the Successor 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 Prior 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 Successor 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.

Prior to incurring any loans, bonds, or other indebtedness, except loans or advances from the City, the Successor Agency may subordinate to the loans, bonds or other indebtedness the amount required to be paid to an affected taxing entity by the Tax Sharing Statutes, provided that the affected taxing entity has approved these subordinations. No such subordinations have been requested in connection with the 2014 Bonds.

The effect of payments pursuant to the Tax Sharing Statutes are addressed in Table 8 and APPENDIX A — "FISCAL CONSULTANT'S REPORT."

Agreements with Private Entities

The Prior Agency entered into a number of agreements in order to implement the Redevelopment Plan, including disposition and development agreements ("DDAs"), Owner Participation Agreements ("OPAs"), operating covenants, real property, purchase and sale agreements, and leases. Most of these agreements now represent general obligations of the Successor Agency or are secured by real or personal property other than Tax Increment Revenues. A few of these agreements, as described below, are secured by a pledge of tax increment that is subordinate to the 2014 Bonds, or a pledge of only that portion of tax increment required to be deposited into the Prior Agency's low and moderate income housing fund under the California Redevelopment Law ("**Housing Funds**"), which Housing Funds are not included within Tax Revenues. In addition to the agreements noted above, the Prior Agency entered into the 2008 Loan Agreement. Repayment of the 2008 Loan does not constitute a pledge of tax increment but the Successor Agency has agreed to make the loan payments on parity with the debt service on bonded debt. See "SECURITY FOR THE 2014 BONDS – 2008 Loan" above.

Hotel Program. A major component of Redevelopment Plan implementation in recent years has been the Prior Agency's hotel program, pursuant to which the Prior Agency 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 formerly by the Prior Agency and currently by the Successor 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 Prior Agency provided and the Successor 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 Successor Agency and are not secured by a pledge of tax increment.

The Hotel DDAs represent a major financial commitment on the part of the Successor Agency. In all, the payments to be made by the Successor 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. The amounts owed will decline substantially after fiscal year 2015-16. None of the Hotel DDA, or the Hyatt OPA, involves a pledge of tax increment.

Commercial Rehabilitation Agreements. In addition to the Hotel DDAs, rehabilitation of existing commercial properties was an important focus of the Prior Agency's redevelopment efforts. The Prior Agency 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 Successor Agency to the property owner to assist in the owner's financing of such rehabilitation work. These rehabilitation agreements include no pledge of Tax Increment Revenues and so all payments made pursuant to the agreements are subordinate to payment of debt service on bonded indebtedness including the Bonds.

Financial Statements

Included in this Official Statement as Appendix B are the audited financial statements of the Successor Agency for the year ended June 30, 2013 reproduced from the report thereon rendered by Mayer Hoffman McCann P.C., independent auditors for the City of Garden Grove ("**Auditor**"). The Auditor has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Assessed Valuations and Tax Increment Revenues

Historical Assessed Valuation. Assessed values within the Project Area followed a pattern of strong growth from 2004-05 through 2008-09 with an average growth in incremental value for this period of 8.80% annually. Due to the impact of general economic stress in California, growth in the Project Area was 2.42% in 2009-10. The Project Area experienced a decline in incremental value of -4.91% for 2010-11. A further minor decline in value of -0.90% was experienced for 2011-12 and a minor (0.84%) amount of growth was realized for 2012-13. After values having been virtually flat for the past two years, growth for 2013-14 was slightly more substantial at 2.50%.

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 growth in assessed value for 2013-14 occurred among both secured and unsecured values with secured values growing by \$63.6 million (2.39%) and unsecured values growing by \$10.0 million (3.58%). The 2013-14 value of parcels in the residential category increased by \$16.5 million (2.4%) while commercial property values increased by \$23.2 million (1.7%). Industrial property values increased by \$23.8 million (3.9%) and unsecured values increased by \$10.0 million (3.6%). The Fiscal Consultant expects that there will be a continued strengthening of the housing market and continued reduction of taxable value losses resulting from pending appeals that will allow the Project Area to continue this moderate expansion.

The assessed values within the various component project areas have maintained their values during the past two years of economic disruption. Incremental values have been slightly impacted by revisions to the Project Area base year values beginning in 2008-09. 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. Such revisions of the base year values typically occur when properties are shifted from taxable to tax exempt status or tax exempt to taxable status as a result of sale or purchase of property by governmental entities. These changes to the base year values were most notable within the 1979 and 1992 Amendment Areas. 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.

The following were the assessed valuations and Tax Increment Revenues for the Project Area from fiscal year 2004-05 through 2013-14.

Table 3
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Community Project
Historical Assessed Valuation and Tax Increment Revenue

| Fiscal Year | Assessed Valuation | % of Increase in Assessed Valuation | Incremental Assessed Valuation | Gross Tax Increment ⁽¹⁾ | Housing Set-Aside | Senior Obligations ⁽²⁾ | Tax Revenues | % of Change in Tax Revenues |
|-------------|--------------------|-------------------------------------|--------------------------------|------------------------------------|-------------------|-----------------------------------|--------------|-----------------------------|
| 2004-05 | \$2,151,253,152 | -- | \$1,624,832,351 | \$18,034,706 | \$3,606,941 | \$2,388,838 | \$12,038,926 | -- |
| 2005-06 | 2,352,325,482 | 9.3% | 1,825,904,681 | 20,543,029 | 4,108,606 | 3,239,981 | 13,194,442 | 9.60% |
| 2006-07 | 2,526,581,323 | 7.4 | 2,000,160,522 | 21,545,853 | 4,309,171 | 3,627,516 | 13,609,167 | 3.14 |
| 2007-08 | 2,728,404,902 | 8.0 | 2,201,984,101 | 23,725,541 | 4,745,108 | 3,619,273 | 15,361,160 | 12.87 |
| 2008-09 | 3,014,189,510 | 10.5 | 2,487,790,829 | 27,433,100 | 5,486,620 | 4,677,955 | 17,268,525 | 12.42 |
| 2009-10 | 3,074,470,037 | 2.0 | 2,548,020,781 | 26,602,420 | 5,320,484 | 3,205,199 | 18,076,737 | 4.68 |
| 2010-11 | 2,945,282,546 | (4.2) | 2,421,671,853 | 20,543,029 | 4,108,606 | 3,553,005 | 12,881,419 | -28.74 |
| 2011-12 | 2,918,662,608 | (0.9) | 2,395,670,443 | 26,270,964 | --- | 3,396,469 | 22,874,496 | 77.58 |
| 2012-13 | 2,943,277,142 | 0.8 | 2,423,450,286 | 26,943,609 | --- | 4,312,398 | 22,631,211 | -1.06 |
| 2013-14 | 3,016,851,048 | 2.5 | 2,497,024,192 | 18,070,431 | --- | 1,588,125 | 16,482,306 | N/A |

⁽¹⁾ Gross Tax Increment revenue for 2013-14 is only for collections through 3/12/2014.

⁽²⁾ Inclusive of Tax Sharing Agreement Payments, County Administrative Charges and Tax Sharing Statute Payments.

Limitations on Tax Increment Revenue. The Project Area is subject to various limitations upon the receipt of Tax Increment Revenues by the Successor Agency. See the caption "THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT — Plan Limitations." The Fiscal Consultant's Report includes tax collections for fiscal years 2008-09

through 2012-13 and projections of Tax Revenues for the Project Area. See APPENDIX A — “FISCAL CONSULTANT’S REPORT- Annual Receipts to Levy.”

The limitations as to receipt of Tax Increment Revenues, which are different as to the various component areas of the Project Area, are set forth below.

Table 4
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Community Project
Projected Assessed Valuation and Tax Increment Revenue
For Fiscal Year 2013-14 (Dollars in thousands)

| | Tax Revenue | Percentage of Project Area Tax Revenue | Last Date to Repay Debt with Tax Revenue |
|-------------------------|----------------|--|--|
| Original Project Area | \$ 196 | 0.84% | June 26, 2026 |
| 1974 Amendment Area | 8,901 | 38.33 | July 9, 2027 |
| Trask Project Area | 334 | 1.44 | November 25, 2028 |
| 1976 Amendment Area | 1,306 | 5.62 | November 29, 2029 |
| Brookhurst/Chapman Area | 642 | 2.76 | March 21, 2030 |
| Brookhurst/Katella Area | 229 | 0.99 | February 21, 2031 |
| 1979 Amendment Area | 8,300 | 35.75 | October 16, 2032 |
| 1981 Amendment Area | 3 | 0.01 | June 9, 2032 |
| 1992 Area | 2,971 | 12.29 | July 14, 2043 |
| 1998 Area | 13 | 0.06 | December 8, 2044 |
| 2002 Area | 444 | 1.91 | July 9, 2048 |
| Total Project Area (1) | \$23,339 | 100.00 | |

(1) May not add due to rounding.
Source: HdL Coren & Cone

The Redevelopment Plan is a general plan for redevelopment and, therefore, did not specifically define what activities or development projects will eventually occur in the Project Area. Land uses within the Project Area are shown below.

Table 5
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Redevelopment Project
Assessed Valuation by Land Use
Land Use By Secured Assessed Valuation
For Fiscal Year 2013-14

| Land Use Category | Number of Parcels | 2013-14 Assessed Valuation | Percentage of Total |
|-------------------|-------------------|----------------------------|---------------------|
| Residential | 2,465 | \$ 693,141,695 | 22.98% |
| Commercial | 765 | 1,396,971,154 | 46.31 |
| Industrial | 275 | 636,480,321 | 21.10 |
| Exempt | 308 | 0 | 0.00 |
| Subtotal | 3,814 | \$2,726,593,170 | 90.38% |
| SBE Non-Unitary | | 689,138 | 0.02 |
| Cross Reference | | 1,256,688 | 0.04 |
| Unsecured | | 288,312,054 | 9.56 |
| Subtotal | | 290,257,880 | 9.62 |
| Totals | 3,814 | \$3,016,851,048 | 100.00% |

Source: HdL Coren & Cone.

Major Taxpayers. The following table shows the ten largest taxpayers on the tax roll in the Project Area for the 2013-14 assessment year. The top ten taxpayers represent approximately 14.3% of the approximately \$3.0 billion Project Area total assessed value on the secured and unsecured roll. The top taxpayer in the Project Area is American Lodging Garden Grove, which controls ten secured parcels with a combined assessed value of \$57,443,220, representing 1.9% of the Project Area total assessed valuation. The second largest taxpayer in the Project Area is Landmark Hotels II, which controls two parcels with a combined secured assessed value of \$53,531,107, representing 1.77% of the Project Area total assessed valuation.

As shown below, four of the top ten taxpayers own property within the 1979 Amendment, three of the top ten taxpayers own property within the 1974 Amendment and one of the top ten taxpayers owns property within the 1992 Amendment. One of the top taxpayer's holdings includes property in both the 1979 and 1992 Amendments and the final top taxpayer owns property within the Brookhurst/Chapman component area. As the component project areas reach their time or tax increment limits and expire, those component project areas will no longer be included in the calculation of Gross Revenues or Tax Revenues and will no longer contribute to the Tax Revenues available for allocation through the Redevelopment Property Tax Trust Fund to the Successor Agency for use in paying debt service and other enforceable obligations. This may also result in an increase in the concentration of ownership may increase.

The 1974 Amendment will expire after fiscal year 2026-27, however the next significant component area to expire will be the 1979 Amendment in 2030-31 (after the final maturity of the 2014 Bonds). The 1992 Amendment is not expected to expire until 2042-43 (also after the final maturity of the 2014 Bonds). The 2013-14 concentration of ownership relative to incremental value within the 1974 Amendment is 21.33%. It is not expected that the expiration of this

component area will cause the concentration of ownership in the Project Area to rise to extreme levels.

See the caption "THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT — Reduction in Taxable Value".

Table 6
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Redevelopment Project
Top Ten Taxpayers
Based Upon 2013-14 Assessed Valuation

| Property Owner | Combined Value | % of Project Area Value | % of Project Area Incremental Value | Location | Property Use |
|--------------------------------|-----------------|-------------------------|-------------------------------------|--------------------------|------------------------------|
| American Lodging Garden Grove | \$57,443,220 | 1.90% | 2.30% | 1979 Amendment | Hyatt Regency Hotel |
| Landmark Hotels II (1) | 53,531,107 | 1.77 | 2.14 | 1979 Amendment | Embassy Suites Hotel |
| Landmark Marriott Suites (1) | 53,094,806 | 1.76 | 2.13 | 1979 Amendment | Marriott Suites Hotel |
| New Age Garden Grove LLC(1) | 44,962,363 | 1.49 | 1.80 | 1992 Amendment | Sheraton Garden Grove |
| Chatham Rigg (1) | 44,414,493 | 1.47 | 1.78 | 1979 Amendment | Residence Inn By Marriott |
| HGGA Promenade | 42,862,555 | 1.42 | 1.72 | Brookhurst-Chapman | Retail Shop. Center |
| OHI Resort Hotels LLC | 40,725,539 | 1.35 | 1.63 | 1979 and 1992 Amendments | Crowne Plaza Resort |
| SPS Technologies | 37,259,606 | 1.24 | 1.49 | 1974 Amendment | High Tech Fasteners |
| LBA RIV-COMPANY XXVII | 30,900,000 | 1.02 | 1.24 | 1974 Amendment | Light Industrial/Office Park |
| Swedlow Inc. | 25,786,166 | 0.85 | 1.03 | 1974 Amendment | Industrial Buildings |
| Top Property Owner Total Value | \$430,979,855 | | | | |
| Project Area Assessed Value | \$3,016,851,048 | 14.29% | | | |
| Project Area Incremental Value | \$2,497,024,192 | | 17.26% | | |

⁽¹⁾ Taxpayers with pending assessment appeals.
Source: County of Orange Secured Tax Rolls.

Assessment Appeals

Proposition 8 Appeals. Most of the appeals that might be filed in the Project Area would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor under Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the

property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A of the California Constitution. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide. The reassessment formula was approved by the California of Appeal, Fourth District, in the recent case of *County of Orange et al. v Bezaire*, petition for review to the California Supreme Court denied.

The Fiscal Consultant has reviewed assessment appeals data from Orange County to determine the potential impact that pending appeals may have on the projected Tax Revenues. The Fiscal Consultant has reviewed assessment appeals data for commercial and industrial property from Orange County to determine the potential impact that pending appeals may have on the projected Tax Revenues. Within the Project Area, there are 523 pending appeals.

Four of the Project Area's top ten taxpayers have pending appeals of their assessed value. Within the 1979 Amendment, Landmark Hotels II, Newage Garden Grove LLC and Chatham Rigg have assessment appeals pending. Within the 1992 Amendment, Landmark Marriott Suites 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. 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. See APPENDIX A — "FISCAL CONSULTANT'S REPORT." There is no assurance that the resolution or impact of appeals will conform to historical averages. In the event reductions are greater than estimated by the Fiscal Consultant, Tax Revenues would be reduced.

The following table shows the amount of assessed value that is presently under appeal and the estimated reduction of value that has been factored into the projections for 2013-14. There are no pending appeals within Brookhurst/Chapman, 1981 Amendment or the 1998 Amendment.

| Total No. of Appeals | No. of Resolved Appeals | No. of Successful Appeals | Average Reduction | No. and Value of Appeals Pending | Estimated No. of Appeals Allowed | Est. Reduction of Pending Appeals Allows (2013-14 Value Adjustment) |
|----------------------|-------------------------|---------------------------|-------------------|----------------------------------|----------------------------------|---|
| 523 | 333 | 254 | 23.72% | 190 (\$647,158,260) | 136 | \$118,128,133 |

Transfers Of Ownership in the Project Area. According to the Fiscal Consultant's Report, there have been 210 transfers of ownership within the Project Area since January 1, 2013. These transfers of ownership represent a combined increase of \$15,454,077 in assessed value that is expected to be added from the tax rolls for 2014-15. Development projects continue to be constructed within the Project Area but no additional value has been added by the Fiscal Consultant in the projections.

TAX REVENUES AND ANNUAL DEBT SERVICE

Current Year Assessed Valuation

Following is the 2013-14 assessed value for the Garden Grove Community Project. Incremental taxable value is shown under the caption "THE GARDEN GROVE COMMUNITY DEVELOPMENT PROJECT — Historical Valuations and Tax Increment Revenues." These values represent gross valuations before any adjustments are made. Please see APPENDIX A — "FISCAL CONSULTANT'S REPORT."

Table 7
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Community Project
2013-14 Assessed Valuation (Dollars in thousands)

| | Assessed Valuation |
|--------------------------------------|-------------------------------|
| Real Property ⁽¹⁾: | \$2,824,336 |
| Personal Property | <u>192,515</u> |
| Total Valuation | 3,016,851 |
| Taxable Value over Base | \$2,497,024 |

⁽¹⁾ Real property consists of land and improvements.
Source: HdL Coren & Cone.

Projected Tax Revenues and Debt Service Coverage

The following Table 8 shows projections of Tax Increment Revenues, summarized from APPENDIX A — "FISCAL CONSULTANT'S REPORT." See the Fiscal Consultant's Report for further description of the assumptions and limiting conditions relative to these projections. The projections shown on Table 8 assume assessed valuation at a .0454% annual inflationary growth factor for fiscal year 2014-15 and at a 2% annual inflationary growth factor thereafter, for real property only, adjusted for appeals. Based on expected debt service on the 2014 Bonds, the Successor Agency expects estimated Tax Revenues based on 2013-14 assessed values to exceed [two] times Maximum Annual Debt Service on the 2014 Bonds at all times. Investors are cautioned that Tax Revenues will be reduced significantly when the 1974 Amendment Area expires in July of 2027. See Table 4 above and "RISKS FACTORS – Expiration of Receipt of Tax Increment Revenue."

Table 8
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Community Project
Projected Tax Revenues
(000s Omitted)

| Fiscal Year Ending June 30 | Total Taxable Value (1) | Taxable Value over Applicable Base (2) | Gross Tax Revenue (3) | SB 2557 Charge | 1992 Amend. Tax Sharing Payments(4) | 1992 Amend. Garden Grove USD Payments(5) | Statutory Tax Sharing Payments(6) | Net Tax Revenues |
|----------------------------|-------------------------|--|-----------------------|----------------|-------------------------------------|--|-----------------------------------|------------------|
| 2013-14 | \$3,016,851 | \$2,497,024 | \$27,638 | \$(282) | \$(501) | \$(2,095) | \$(1,421) | \$23,339 |
| 2014-15 | 2,924,139 | 2,404,312 | 26,643 | (272) | (480) | (2,276) | (1,265) | 22,351 |
| 2015-16 | 2,978,771 | 2,458,944 | 27,230 | (278) | (496) | (2,363) | (1,364) | 22,729 |
| 2016-17 | 3,034,496 | 2,514,669 | 27,828 | (284) | (512) | (2,451) | (1,488) | 23,092 |
| 2017-18 | 3,091,336 | 2,571,509 | 28,438 | (290) | (529) | (2,542) | (1,644) | 23,433 |
| 2018-19 | 3,149,312 | 2,629,486 | 29,060 | (296) | (546) | (2,634) | (1,818) | 23,766 |
| 2019-20 | 3,208,448 | 2,688,621 | 29,695 | (303) | (564) | (2,728) | (1,995) | 24,105 |
| 2020-21 | 3,268,767 | 2,748,940 | 30,343 | (309) | (581) | (2,824) | (2,176) | 24,452 |
| 2021-22 | 3,330,292 | 2,810,465 | 31,003 | (316) | (600) | (2,921) | (2,361) | 24,805 |
| 2022-23 | 3,393,048 | 2,873,221 | 31,677 | (323) | (618) | (3,021) | (2,549) | 25,165 |
| 2023-24 | 3,457,058 | 2,937,231 | 32,364 | (330) | (637) | (3,123) | (2,753) | 25,520 |
| 2024-25 | 3,522,349 | 3,002,522 | 33,065 | (337) | (656) | (3,227) | (2,963) | 25,882 |
| 2025-26 | 3,588,946 | 3,069,119 | 33,780 | (345) | (676) | (3,333) | (3,176) | 26,251 |
| 2026-27 | 3,632,105 | 3,112,885 | 34,244 | (349) | (696) | (3,400) | (3,360) | 26,438 |
| 2027-28 | 2,570,518 | 2,113,000 | 23,400 | (239) | (717) | (1,736) | (2,304) | 18,405 |
| 2028-29 | 2,620,195 | 2,162,677 | 23,591 | (241) | (738) | (1,761) | (2,417) | 18,435 |

(1) Fiscal Year 2013-14 assessed valuation is the final amount certified by the Orange County Auditor–Controller as of the lien date. Assessed valuation growth for fiscal year 2013-14 through 2019-20 is based on a .0454% annual inflationary growth factor for fiscal year 2014-15 and on a 2% annual inflationary growth factor thereafter for real property only, adjusted for appeals.

(2) Incremental assessed valuation for a given year is current valuation for such year, less base year assessed valuation (which has been adjusted several times).

(3) Gross tax increment is incremental assessed valuation multiplied by the tax rate of 1.0735%, plus estimated unitary tax revenues held constant at 2013-14 levels.

(4) Amounts shown are the aggregated senior pass through payments from within the 1992 Amendment.

(5) Amounts shown are the amounts payable to Garden Grove USD per its agreement with the former redevelopment agency. All payment amounts are paid from revenues of the 1992 Amendment.

(6) Amounts shown are statutory tax sharing payments from within all component project areas.

Source: HdL Coren & Cone

Table 9
Successor Agency to the Garden Grove Agency for Community Development
Garden Grove Community Project
Debt Service Coverage
(000s Omitted)

| Fiscal Year Ending June 30 | Net Tax Revenues | 2008 Loan Debt Service | Bonds Debt Service * | Coverage * |
|----------------------------------|---------------------|---------------------------|----------------------------|------------|
| 2013-14 | \$23,339 | \$5,101,594 | | |
| 2014-15 | 22,351 | 4,892,438 | | |
| 2015-16 | 22,729 | 4,683,281 | | |
| 2016-17 | 23,092 | 4,474,125 | | |
| 2017-18 | 23,433 | 4,264,969 | | |
| 2018-19 | 23,766 | 4,055,813 | | |
| 2019-20 | 24,105 | 3,846,656 | | |
| 2020-21 | 24,452 | | | |
| 2021-22 | 24,805 | | | |
| 2022-23 | 25,165 | | | |
| 2023-24 | 25,520 | | | |
| 2024-25 | 25,882 | | | |
| 2025-26 | 26,251 | | | |
| 2026-27 | 26,438 | | | |
| 2027-28 | 18,405 | | | |
| 2028-29 | 18,435 | | | |

Based on projected Annual Debt Service on the 2014 Bonds.
Source: HdL Coren & Cone

Tax Increment Limitation

Section 33333.4 of the Redevelopment Law requires redevelopment plans adopted on or after October 1, 1976 and prior to January 1, 1994 to contain, among other things, a limitation on the number of dollars in taxes that may be divided and allocated to the redevelopment agency pursuant to the plan.

Pursuant to the provisions of the Prior Agency's Redevelopment Plan, as amended, the maximum aggregate amount of tax increment revenue the Prior Agency and the Successor Agency may receive from the Project Area is \$2 billion. There is no limit with respect to the 1998 Amendment and the Amendment Area. Based on Agency records, the Prior Agency and the Successor Agency have received on a cumulative basis approximately \$299.7 million of tax increment revenue through July 2013.

Bonded Indebtedness Limitation

The Redevelopment Plan limits the amount of bonded indebtedness that may be outstanding at any one time with respect to the Project Area to \$475 million.

ERAF Housing Loan

Pursuant to Section 33690(c) of the Redevelopment Law, the Prior Agency borrowed funds (the "**ERAF Housing Loan**") from the Low and Moderate Income Housing Fund of the Prior Agency (the "**Housing Fund**") to make the payment on May 10, 2004 in the amount of \$863,531, on May 10, 2005 in the amount of \$1,376,340, and on May 10, 2006 in the amount of

\$1,376,511 required by Section 33690(a) of the Redevelopment Law (the “**ERAF Payment**”). The Dissolution Act provides that, subject to approval by the Oversight Board, the ERAF payment is an enforceable obligation payable from property tax revenues deposited in the Redevelopment Property Tax Trust Fund. Section 33690(c) of the Redevelopment Law requires that the Prior Agency or Successor Agency repay the SERAF Housing Loan to the Housing Fund on or before June 30, 2015.

SERAF Housing Loan

Pursuant to Section 33690(c) of the Redevelopment Law, the Prior Agency borrowed funds (the “**SERAF Housing Loan**”) from the Low and Moderate Income Housing Fund of the Prior Agency (the “**Housing Fund**”) to make the payment on May 10, 2010 in the amount of \$7,906,610 and on May 10, 2011 in the amount of \$1,626,274 required by Section 33690(a) of the Redevelopment Law (collectively, the “**SERAF Payment**”). Section 33690(c) of the Redevelopment Law requires that the Successor Agency repay the SERAF Housing Loan to the Housing Fund on or before June 30, 2015.

Under the Dissolution Act, redevelopment agencies that borrowed from the Housing Fund to make the required SERAF payments for 2010 and for 2011 may only repay the borrowed amounts from annual amounts that are 50% of the increase in annual residual revenues in the Redevelopment Property Tax Trust Fund that are above the residual revenue for fiscal year 2012-13. Repayment amounts are, under current legislation, to be repaid to the Successor Housing Agency established pursuant to AB 1x 26. Because the repayment of amounts borrowed from the Housing Fund are to be repaid from growth in such residual revenue, the repayment of these amounts has no impact on the Successor Agency’s ability to repay the 2014 Bonds or the 2008 Loan.

Appropriations Limitations: Article XIII B of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity.

Effective September 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provided that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State of California, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions, *Brown v. Community Redevelopment Agency of the City of Santa Ana* and *Bell Community Redevelopment Agency v. Woosley*. The plaintiff in *Brown v. Community Redevelopment Agency of the City of Santa Ana* petitioned the California Supreme Court for a hearing of this case. The California Supreme Court formally denied the petition and therefore the earlier court decisions are now final and binding. On the basis of these court decisions, the Successor Agency has not adopted an appropriations limit.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2014 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the 2014 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The various legal opinions to be delivered concurrently with the issuance of the 2014 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

Recognized Obligation Payment Schedule

The Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by a successor agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires each successor agency to prepare and approve, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Consequently, Pledged Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the county auditor-controller and remitted to the Successor Agency without a duly approved and effective Recognized Obligation Payment Schedule. See "SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedule" and "PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedures – Recognized Obligation Payment Schedule." In the event the Successor Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Pledged Tax Revenues to the Successor Agency could be adversely affected for such period.

Under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act:

- (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (as described above under "SECURITY FOR THE 2014 BONDS - Statutory Pass-Through Amounts") and no later than each January 2 and June 1, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;
- (ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments scheduled to be made for tax allocation bonds having the

highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;

- (iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and
- (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property Pledged Tax Revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

If a successor agency does not submit a Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the State Department of Finance does not provide a notice to the county auditor-controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities pursuant to clause (iv) above.

With respect to the 2014 Bonds, the Successor Agency has covenanted to take all actions required under the Dissolution Act to include scheduled debt service on the 2014 Bonds as well as any amount required under the Indenture to replenish a debt service reserve fund (if any), in Recognized Obligation Payment Schedules for each six-month period and to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the 2014 Bonds coming due in the respective six-month period and to maintain in the Reserve Account the amount of the Reserve Requirement, including listing a reserve on the Recognized Obligation Payment Schedule when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the 2014 Bonds for the next payment due in the following six-month period (see "SECURITY FOR THE 2014 BONDS – Recognized Obligation Payment Schedules").

AB 1484 also adds new provisions to the Dissolution Act implementing certain penalties in the event a successor agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must be submitted by the successor agency to the oversight board, to the county administrative officer, the county auditor-controller, the State Department of Finance, and the State Controller no later than 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period. If a successor agency does not submit a Recognized Obligation Payment Schedule by such deadlines, the city or county that established the redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, a successor agency's administrative cost allowance is reduced by 25% if the successor agency does not submit an oversight board-approved Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods.

Syncora Litigation – Challenge to Dissolution Act

With respect to California successor agencies and the Dissolution Act in general, on August 1, 2012, Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, “**Syncora**”) filed a lawsuit against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215) (the “**Syncora Lawsuit**”). Syncora are monoline financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleges that the Dissolution Act, and specifically the “**Redistribution Provisions**” thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the “contract clauses” of the United States and California Constitutions (U.S. Const. art. 1, § 10, cl.1; Cal. Const. art. 1, § 9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleges that the Redistribution Provisions violate the “Takings Clauses” of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders’ and Syncora’s contractual right to critical security mechanisms without just compensation. Specifically, the complaint alleges that the security mechanism created by the irrevocable pledge of tax increment revenues to repay the redevelopment agency debts was a critical feature of the redevelopment bonds’ marketability in at least three manners:

- (i) tax increment revenues which have been previously irrevocably pledged are now subject to restrictive terms such as periodic Recognized Obligation Payment Schedules, oversight board approval, and State Department of Finance approval, that unconstitutionally impair the contract providing for such pledge;
- (ii) excess tax increment revenues previously could be held by a redevelopment agency in reserve to protect against potential future shortfalls (in contrast to the provisions under the Dissolution Act that require the County Auditor-Controller to distribute surplus monies from the Redevelopment Property Tax Trust Fund amounts to taxing entities each six-month period); and
- (iii) the pre-Dissolution Act Redevelopment Law and bond indentures or trust agreements governing redevelopment bonds typically included requirements and covenants for the redevelopment agency to use surplus tax increment revenues received in excess of amounts required for debt service on redevelopment activities, which were calculated under the Redevelopment Law to stimulate growth and general increases in assessed valuation, and therefore increase additional security for the such bonds, and such covenants have been substantially and unconstitutionally impaired by the Dissolution Act, in particular the Redistribution Provisions.

The Syncora Lawsuit was brought as a petition for writ of mandate, complaint for declaratory relief, inverse condemnation and injunctive relief. The injunctive relief sought

includes an injunction enjoining the respondents from implementing enforcing, and/or carrying out the Redistribution Provisions, ordering respondents to immediately return all money remitted by successor agencies to local taxing agencies pursuant to the Redistribution Provisions, and ordering respondents to hold all future tax increment revenues in the Redevelopment Property Tax Trust Fund, or a similar fund, for the exclusive benefit of, and distribution to, bond owners until such a time when the bond owners are completely repaid.

On May 29, 2013, the Superior Court issued a preliminary ruling, in which it denied Syncora's claims that the Dissolution Act unconstitutionally impaired its contracts on the grounds that those claims are premature; the court noted that Syncora had provided no evidence that successor agencies actually are unable to meet their obligations as they become due, or that successor agencies will be prevented from ultimately paying all redevelopment obligations. The Superior Court concluded that Syncora's takings claims are not necessarily premature, but that an evidentiary hearing should be conducted to address those claims. Finally the superior court concluded that possible certification of a class of county auditor-controller was moot because the auditor-controller have no role or duty in connection with the alleged takings or in providing compensation for those takings.

Subsequently, on August 16, 2013, the parties entered into a stipulated judgment dismissing all of Syncora's claims, although the dismissal was without prejudice with respect to Syncora's impairment of contract and takings claims.

Reduction in Taxable Value

Pledged Tax Revenues available to pay principal of and interest on the 2014 Bonds are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area caused by a variety of factors beyond the Successor Agency's control such as the economic conditions in the Project Area and the broader region, the reduction of inflationary factors under Article XIII A, relocation out of the Project Area by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, the existence of hazardous substances, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Pledged Tax Revenues that provide for the repayment of and secure the 2014 Bonds. Such reduction of Pledged Tax Revenues could have an adverse effect on the Successor Agency's ability to make timely payments of principal of and interest on the 2014 Bonds.

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA – Article XIII A of the State Constitution," Article XIII A provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation several times; in fiscal year 2010-11, the inflationary value adjustment was negative for the first time at -0.237%. In fiscal year 2011-12, the inflationary value adjustment was 0.753%. For fiscal years 2012-13 and 2013-14, the inflationary value adjustment is 2.00%, which is the maximum permissible increase under Article XIII A. The fiscal year 2014-15 inflation rate is 1.00454%. Any resulting reduction

in the full cash value base over the term of the 2014 Bonds could reduce Pledged Tax Revenues available to pay principal of and interest on the 2014 Bonds.

Future Limits on Receiving Tax Increment

As shown on Table 3 in "THE PROJECT AREA", the last year to repay debt with Tax Revenues in the 1974 Amendment Area is July 2027; the 1974 Amendment Area currently represents approximately 38% of Project Area Tax Revenues. The 2014 Bonds mature in October 2029, meaning that Tax Revenues will be reduced significantly when the 1974 Amendment Area expires in July of 2027. See Table 8 herein.

Risks to Real Estate Market

The Successor Agency's ability to make payments on the 2014 Bonds, the 2008 Loan, and any Parity Bonds will be dependent upon the economic strength of the Project Area. The general economy of the Project Area will be subject to all of the risks generally associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development within the Project Area could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Pledged Tax Revenues by the Successor Agency from the Project Area.

Reduction in Inflationary Rate

As described in greater detail below, Article XIII A of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%.

Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation several times; in fiscal year 2010-11, the inflationary value adjustment was negative for the first time at -0.237%. In fiscal year 2011-12, the inflationary value adjustment was 0.753%. For fiscal years 2012-13 and 2013-14, the inflationary value adjustment is 2.00%, which is the maximum permissible increase under Article XIII A.

The Successor Agency is unable to predict if any adjustments to the full cash value of real property within the Project Area will be realized in the future, and whether any such adjustment would be an increase or a reduction. The Successor Agency caused the Fiscal Consultant to prepare two projections of Pledged Tax Revenues: one assuming a 0% inflationary increase and another assuming a 2% inflationary increase.

Development Risks

The general economy of a redevelopment project area will be subject to all the risks generally associated with real estate development. Projected development within a redevelopment project area may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within a redevelopment project area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in a redevelopment project area is delayed or halted, the economy of the redevelopment project area could be affected. If such events lead to a decline in assessed values they could cause a reduction in incremental property Pledged Tax Revenues. In addition, if there is a decline in the general economy of a redevelopment agency, the owners of property within the redevelopment project area may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of the incremental property Pledged Tax Revenues received by the successor agency from the redevelopment project area. In addition, the insolvency or bankruptcy of one or more large owners of property within a redevelopment project area could delay or impair the receipt of incremental property Pledged Tax Revenues by the successor agency.

Levy and Collection of Taxes

The Successor Agency has no independent power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Pledged Tax Revenues, and accordingly, could have an adverse impact on the security for and the ability of the Successor Agency to repay the 2014 Bonds.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Project Area, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Successor Agency's ability to make timely payments on the 2014 Bonds. Any reduction in Pledged Tax Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Successor Agency's ability to pay the principal of and interest on the 2014 Bonds.

Bankruptcy and Foreclosure

The payment of the property taxes from which Pledged Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2014 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the 2014 Bonds.

Natural Disasters

The value of the property in the Project Area in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the Project Area could be diminished in the aftermath of such events. A substantial reduction of the value of such properties and could affect the ability or willingness of the property owners to pay the property taxes.

State Budget Issues

AB X1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively. The 2011-12 State budget included projected State savings estimated to aggregate \$1.7 billion in 2011-12 associated with AB X1 27, which would have allowed redevelopment agencies to continue in operation provided their establishing cities or counties agreed to make an aggregate \$1.7 billion in payments to K-12 schools. However, AB X1 27 was found in December 2011 by the California Supreme Court to violate the State Constitution, which altered this budgetary plan of the State. According to the State's Summary of the 2012-13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (projected savings of \$1.5 billion). There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or former tax increment revenue, such as the Pledged Tax Revenues. The full text of each State Assembly bill cited above may be obtained from the "Official California Legislative Information" website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://www.leginfo.ca.gov/bilinfo.html>.

Information about the State budget and State spending is available at various State maintained websites. Text of the 2012-13 Budget Summary, the current State budget, the Governor's proposed budget for 2013-14 and other documents related to the State budget may be found at the website of the State Department of Finance, www.dof.ca.gov. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov.

None of the websites or webpages referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The Successor Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.

Changes in the Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Pledged Tax Revenues, which could have an adverse effect on the Successor Agency's ability to pay debt service on the 2014 Bonds. Although the federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the 2014 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2014 Bonds were issued, as a result of future acts or omissions of the Successor Agency in violation of its covenants in the Indenture.

In addition, current and future legislative proposals, if enacted into law, may cause interest on the 2014 Bonds to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals.

Should such an event of taxability occur, the 2014 Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2014 Bonds, or, if a secondary market exists, that the 2014 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest and original issue discount on the 2014 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 2014 Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest and original issue discount on the 2014 Bonds will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative maximum taxable liability of such corporations.

The difference between the issue price of a 2014 Bond (the first price at which a substantial amount of the 2014 Bonds of a maturity are to be sold to the public) and the stated

redemption price at maturity with respect to such 2014 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2014 Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by an owner of a 2014 Bond will increase the owner's basis in the applicable 2014 Bond.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest and original issue discount on the 2014 Bonds is based upon certain representations of fact and certifications made by the Successor Agency, the Underwriter and others and is subject to the condition that the Successor Agency complies with all requirements of the Code that must be satisfied subsequent to the issuance of the 2014 Bonds to assure that interest and original issue discount on the 2014 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest and original issue discount on the 2014 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2014 Bonds. The Successor Agency has have covenanted to comply with all such requirements.

Should the interest and original issue discount on the 2014 Bonds become includable in gross income for federal income tax purposes, the 2014 Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Indenture.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of the issuance of the 2014 Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value or tax treatment of a 2014 Bond and Bond Counsel expresses no opinion with respect thereto.

Although Bond Counsel has rendered an opinion that interest and original issue discount on the 2014 Bonds is excluded from gross income for federal income tax purposes provided that the Successor Agency continues to comply with certain requirements of the Code, the accrual or receipt of interest and original issue discount on the 2014 Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the 2014 Bonds.

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2014 Bonds, the Successor Agency has covenanted in the Indenture to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended, relative to arbitrage and avoidance of characterization as private activity bonds, among other things. The interest on the 2014 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the 2014 Bonds, as a result of acts or omissions of the Successor Agency in violation of covenants in the Indenture. Should such an event of taxability occur, the 2014 Bonds are not subject to acceleration, redemption or any increase in interest rates and will remain Outstanding until maturity or until redeemed under one of the redemptive provisions contained in the Indenture.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible

that the 2014 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2014 Bonds might be affected as a result of such an audit of the 2014 Bonds (or by an audit of similar bonds). Congress or the IRS might change the Code (or interpretation thereof) subsequent to the issuance of the 2014 Bonds to the extent that it adversely affects the exclusion from gross income of interest and original issue discount on the 2014 Bonds or their market value. In many instances, the audit will be directed toward the issuer of the bonds (with no participation rights by bondholders). The Successor Agency (and Bond Counsel) are not obligated to defend the tax-exempt status of interest and original issue discount on the 2014 Bonds.

The amount by which a 2014 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2014 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the 2014 Bond Owner's basis in the applicable 2014 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2014 Bond Owner realizing a taxable gain when a 2014 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2014 Bond to the Owner. Purchasers of the 2014 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

_____ (the "**Verification Agent**"), will examine the arithmetical accuracy of certain computations included in the schedules provided by the Successor Agency relating to defeasance and redemption of the 2003 Bonds. See "REFUNDING PLAN" above.

The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

AUDITED FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report of the City for the year ended June 30, 2012 is attached as Appendix E (the "**City CAFR**"). As described in greater detail in Notes 1 and 20 of the City CAFR, the assets and liabilities of the Prior Agency from July 1, 2011 through January 31, 2012 and the assets and liabilities of the Successor Agency from February 1, 2012 through June 30, 2012 are reported in the City CAFR.

The City has not requested nor did the City obtain permission from its auditor to include the audited financial statements as an appendix to this Official Statement, and the auditor has not performed any post-audit review of the financial condition or operations of the Prior Agency or the Successor Agency.

CONCLUDING INFORMATION

Underwriting

The 2014 Bonds are being purchased by Mitsubishi UFJ Securities (the “**Underwriter**”). The Underwriter has agreed to purchase the 2014 Bonds at a price of \$_____ (being the principal amount of the 2014 Bonds plus an original issue premium of \$_____ and less an Underwriter’s discount of \$_____). The Underwriter will purchase all of the 2014 Bonds if any are purchased.

The Underwriter may offer and sell Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover page of this Official Statement. The offering price may be changed from time to time by the Underwriter.

Legal Opinions

The final approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, will be furnished to the purchaser at the time of delivery of the 2014 Bonds. A copy of the proposed form of Bond Counsel’s final approving opinion with respect to the 2014 Bonds is attached as Appendix B.

In addition, certain legal matters will be passed on by Jones Hall, A Professional Law Corporation, as Disclosure Counsel and Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter’s Counsel. Certain legal matters will be passed on for the Successor Agency by the City Attorney, as General Counsel for the Successor Agency.

Compensation paid to Bond Counsel, Disclosure Counsel and Underwriter’s Counsel is contingent upon the sale and delivery of the 2014 Bonds.

Litigation

There is no action, suit or proceeding known to the Successor Agency to be pending and notice of which has been served upon and received by the Successor Agency, or threatened, restraining or enjoining the execution or delivery of the 2014 Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Successor Agency taken with respect to any of the foregoing.

Rating

Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. (“**S&P**”), has assigned its rating of “_____” to the 2014 Bonds. The rating reflect only the view of S&P as to the credit quality of the 2014 Bonds, and explanation of the significance of the ratings may be obtained from S&P.

There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2014 Bonds.

Continuing Disclosure

The Successor Agency will covenant for the benefit of owners of the 2014 Bonds to provide certain financial information and operating data relating to the Successor Agency by not later than March 31 after the end of each fiscal year of the Successor Agency (currently June 30th), commencing not later than March 31, 2014 with the report for the 2012-13 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Report or the notices of listed events is summarized in "APPENDIX D - FORM OF SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE," attached to this Official Statement. These covenants have been made in order to assist the Underwriter (as defined below) in complying with Securities Exchange Commission Rule 15c2 12(b)(5) (the "**Rule**").

The City and its related entities, including the Prior Agency and the City's Housing Authority, previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations. In connection with the issuance of the 2014 Bonds, the Successor Agency retained the consulting firm of Municipal Disclosure Advisors to undertake an audit of the City's and its related entities' compliance with their continuing disclosure obligations during the prior five years. A copy of Municipal Disclosure Advisors' report is available upon request from the Successor Agency.

The audit uncovered a number of instances of failure by the City, the Successor Agency, the Prior Agency and the City's Housing Authority over the past five years to materially comply with their disclosure undertakings under the Rule. Such failures included the omission of certain information required to be included in the annual reports, the failure to file audited financial statements for certain issues, the failure to file notices of underlying and insured rating changes, and certain late filings. The City and its related entities have made remedial filings and are currently in compliance with their existing undertakings under the Rule. The City plans to implement policies and procedures which are designed to ensure that it does not materially fail to comply with future continuing disclosure undertakings.

Miscellaneous

All of the preceding summaries of the Indenture, the Redevelopment Law, the Dissolution Act, other applicable legislation, the Redevelopment Plan for the Project Area, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Successor Agency for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2014 Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

**SUCCESSOR AGENCY TO THE GARDEN
GROVE AGENCY FOR COMMUNITY
DEVELOPMENT**

By: _____
Executive Director

APPENDIX A
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX B
FORM OF BOND COUNSEL OPINION

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix C concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. The Successor Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2014 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2014 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2014 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2014 Bonds. The 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2014 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing Successor Agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated herein by reference.

Purchases of 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on

the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2014 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2014 Bond documents. For example, Beneficial Owners of 2014 Bonds may wish to ascertain that the nominee holding the 2014 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2014 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Successor Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Successor Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the

Successor Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the 2014 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Successor Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2014 Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the 2014 Bonds are required to be printed and delivered.

The Successor Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the 2014 Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Successor Agency believes to be reliable, but the Successor Agency takes no responsibility for the accuracy thereof.

APPENDIX D
FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E

**CITY OF GARDEN GROVE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

APPENDIX F

GENERAL INFORMATION ABOUT THE CITY OF GARDEN GROVE AND THE COUNTY OF ORANGE

The following information concerning the City of Garden Grove (the "City") and the County of Orange (the "County") is included only for the purpose of supplying general information regarding the area of the City. The 2014 Bonds are not a debt of the City, County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General Description and Background

The County of Orange, California (the "County") encompasses 798 square miles in Southern California, bordered on the north by Los Angeles and San Bernardino counties, on the east by Riverside County, on the southeast by San Diego County and on the west and southwest by the Pacific Ocean. There are 34 cities located within the County. The County is the third largest county in the State and the sixth largest county in the nation.

Approximately 42 miles of ocean shoreline provide many beaches, marinas and other recreational areas for use by residents and visitors. The climate in the County is mild, with an average annual rainfall of 13 inches.

The County is governed by a five-member Board of Supervisors (the "Board") elected by districts to four-year terms by the citizens of the County. At the beginning of each year, the Board selects a Chairman and a Vice Chairman.

Population

The following sets forth population estimates for Garden Grove, the County and the State as of January 1 for the years 2006 through 2013:

CITY OF GARDEN GROVE, ORANGE COUNTY AND STATE OF CALIFORNIA Estimated Population

| <u>Year</u> <u>(January 1)</u> | <u>City of</u> <u>Garden Grove</u> | <u>Orange</u> <u>County</u> | <u>State of</u> <u>California</u> |
|-----------------------------------|---------------------------------------|--------------------------------|--------------------------------------|
| 2006 | 167,591 | 2,956,334 | 36,116,202 |
| 2007 | 167,498 | 2,960,659 | 36,399,676 |
| 2008 | 167,980 | 2,974,321 | 36,704,375 |
| 2009 | 169,910 | 2,990,805 | 36,966,713 |
| 2010 | 170,672 | 3,008,855 | 37,223,900 |
| 2011 | 171,307 | 3,028,846 | 37,427,946 |
| 2012 | 172,763 | 3,057,879 | 37,668,804 |
| 2013 | 173,075 | 3,081,804 | 37,966,471 |

Source: State of California Department of Finance, Demographic Research Unit.

Commerce

In 2009, the State Board of Equalization converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, retail stores data for 2009, 2010 and 2011 is not comparable to that of prior years.

Total taxable sales reported during the first three quarters of calendar year 2012 in the City were reported to be \$1.3 billion, a 9.9% increase over the total taxable sales of \$1.2 billion reported during the first three quarters of calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City of Garden Grove is presented in the following table. Annual figures are not yet available for 2012.

**CITY OF GARDEN GROVE
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)**

| | Retail Stores | | Total All Outlets | |
|---------------------|-------------------|----------------------|-------------------|----------------------|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 2007 | 1,947 | \$1,480,098 | 3,933 | \$1,751,333 |
| 2008 | 2,007 | 1,383,601 | 3,950 | 1,642,666 |
| 2009 ⁽¹⁾ | 2,141 | 1,155,616 | 3,524 | 1,361,395 |
| 2010 ⁽¹⁾ | 2,277 | 1,256,993 | 3,653 | 1,459,914 |
| 2011 ⁽¹⁾ | 2,417 | 1,396,341 | 3,792 | 1,623,150 |

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: California State Board of Equalization, *Taxable Sales in California (Sales & Use Tax)*.

Total taxable sales during the first three quarters of calendar year 2012 in the County were reported to be \$41.23 billion, a 9.0% increase over the total taxable sales of \$37.83 billion reported in the County during the first three quarters of calendar year 2011. The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions within the County is presented in the following table. 2012 figures are not yet available.

**COUNTY OF ORANGE
Taxable Retail Sales
Number of Permits and Valuation of
Taxable Transactions (shown in thousands of dollars)**

| | Retail Stores | | Total All Outlets | |
|---------------------|----------------------|-------------------------|----------------------|-------------------------|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 2007 | 44,093 | \$38,988,227 | 99,088 | \$57,293,471 |
| 2008 | 45,705 | 35,768,595 | 97,612 | 53,606,829 |
| 2009 ⁽¹⁾ | 56,259 | 31,162,619 | 90,231 | 45,712,784 |
| 2010 ⁽¹⁾ | 58,076 | 32,552,107 | 92,047 | 47,667,179 |
| 2011 ⁽¹⁾ | 58,795 | 35,587,795 | 92,207 | 51,731,139 |

(1) Not comparable to prior years. "Retail" category now includes "Food Services."
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Employment and Industry

Garden Grove is included in the Santa Ana-Anaheim-Irvine Metropolitan Division (which consists of Orange County). The following table shows the average annual estimated numbers by industry comprising the civilian labor force, as well as unemployment information for years 2008 through 2012.

The unemployment rate in the County was 5.6% in November 2013, down from a revised 5.8% in October 2013, and below the year-ago estimate of 6.9%. This compares with an unadjusted unemployment rate of 8.3% for California and 6.6% for the nation during the same period.

SANTA ANA-ANAHEIM-IRVINE METROPOLITAN DIVISION ORANGE COUNTY Civilian Labor Force, Employment and Unemployment (Annual Averages)

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|-----------|-----------|-----------|-----------|-----------|
| <u>Civilian Labor Force</u> ⁽¹⁾ | 1,618,100 | 1,588,800 | 1,591,000 | 1,603,700 | 1,617,400 |
| Employment | 1,532,800 | 1,448,200 | 1,440,400 | 1,464,400 | 1,495,100 |
| Unemployment | 85,300 | 140,600 | 150,700 | 139,300 | 122,300 |
| Unemployment Rate | 5.3% | 8.8% | 9.5% | 8.7% | 7.6% |
| <u>Wage and Salary Employment:</u> ⁽²⁾ | | | | | |
| Agriculture | 4,600 | 3,800 | 3,700 | 3,200 | 3,200 |
| Mining and Logging | 600 | 500 | 500 | 500 | 500 |
| Construction | 91,200 | 74,200 | 68,000 | 68,300 | 67,500 |
| Manufacturing | 174,100 | 154,800 | 150,400 | 153,600 | 154,400 |
| Wholesale Trade | 86,700 | 79,400 | 77,600 | 77,900 | 78,300 |
| Retail Trade | 155,600 | 142,300 | 140,100 | 141,600 | 146,600 |
| Transportation, Warehousing, Utilities | 29,300 | 27,800 | 26,700 | 27,500 | 27,400 |
| Information | 30,100 | 27,300 | 24,800 | 23,800 | 24,300 |
| Finance and Insurance | 76,100 | 70,600 | 69,400 | 70,200 | 69,900 |
| Real Estate and Rental and Leasing | 37,000 | 34,500 | 34,100 | 33,700 | 36,800 |
| Professional and Business Services | 266,600 | 240,200 | 243,500 | 246,700 | 254,000 |
| Educational and Health Services | 150,700 | 152,100 | 155,500 | 158,700 | 161,100 |
| Leisure and Hospitality | 176,400 | 169,100 | 168,600 | 173,200 | 180,400 |
| Other Services | 46,500 | 42,600 | 42,200 | 42,800 | 43,400 |
| Federal Government | 11,700 | 11,700 | 12,400 | 11,600 | 11,300 |
| State Government | 28,000 | 27,700 | 27,300 | 28,000 | 28,000 |
| Local Government | 121,000 | 117,200 | 112,600 | 110,000 | 106,700 |
| Total, All Industries ⁽³⁾ | 1,486,200 | 1,375,900 | 1,357,400 | 1,371,300 | 1,393,700 |

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: California Employment Development Department.

Major Employers

The following table lists the top employers in the County, listed alphabetically.

ORANGE COUNTY Major Employers- As of January 2013

| Employer Name | Location | Industry |
|---------------------------------|---------------------|--|
| Allergan Inc. | Irvine | Drug Millers (Mfrs) |
| Anaheim City Hall | Anaheim | City Government-Executive Offices |
| Blogtagon Social Media | Fountain Valley | Internet Service |
| Boeing Co | Huntington Beach | Aircraft-Manufacturers |
| Boeing Co | Seal Beach | Aerospace Industries (Mfrs) |
| Broadcom Corp | Irvine | Semiconductors & Related Devices (Mfrs) |
| California State-Fullerton | Fullerton | Schools-Universities & Colleges Academic |
| Emplicity | Irvine | Employment Contractors-Temporary Help |
| Fairview Development Center | Costa Mesa | Hospitals |
| First American Title Ins Co | Santa Ana | Title Companies |
| First Team San Clemente RI Est | San Clemente | Real Estate |
| Fountain Valley Regl Hospital | Fountain Valley | Hospitals |
| Hoag Hospital | Newport Beach | Hospitals |
| Jones Lang La Salle | Brea | Real Estate Management |
| Pacifi Care | Cypress | Health Plans |
| Puro Clean | Anaheim | Water Damage Restoration-Residential |
| Quest Diagnostics | San Juan Capistrano | Laboratories-Medical |
| Quiksilver Eyeware USA | Huntington Beach | Optical Goods-Retail |
| Saddleback Memorial Hospital | Laguna Hills | Hospitals |
| St John Knits Intl Inc | Irvine | Women's Apparel-Retail |
| St Jude Medical Center | Brea | Physicians & Surgeons Equip & Supls-Whls |
| St Jude Medical Center | Fullerton | Hospitals |
| Tenant Inc | Fountain Valley | Hospitals |
| Tri Zetto Group | Newport Beach | Information Technology Services |
| UC Irvine Healthcare | Orange | Hospitals |
| University of California-Irvine | Irvine | Schools-Universities & Colleges Academic |

Source: State of California Employment Development Department, compiled from America's Labor Market Information System (ALMIS) Employer Database, 2013 1st Edition.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in Garden Grove and the County.

CITY OF GARDEN GROVE Building Permit Valuation (Valuation in Thousands of Dollars)

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-------------------------------|-----------------|-----------------|----------------|-----------------|----------------|
| <u>Permit Valuation</u> | | | | | |
| New Single-family | \$3,026.0 | \$2,135.0 | \$11,264.5 | \$5,180.8 | \$20,946.1 |
| New Multi-family | 973.0 | 2,504.0 | 5,512.0 | 6,345.6 | 5,289.6 |
| Res. Alterations/Additions | <u>10,300.9</u> | <u>9,894.8</u> | <u>8,122.1</u> | <u>8,104.6</u> | <u>5,055.7</u> |
| Total Residential | 14,299.9 | 14,533.8 | 24,898.6 | 19,631.0 | 31,291.4 |
| New Commercial | 2,050.0 | 0.0 | 0.0 | 0.0 | 1,918.0 |
| New Industrial | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| New Other | 1,811.6 | 1,426.1 | 1,191.1 | 0.0 | 0.0 |
| Com. Alterations/Additions | <u>6,599.0</u> | <u>10,278.9</u> | <u>8,634.7</u> | <u>10,198.5</u> | <u>5,218.6</u> |
| Total Nonresidential | \$10,460.5 | \$11,705.0 | \$9,815.9 | \$10,198.5 | \$7,136.6 |
| <u>New Dwelling Units</u> | | | | | |
| Single Family | 13 | 5 | 62 | 31 | 61 |
| Multiple Family | <u>8</u> | <u>14</u> | <u>32</u> | <u>39</u> | <u>28</u> |
| TOTAL | 21 | 19 | 94 | 70 | 89 |

ORANGE COUNTY Building Permit Valuation (Valuation in Thousands of Dollars)

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| <u>Permit Valuation</u> | | | | | |
| New Single-family | \$475,736.0 | \$437,832.0 | \$492,529.5 | \$518,681.8 | \$752,931.2 |
| New Multi-family | 203,618.3 | 109,750.2 | 208,046.8 | 378,599.9 | 438,118.2 |
| Res. Alterations/Additions | <u>358,355.5</u> | <u>307,610.4</u> | <u>328,830.0</u> | <u>450,105.3</u> | <u>363,854.8</u> |
| Total Residential | 1,037,709.8 | 855,192.6 | 1,029,406.2 | 1,347,387.0 | 1,554,904.2 |
| New Commercial | 424,041.7 | 153,465.6 | 264,898.3 | 255,841.4 | 513,584.4 |
| New Industrial | 14,174.4 | 0.0 | 23,000.0 | 10,300.0 | 102,586.7 |
| New Other | 184,620.8 | 150,751.4 | 116,813.1 | 25,511.4 | 28,591.8 |
| Com. Alterations/Additions | <u>816,284.5</u> | <u>648,267.8</u> | <u>747,216.7</u> | <u>896,906.9</u> | <u>697,630.6</u> |
| Total Nonresidential | 1,439,121.4 | 952,484.7 | 1,151,928.1 | 1,188,559.7 | 1,342,393.5 |
| <u>New Dwelling Units</u> | | | | | |
| Single Family | 1,295 | 1,376 | 1,553 | 1,908 | 2,438 |
| Multiple Family | <u>1,864</u> | <u>824</u> | <u>1,538</u> | <u>2,897</u> | <u>3,725</u> |
| TOTAL | 3,159 | 2,200 | 3,091 | 4,805 | 6,163 |

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2008 through 2012.

COUNTY OF ORANGE Effective Buying Income 2008 through 2012

| <u>Year</u> | <u>Area</u> | <u>Total Effective Buying Income (000's Omitted)</u> | <u>Median Household Effective Buying Income</u> |
|-------------|----------------------|--|---|
| 2008 | City of Garden Grove | \$ 2,587,523 | \$48,591 |
| | Orange County | 78,347,278 | 58,979 |
| | California | 832,531,445 | 48,952 |
| | United States | 6,443,994,426 | 42,303 |
| 2009 | City of Garden Grove | \$ 2,689,805 | \$49,052 |
| | Orange County | 79,478,835 | 61,470 |
| | California | 844,823,319 | 49,736 |
| | United States | 6,571,536,768 | 43,252 |
| 2010 | City of Garden Grove | \$2,510,085 | \$46,265 |
| | Orange County | 75,063,558 | 57,849 |
| | California | 801,393,028 | 47,177 |
| | United States | 6,365,020,076 | 41,368 |
| 2011 | City of Garden Grove | \$2,558,765 | \$46,106 |
| | Orange County | 76,315,505 | 57,607 |
| | California | 814,578,458 | 47,062 |
| | United States | 6,438,704,664 | 41,253 |
| 2012 | City of Garden Grove | \$2,668,395 | \$46,596 |
| | Orange County | 81,079,398 | 57,181 |
| | California | 864,088,828 | 47,307 |
| | United States | 6,737,867,730 | 41,358 |

Source: The Nielsen Company (US), Inc.

County Transportation Systems

The County is situated in the most heavily populated area in California and has access to excellent roads, rail, air and sea transportation. The Santa Ana Freeway (Interstate 5) provides direct access to downtown Los Angeles and connects with the San Diego Freeway (Interstate 405) southeast of the City of Santa Ana providing a direct link with San Diego. The Garden Grove Freeway (State 22) and the Riverside Freeway (State 91) provide east-west transportation, linking the San Diego Freeway, Santa Ana Freeway and the Newport Freeway (State 55). The Newport Freeway provides access to certain beach communities.

Drivers in the County have access to two toll road systems administered by the Transportation Corridor Agencies. The San Joaquin Toll Road (73) runs from Costa Mesa to Mission Viejo and connects to the 405 and 5 Freeways. The Eastern and Foothill Toll Roads (241, 261 and 133) connect the County to the 91 Freeway to the north and the 5 Freeway, City of Irvine and other South County cities, as well as Laguna Canyon Road. The Transportation Corridor Agencies are planning to extend the 241 Toll Road to connect to the 5 Freeway near San Clemente.

Rail freight service is provided by the Burlington Northern Santa Fe Railway and the Union Pacific Railroad Company. Amtrak provides passenger service to San Diego to the south, Riverside and San Bernardino Counties to the east, and Los Angeles and Santa Barbara to the north. Metro Link provides passenger service to San Bernardino and Riverside counties to the east, Oceanside to the south and Los Angeles County to the north. Bus service is provided by Greyhound Bus Lines. The Orange County Transportation Authority provides bus service between most cities in the County. Most interstate common carrier truck lines operating in California serve the County.

The John Wayne Airport is located in the County's unincorporated area adjacent to Santa Ana, Costa Mesa, Irvine and Newport Beach. Major airlines, including American, Alaska, Delta, America West, Continental, Northwest, U.S. Airways, Southwest, United, Aloha and TWA, fly from the airport to major cities throughout the country.

APPENDIX G
FISCAL CONSULTANT'S REPORT