

## Two New Issues – Book -Entry Only

Rating: Standard & Poor's : "BBB+"  
(See "CONCLUDING INFORMATION -- Rating" herein)

*In the opinion of McFarlin & Anderson, Lake Forest, California ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants and agreements, interest on the 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 opinion of Bond Counsel, interest on the 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 Bonds. See, "CONCLUDING INFORMATION -- Tax Matters."*

**\$3,100,000**  
**Redevelopment Agency of the City of  
Placentia**  
**Housing Set-Aside Tax Allocation Bonds**  
**2002 Series A**

**\$4,655,000**  
**Redevelopment Agency of the City of  
Placentia**  
**Tax Allocation Bonds**  
**2002 Series B**

### **Dated: Date of Delivery**

The Housing Set-Aside Tax Allocation Bonds, 2002 Series A and Tax Allocation Bonds, 2002 Series B (the "Series A Bonds" and the "Series B Bonds" respectively, and, together, the "Bonds") of the Redevelopment Agency of the City of Placentia (the "Agency") will be issued as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. The principal or redemption price of each Bond will be payable upon the presentation and surrender of each Bond, when due or redeemed, as applicable, at the corporate trust office of U.S. Bank, N.A., as trustee for the Bonds (the "Trustee"). Interest on the Bonds will be payable on February 1 and August 1 of each year (the "Interest Payment Dates"), commencing August 1, 2002, by check mailed on the Interest Payment Date to each Owner of the Bonds as of the fifteenth day of the month immediately preceding an Interest Payment Date, or by wire transfer upon written request of the Owner of at least \$1,000,000 in aggregate principal amount of outstanding bonds filed with the Trustee no later than the fifteenth day of the month next preceding such Interest Payment Date. See "THE BONDS – General Description" herein.

### **Due: August 1, as shown on the inside cover hereof**

The Bonds will be issued in book-entry form, initially registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interest in the Bonds. For so long as the Bonds are registered in the name of Cede & Co., the Trustee will make all payments of principal and interest on the Bonds to DTC, which, in turn, is obligated to remit such principal and interest to DTC Participants (defined herein) for subsequent disbursement to the Beneficial Owners (defined herein) of the Bonds. See "THE BONDS -- Book-Entry Only System" herein.

### **The Bonds are subject to optional and mandatory redemption as described herein.**

The Series A Bonds will be issued by the Agency under an Indenture of Trust, dated as of January 1, 2002 (the "Series A Indenture"), by and between the Agency and the Series A Trustee. The Series B Bonds will be issued by the Agency under an Indenture of Trust, dated as of January 1, 2002 (the "Series B Indenture" and, together with the Series A Indenture, the "Indentures"), by and between the Agency and the Series B Trustee. The Agency will use the proceeds of the Series A Bonds to finance the implementation of the Agency's low and moderate income housing programs, to fund a reserve account for the Series A Bonds, and to pay costs of issuance associated with the issuance and sale of the Series A Bonds. The Agency will use the proceeds of the Series B Bonds to finance the implementation of the Agency's redevelopment programs, to fund a reserve account for the Series B Bonds, and to pay costs of issuance associated with the issuance and sale of the Series B Bonds. The Bonds will be sold to the Placentia Public Financing Authority for immediate resale to the Underwriter. The Series A Bonds are payable from and secured by the Housing Set-Aside Amounts (as defined in the Series A Indenture) and certain funds and accounts held under the Series A Indenture for the benefit of the Series A Bondholders. The Series B Bonds are payable from and secured by the Revenues (as defined in the Series B Indenture) and certain funds and accounts held under the Series B Indenture for the benefit of the Series B Bondholders. See "SECURITY FOR THE SERIES A BONDS" and "SECURITY FOR THE SERIES B BONDS" herein.

**The Bonds are not a debt of the City of Placentia (the "City") or of the State of California or any of its political subdivisions (other than the Agency), and neither the City nor the State of California nor any of its political subdivisions (other than the Agency) is liable therefor.** The Bonds are special obligations of the Agency. The Series A Bonds are payable exclusively from the Housing Set-Aside Amounts and amounts held in the Housing Special Fund and the specified funds and accounts created pursuant to the Series A Indenture. The Series B Bonds are payable exclusively from the Revenues and amounts held in the Special Fund and the specified funds and accounts created pursuant to the Series B Indenture. The Agency is not obligated to pay the principal of and interest on the Bonds except from such specified amounts. In no event will the Bonds be payable out of any funds or properties other than those of the Agency pledged therefor. Neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds.

**This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors should 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 herein. See "RISK FACTORS" herein.**

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by McFarlin & Anderson, Lake Forest, California, Bond Counsel. Certain legal matters will be passed on for the Agency and the Authority by the City Attorney, acting as counsel to the Agency and the Authority, and by Fulbright & Jaworski L.L.P., Los Angeles, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, A Professional Corporation, San Francisco, California, as Underwriter's Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about January 17, 2002.

Dated: January 8, 2002



**O'CONNOR  
SWS SECURITIES**

**\$3,100,000**  
**Redevelopment Agency of the City of**  
**Placentia**  
**Housing Set-Aside Tax Allocation Bonds**  
**2002 Series A**

**\$4,655,000**  
**Redevelopment Agency of the City of**  
**Placentia**  
**Tax Allocation Bonds**  
**2002 Series B**

**MATURITY SCHEDULES**

**SERIES A BONDS**

**Maturity Dates, Principal Amounts, Interest Rates and Prices**

\$235,000 3.75% Series A Term Bond due August 1, 2006, Price: 99.38%  
\$350,000 5.15% Series A Term Bond due August 1, 2012, Price: 100.00%  
\$2,515,000 5.85% Series A Term Bond due August 1, 2032, Price: 100.00%

**SERIES B BONDS**

**Maturity Dates, Principal Amounts, Interest Rates and Prices**

\$350,000 3.75% Series B Term Bond due August 1, 2006, Price: 99.38%  
\$530,000 5.15% Series B Term Bond due August 1, 2012, Price: 100.00%  
\$3,775,000 5.75% Series B Term Bond due August 1, 2032, Price: 99.285%

**REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA  
CITY OF PLACENTIA**

**CITY COUNCIL / AGENCY GOVERNING BOARD**

Chris Lowe, Mayor/Chair  
Constance Underhill, Mayor Pro Tem/Vice Chair  
Scott P. Brady, Council Member/Member  
Judy A. Dickinson, Council Member/Member  
Norman Z. Eckenrode, Council Member/Member

**CITY/AGENCY STAFF**

Robert D'Amato, City Administrator/Executive Director  
Steven L. Brisco, Director of Finance/Director of Finance  
Carolyn H. Davis, City Treasurer/Treasurer  
Edmund M. Ponce, City Clerk/Secretary  
Thomas F. Nixon, Esq. City Attorney  
Barbara L. Leibold, Esq. Agency Counsel

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Lake Forest, California

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Los Angeles, California

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Mill Valley, California

**Fiscal Consultant**

Rosenow Spevacek Group, Inc.  
Santa Ana, California

**Trustee**

U.S. Bank, N.A.  
Los Angeles, California

**Underwriter's Counsel**

Stradling Yocca Carlson & Rauth  
San Francisco, California

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations in connection with the offer or sale of the Bonds described herein, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Agency, the Authority, the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Agency, the Authority, the City, and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of such by the Agency, the Authority, the City, or the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the Agency, the Authority, or the City since the date hereof. The Official Statement is submitted in connection with the sale of Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

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## OFFICIAL STATEMENT

**\$3,100,000**  
**Redevelopment Agency of the City of**  
**Placentia**  
**Housing Set-Aside Tax Allocation Bonds**  
**2002 Series A**

**\$4,655,000**  
**Redevelopment Agency of the City of**  
**Placentia**  
**Tax Allocation Bonds**  
**2002 Series B**

## INTRODUCTORY STATEMENT

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Redevelopment Agency of the City of Placentia (the "Agency") of \$3,100,000 aggregate principal amount of its Housing Set-Aside Tax Allocation Bonds, 2002 Series A (the "Series A Bonds") and \$4,655,000 aggregate principal amount of its Tax Allocation Bonds, 2002 Series B (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds"). The Bonds will be issued under the provisions of the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law"). The Series A Bonds will be issued pursuant to an Indenture of Trust, dated as of January 1, 2002 (the "Series A Indenture"), by and between the Agency and U.S. Bank, N.A., Los Angeles, California, as trustee thereunder (the "Series A Trustee"). The Series B Bonds will be issued pursuant to an Indenture of Trust, dated as of January 1, 2002 (the "Series B Indenture"), by and between the Agency and U.S. Bank, N.A., Los Angeles, California, as trustee thereunder (the "Series B Trustee").

The Agency will use the proceeds of the sale of the Series A Bonds to finance the implementation of the Agency's low and moderate income housing program, to fund a reserve account for the Series A Bonds and to pay costs of issuance of the Series A Bonds. The Agency will use the proceeds of the sale of the Series B Bonds to finance the implementation of the Agency's redevelopment program, to fund a reserve account for the Series B Bonds and to pay costs of issuance of the Series B Bonds. The Series A Bonds are special obligations of the Agency payable exclusively from the Housing Set-Aside Amounts (as defined herein) and amounts held in the Housing Special Fund (as defined herein) and the specified funds and accounts created pursuant to the Series A Indenture. See "SECURITY FOR THE SERIES A BONDS -- Housing Set-Aside Amounts" herein. The Series B Bonds are special obligations of the Agency payable exclusively from the Revenues (as defined herein) and amounts held in the Special Fund (as defined herein) and the specified funds and accounts created pursuant to the Series B Indenture. See "SECURITY FOR THE SERIES B BONDS -- Revenues" herein.

On the date of issuance of the Bonds, the Agency will sell the Bonds to the Placentia Public Financing Authority (the "Authority"), a joint exercise of powers authority formed pursuant to the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, whose members consist of the Agency and the City of Placentia (the "City"), and the Authority in turn will sell the Bonds to the Underwriter.

### **Tax Allocation Financing**

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies within the project area thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (except such portion generated by rates levied to pay voter-approved bonded indebtedness after January 1, 1989 for the acquisition or improvement of real property) (herein, the "Tax Increment Revenues") are allocated to a redevelopment

agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above indicated.

The Redevelopment Law requires redevelopment agencies to set aside not less than 20% of all tax increment derived from a redevelopment project area for which a final redevelopment plan has been adopted on or after January 1, 1977, or from any area which has been added to a project area by amendment to a redevelopment plan adopted on or after January 1, 1977, in a low and moderate income housing fund, unless the Agency make certain findings (the "Housing Set-Aside"). The Housing Set-Aside constitutes the principal source of the Housing Set-Aside Amounts securing the Agency's obligations under the Indenture. See "SECURITY FOR THE SERIES A BONDS" herein.

Any future decrease in the assessed valuation of taxable property in the Project Area or in the applicable tax rates relating thereto will reduce the Tax Increment Revenues otherwise allocable to the Agency from the Project Area and correspondingly will have an adverse impact on the ability of the Agency to pay the principal of and interest on the Bonds. No funds or properties of the Agency shall be pledged to, or otherwise liable for, the Series A Bonds except for the Housing Set-Aside Amounts and the amounts held in the Housing Special Fund and the specified funds and accounts created pursuant to the Series A Indenture. No funds or properties of the Agency shall be pledged to, or otherwise liable for, the Series B Bonds except for the Revenues and the amounts held in the Special Fund and the specified funds and accounts created pursuant to the Series B Indenture.

### **The City, the Agency and the Authority**

The City is a charter city, incorporated in 1926. The City operates under a Council-Administrator form of government. The council members are elected at large for four-year staggered terms at elections held every two years. The City Administrator is appointed by the Council and serves at the Council's pleasure as the administrative head of the City.

The Agency was established pursuant to the Redevelopment Law. The City Council adopted Ordinance No.83-R101 on January 18, 1983, which activated the Agency. The Agency is governed by a five-member board which consists of all members of the City Council of the City. See "THE AGENCY," herein.

The Authority is a California joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated July 1, 1996 (the "JPA Agreement"), between the City and the Redevelopment Agency of the City of Placentia (the "Agency"). The JPA Agreement was entered into pursuant to the Joint Exercise of Powers Act, Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code of the State of California (the "Joint Powers Act"). The Authority is a separate entity constituting a public instrumentality of the State of California and was formed for the public purpose of assisting in financing and refinancing projects pursuant to the Joint Powers Act.

### **The Project Area**

The Placentia Redevelopment Project (the "Project Area") consists of the area included in the Redevelopment Plan adopted by Ordinance Number 83-O-113 (the "Original Project Area"), and the territory added by adoption of Ordinance No. 90-O-115, adopted June 26, 1990 (the "Added Area"). Ordinance No. 90-O-115 approved the Redevelopment Plan for the Amendment No. 1 to the Placentia Redevelopment Project which superceded, by amendment, the Redevelopment Plan adopted by Ordinance Number 83-O-113. The Original Project Area consists of two non-contiguous parcels totaling approximately 87.60 acres (excluding streets), located within an area generally bounded by the City limits

on the south and east, by Orangethorpe Avenue on the north, and by Melrose Street on the west. The Added Area consists of eight non-contiguous parcels totaling approximately 76.22 acres (excluding streets), located within an area generally bounded by Placentia Avenue on the west, by the Atchison, Topeka & Santa Fe Railroad right of way on the north, and property lines and other boundaries lying generally between Orangethorpe Avenue and Crowther Avenue on the south and property lines or other boundaries lying between Cameron Street and Porter Way to the east. Land use in the Original Project Area is approximately 28.08% commercial and 64.19% industrial. Land use in the Added Area is approximately 38.98% commercial and 51.38% industrial. Vacant land in the Project Area is limited to approximately 1.08 acres of vacant industrial property in the Original Project Area and approximately 0.68 acres of other vacant land in the Added Area. See "THE PROJECT AREA" and "APPENDIX A – FISCAL CONSULTANT'S REPORT" herein.

### **Plan of Financing**

The Agency will use the proceeds of the sale of the Series A Bonds to finance the implementation of the Agency's low and moderate income housing program, to fund a reserve account for the Series A Bonds and to pay costs of issuance of the Series A Bonds. The Agency will use the proceeds of the sale of the Series B Bonds to finance the implementation of the Agency's redevelopment program, to fund a reserve account for the Series B Bonds and to pay costs of issuance of the Series B Bonds.

### **Further Information**

Brief descriptions of the Bonds, the Indentures, the Agency, the Authority 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 Indentures, the Bond Law, the Redevelopment Law, the Constitution and the laws of the State, and the proceedings of the Agency, the Authority and the City, are qualified in their entirety by reference to each such document, law or constitution. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Indentures. References herein to the Bonds are qualified in their entirety by reference to the form thereof included in the respective Indentures. Copies of the Indentures are available for inspection at the office of the Agency.

### **Continuing Disclosure**

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the Agency has undertaken for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the Issuer by not later than February 1 after the end of each Fiscal Year commencing with the Fiscal Year ending June 30, 2002 (the "Annual Information"), and to provide notices of the occurrence of certain enumerated events, if deemed by the Agency to be material. The Annual Information will be filed by or on behalf of the Agency with each Nationally Recognized Municipal Securities Information Repository (the "NRMSIRS") and with the State Information Depository (the "State Depository"), if any. Notices of material events will be filed by or on behalf of the Agency with the NRMSIRS or the Municipal Securities Rulemaking Board (the "MSRB") and with the State Depository, if any. The nature of the information to be provided in the Annual Information and the notices of material events is set forth under the caption "APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT."

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

## SOURCES AND USES OF FUNDS

### Series A Bonds

The estimated sources and uses of funds for the Series A Bonds are summarized as follows:

#### SERIES A BONDS SOURCES AND USES OF FUNDS

Sources of Funds:

Par Amount of Series A Bonds .....	\$3,100,000.00
Less Original Issue Discount .....	<u>(1,457.00)</u>
Total Sources.....	\$3,098,543.00

Uses of Funds:

Total Underwriter's Discount.....	\$ 62,000.00
Costs of Issuance Account <sup>(1)</sup> .....	60,000.00
Deposit to Debt Service Reserve Fund.....	219,047.50
Deposit to Low and Moderate Income Housing Fund.....	<u>2,757,495.50</u>
Total Uses .....	\$3,098,543.00

<sup>(1)</sup> Costs of Issuance include fees and expenses of Bond Counsel, Disclosure Counsel, Financial Advisor, and the Trustee, rating agency fees, printing expenses and other costs related to the issuance of the Series A Bonds.

### Series B Bonds

The estimated sources and uses of funds for the Series B Bonds are summarized as follows:

#### SERIES B BONDS SOURCES AND USES OF FUNDS

Sources of Funds:

Par Amount of Series B Bonds .....	\$4,655,000.00
Less Original Issue Discount .....	<u>(29,161.25)</u>
Total Sources.....	\$4,625,838.75

Uses of Funds:

Total Underwriter's Discount.....	\$ 93,100.00
Costs of Issuance Account <sup>(1)</sup> .....	105,000.00
Deposit to Debt Service Reserve Fund.....	324,982.50
Deposit to Special Fund.....	<u>4,102,756.25</u>
Total Uses .....	\$4,625,838.75

<sup>(1)</sup> Costs of Issuance include fees and expenses of Bond Counsel, Disclosure Counsel, Financial Advisor, Fiscal Consultant and the Trustee, rating agency fees, printing expenses and other costs related to the issuance of the Series B Bonds.

## THE BONDS

### General Description

The Bonds will be issued in the form of fully registered bonds without coupons and in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be dated their date of delivery and will bear interest at the rates per annum and will mature, subject to redemption provisions set forth below, on the dates and in the principal amounts, all as set forth on the cover page hereof.

Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2002 (the "Interest Payment Dates"). Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is a day during the period from the sixteenth day of the month next preceding any Interest Payment Date to such Interest Payment Date, inclusive, in which event they shall bear interest from such Interest Payment Date, or unless such date of authentication is prior to July 16, 2002, in which event they shall bear interest from their date of delivery, provided, however, that if, as of the date of authentication of any Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The principal or redemption price of the Bonds will be payable at the maturity or earlier redemption upon presentation and surrender of the Bonds at the Corporate Trust Office of the Trustee, and interest on the Bonds will be payable by check, mailed on the Interest Payment Date to each Owner of the Bonds as of the close of business on the fifteenth day of the month immediately preceding an Interest Payment Date, or by wire transfer to an account in the United States at the request of the Owner of at least \$1,000,000 in aggregate principal amount of outstanding bonds filed with the Trustee no later than the fifteenth day of the month next preceding such Interest Payment Date.

### Redemption of the Series A Bonds

Optional Redemption. Series A Bonds maturing on or after August 1, 2012 shall be subject to optional redemption, as a whole or in part on any date prior to the maturity thereof, at the option of the Agency, on or after August 1, 2011, from funds derived by the Agency from any source, at the following redemption prices (expressed as a percentage of the principal amount of Series A Bonds to be redeemed) together with accrued interest thereon to the date of redemption:

#### Optional Redemption – Series A Bonds

<u>Redemption Dates</u>	<u>Redemption Prices</u>
August 1, 2011 through July 31, 2012	102%
August 1, 2012 through July 31, 2013	101%
August 1, 2013 and thereafter	100%

Mandatory Sinking Fund Redemption. The Series A Bonds maturing on August 1, 2006 are subject to mandatory redemption, in part by lot, on August 1 of each year commencing August 1, 2002, from mandatory sinking payments at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts set forth in the following table.

**Mandatory Sinking Fund Payments  
Series A Term Bonds Maturing August 1, 2006**

<u>Redemption Date</u> <u>(August 1)</u>	<u>Principal Amount</u>	<u>Redemption Date</u> <u>(August 1)</u>	<u>Principal Amount</u>
2002	\$45,000	2005	\$50,000
2003	45,000	2006*	50,000
2004	45,000		

\* Maturity.

The Series A Bonds maturing on August 1, 2012 are subject to mandatory redemption, in part by lot, on August 1 of each year commencing August 1, 2007, from mandatory sinking payments at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts set forth in the following table.

**Mandatory Sinking Fund Payments  
Series A Term Bonds Maturing August 1, 2012**

<u>Redemption Date</u> <u>(August 1)</u>	<u>Principal Amount</u>	<u>Redemption Date</u> <u>(August 1)</u>	<u>Principal Amount</u>
2007	\$50,000	2010	\$60,000
2008	55,000	2011	65,000
2009	55,000	2012*	65,000

\* Maturity.

The Series A Bonds maturing on August 1, 2032 are subject to mandatory redemption, in part by lot, on August 1 of each year commencing August 1, 2013, from mandatory sinking payments at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts set forth in the following table.

**Mandatory Sinking Fund Payments  
Series A Term Bonds Maturing August 1, 2032**

<u>Redemption Date</u> <u>(August 1)</u>	<u>Principal Amount</u>	<u>Redemption Date</u> <u>(August 1)</u>	<u>Principal Amount</u>
2013	\$70,000	2023	\$125,000
2014	75,000	2024	130,000
2015	80,000	2025	135,000
2016	80,000	2026	145,000
2017	85,000	2027	155,000
2018	90,000	2028	165,000
2019	100,000	2029	170,000
2020	105,000	2030	180,000
2021	110,000	2031	195,000
2022	115,000	2032*	205,000

\* Maturity.

## **Other Redemption Provisions of Series A Bonds**

*Purchase in Lieu of Redemption.* At any time prior to the selection of Series A Term Bonds for redemption the Series A Trustee upon the Written Request of the Agency shall apply moneys in the Sinking Account to the purchase by the Agency of Series A Term Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed by the Agency, except that the Agency shall not make such purchase if the purchase price excluding accrued interest exceeds the principal amount plus redemption premium, if any, that would be payable for such Series A Term Bonds upon redemption by application of such Mandatory Sinking Account Payment.

*Notice of Redemption.* The Series A Trustee on behalf and at the expense of the Agency will mail (by first class mail) notice of any redemption to the respective Owners of any Series A Bonds designated for redemption at their respective addresses appearing on the registration books of the Series A Trustee, and to the Securities Depositories and to the Information Services, at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Series A Bond numbers (but only if less than all of the Outstanding Series A Bonds are to be redeemed) and the maturity or maturities (in the event of redemption of all of the Series A Bonds of such maturity or maturities in whole) of the Series A Bonds to be redeemed, and will require that such Series A Bonds be then surrendered at the Corporate Trust Office of the Series A Trustee for redemption at the redemption price, giving notice also that further interest on such Series A Bonds will not accrue from and after the redemption date.

*Selection of Bonds for Redemption.* Whenever provision is made in the Series A Indenture for the redemption of less than all of the Series A Bonds of any maturity, the Series A Trustee will select by lot the Series A Bonds to be redeemed from all Outstanding Series A Bonds of that maturity. If Outstanding Series A Bonds maturing on one or more than one date are to be redeemed at any one time, the Agency shall select the maturity of Series A Bonds to be so redeemed.

*Effect of Redemption.* From and after the date fixed for redemption, if notice of redemption shall have been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Series A Bonds so called for redemption are held by the Series A Trustee, such Series A Bonds so called shall become due and payable, and from and after the date so designated interest on such Series A Bonds shall cease to accrue, and the Owners thereof shall cease to be entitled to any benefit under the Series A Indenture other than the right to receive payment of the redemption price. All Series A Bonds redeemed pursuant to the Indenture shall be canceled, destroyed and not reissued.

## **Transfer and Exchange**

Any Series A Bond may be transferred on the registration books of the Series A Trustee by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series A Bonds for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Series A Trustee. Whenever any Series A Bond or Series A Bonds shall be surrendered for transfer, the Agency shall execute and the Series A Trustee shall authenticate and deliver to the transferee a new Series A Bond or Series A Bonds for a like aggregate principal amount. The Series A Trustee shall require the payment by the Holder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege. The Agency and the Series A Trustee may treat the registered owner of any Series A Bonds as the absolute owner of such Series A Bonds for the purpose of receiving payment thereof and for all other purposes, whether such Series A Bonds shall be overdue or not, and neither the

Agency nor the Series A Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Series A Bonds shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on such Series A Bonds to the extent of the sum or sums so paid.

The Series A Trustee shall not be required to issue, register the transfer of or exchange any Series A Bonds during the period established by the Series A Trustee for selection of Series A Bonds for redemption or to register the transfer of or exchange any Series A Bonds which have been selected for redemption in whole or in part.

Series A Bonds may be exchanged at the Corporate Trust Office of the Series A Trustee for a like aggregate principal amount of Series A Bonds of the same maturity of other authorized denominations. The Series A Trustee shall require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The Series A Trustee shall not be required to make any such exchange during the period described in the Series A Indenture.

#### **Mutilated, Destroyed, Stolen or Lost Series A Bonds**

If any Series A Bond shall become mutilated the Series A Trustee at the expense of the Holder shall thereupon authenticate and deliver, a new Series A Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Series A Bond so mutilated. Every mutilated Series A Bond so surrendered to the Series A Trustee shall be canceled.

If any Series A Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Series A Trustee and, if such evidence be satisfactory to the Series A Trustee and indemnity satisfactory to the Series A Trustee shall be given, the Series A Trustee, at the expense of the Holder, shall thereupon authenticate and deliver, a new Series A Bond of like tenor in lieu of and in substitution for the Series A Bond so lost, destroyed or stolen.

The Series A Trustee may require payment of a reasonable sum for each new Series A Bond so issued, and of the expenses which may be incurred by the Series A Trustee in the premises. Any Series A Bond issued in lieu of any Series A Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Series A Indenture with all other Series A Bonds of the same series secured by the Series A Indenture.

#### **Redemption of the Series B Bonds**

Optional Redemption. Series B Bonds maturing on or after August 1, 2012 shall be subject to optional redemption, as a whole or in part on any date prior to the maturity thereof, at the option of the Agency, on or after August 1, 2011, from funds derived by the Agency from any source, at the following redemption prices (expressed as a percentage of the principal amount of Series B Bonds to be redeemed) together with accrued interest thereon to the date of redemption:

#### **Optional Redemption – Series B Bonds**

<u>Redemption Dates</u>	<u>Redemption Prices</u>
August 1, 2011 through July 31, 2012	102%
August 1, 2012 through July 31, 2013	101%
August 1, 2013 and thereafter	100%

**Mandatory Sinking Fund Redemption.** The Series B Bonds maturing on August 1, 2006 are subject to mandatory redemption, in part by lot, on August 1 of each year commencing August 1, 2002, from mandatory sinking payments at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts set forth in the following table.

**Mandatory Sinking Fund Payments  
Series B Term Bonds Maturing August 1, 2006**

<u>Redemption Date (August 1)</u>	<u>Principal Amount</u>	<u>Redemption Date (August 1)</u>	<u>Principal Amount</u>
2002	\$65,000	2005	\$75,000
2003	65,000	2006*	75,000
2004	70,000		

\* Maturity.

The Series B Bonds maturing on August 1, 2012 are subject to mandatory redemption, in part by lot, on August 1 of each year commencing August 1, 2007, from mandatory sinking payments at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts set forth in the following table.

**Mandatory Sinking Fund Payments  
Series B Term Bonds Maturing August 1, 2012**

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>
2007	\$80,000	2010	\$90,000
2008	80,000	2011	95,000
2009	85,000	2012*	100,000

\* Maturity.

The Series B Bonds maturing on August 1, 2032 are subject to mandatory redemption, in part by lot, on August 1 of each year commencing August 1, 2013, from mandatory sinking payments at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts set forth in the following table.

**Mandatory Sinking Fund Payments  
Series B Term Bonds Maturing August 1, 2032**

<u>Redemption Date</u> (August 1)	<u>Principal Amount</u>	<u>Redemption Date</u> (August 1)	<u>Principal Amount</u>
2013	\$105,000	2023	\$185,000
2014	110,000	2024	195,000
2015	120,000	2025	205,000
2016	125,000	2026	220,000
2017	130,000	2027	230,000
2018	140,000	2028	245,000
2019	145,000	2029	260,000
2020	155,000	2030	270,000
2021	165,000	2031	290,000
2022	175,000	2032*	305,000

\* Maturity.

**Other Redemption Provisions of Series B Bonds**

*Purchase in Lieu of Redemption.* At any time prior to the selection of Series B Term Bonds for redemption the Series B Trustee upon the Written Request of the Agency shall apply moneys in the Sinking Account to the purchase by the Agency of Series B Term Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed by the Agency, except that the Agency shall not make such purchase if the purchase price excluding accrued interest exceeds the principal amount plus redemption premium, if any, that would be payable for such Series B Term Bonds upon redemption by application of such Mandatory Sinking Account Payment.

*Notice of Redemption.* The Series B Trustee on behalf and at the expense of the Agency will mail (by first class mail) notice of any redemption to the respective Owners of any Series B Bonds designated for redemption at their respective addresses appearing on the registration books of the Series B Trustee, and to the Securities Depositories and to the Information Services, at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Series B Bond numbers (but only if less than all of the Outstanding Series B Bonds are to be redeemed) and the maturity or maturities (in the event of redemption of all of the Series B Bonds of such maturity or maturities in whole) of the Series B Bonds to be redeemed, and will require that such Series B Bonds be then surrendered at the Corporate Trust Office of the Series B Trustee for redemption at the redemption price, giving notice also that further interest on such Series B Bonds will not accrue from and after the redemption date.

*Selection of Bonds for Redemption.* Whenever provision is made in the Series B Indenture for the redemption of less than all of the Series B Bonds of any maturity, the Series B Trustee will select by lot the Series B Bonds to be redeemed from all Outstanding Series B Bonds of that maturity. If Outstanding Series B Bonds maturing on one or more than one date are to be redeemed at any one time, the Agency shall select the maturity of Series B Bonds to be so redeemed.

*Effect of Redemption.* From and after the date fixed for redemption, if notice of redemption shall have been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Series B Bonds so called for redemption are held by the Series B Trustee, such Series B

Bonds so called shall become due and payable, and from and after the date so designated interest on such Series B Bonds shall cease to accrue, and the Owners thereof shall cease to be entitled to any benefit under the Series B Indenture other than the right to receive payment of the redemption price. All Series B Bonds redeemed pursuant to the Indenture shall be canceled, destroyed and not reissued.

### **Transfer and Exchange**

Any Series B Bond may be transferred on the registration books of the Series B Trustee by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series B Bonds for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Series B Trustee. Whenever any Series B Bond or Series B Bonds shall be surrendered for transfer, the Agency shall execute and the Series B Trustee shall authenticate and deliver to the transferee a new Series B Bond or Series B Bonds for a like aggregate principal amount. The Series B Trustee shall require the payment by the Holder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege. The Agency and the Series B Trustee may treat the registered owner of any Series B Bonds as the absolute owner of such Series B Bonds for the purpose of receiving payment thereof and for all other purposes, whether such Series B Bonds shall be overdue or not, and neither the Agency nor the Series B Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Series B Bonds shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on such Series B Bonds to the extent of the sum or sums so paid.

The Series B Trustee shall not be required to issue, register the transfer of or exchange any Series B Bonds during the period established by the Series B Trustee for selection of Series B Bonds for redemption or to register the transfer of or exchange any Series B Bonds which have been selected for redemption in whole or in part.

Series B Bonds may be exchanged at the Corporate Trust Office of the Series B Trustee for a like aggregate principal amount of Series B Bonds of the same maturity of other authorized denominations. The Series B Trustee shall require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The Series B Trustee shall not be required to make any such exchange during the period described in the Series B Indenture.

### **Mutilated, Destroyed, Stolen or Lost Series B Bonds**

If any Series B Bond shall become mutilated the Series B Trustee at the expense of the Holder shall thereupon authenticate and deliver, a new Series B Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Series B Bond so mutilated. Every mutilated Series B Bond so surrendered to the Series B Trustee shall be canceled.

If any Series B Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Series B Trustee and, if such evidence be satisfactory to the Series B Trustee and indemnity satisfactory to the Series B Trustee shall be given, the Series B Trustee, at the expense of the Holder, shall thereupon authenticate and deliver, a new Series B Bond of like tenor in lieu of and in substitution for the Series B Bond so lost, destroyed or stolen.

The Series B Trustee may require payment of a reasonable sum for each new Series B Bond so issued, and of the expenses which may be incurred by the Series B Trustee in the premises. Any Series B Bond issued in lieu of any Series B Bond alleged to be lost, destroyed or stolen shall be equally and

proportionately entitled to the benefits of the Series B Indenture with all other Series B Bonds of the same series secured by the Series B Indenture.

### **Book-Entry Only System**

The Depository Trust Company (“DTC”) will act as securities depository for the Bonds. The Bonds will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered bond will be issued for the Bonds, in the initial aggregate principal amount of such maturity, and will be deposited with DTC or its authorized agent.

DTC 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 authority” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. The DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities bonds. Direct Participants include securities brokers and dealers, banks, trust companies, clearing authorities, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Transfers of Bonds under the DTC system must be made by or through Direct Participants, which will receive credit for the Bonds on DTC’s records. The ownership interest of each actual owner of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in the beneficial ownership. The DTC has no knowledge of the actual Beneficial Owners of the 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 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.

Redemption notices will be sent to Cede & Co. If less than all of the 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. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on a payment date. 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 Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the 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.

The Agency cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement.

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

Bonds (the "Replacement Bonds") may be executed and delivered directly to owners of the Bonds other than DTC, or its nominee, but only in the event that (a) DTC determines not to continue to act as securities depository for the Bonds; or, (b) the Agency has advised DTC that it does not wish DTC to continue as securities depository; or, (c) the Agency has determined that interests of the Beneficial Owners might be adversely affected if the book-entry system of transfer is continued. Upon occurrence of any of the foregoing events the Agency may attempt to locate another qualified securities depository. If the Agency does not obtain another qualified securities depository to replace DTC, the Agency will have delivered Replacement Bonds, in certificate form. Principal and interest represented by the Replacement Bonds will be payable by check mailed to each owner of such Replacement Bond at the address of such owner as it appears in the register maintained by the Trustee. The interest represented by the Bonds will be payable on the respective Bond Payment Dates by check mailed by the Trustee to the Owner thereof.

## **SECURITY FOR THE SERIES A BONDS**

### **Housing Set-Aside Amounts**

The Series A Bonds are secured by and payable from Housing Set-Aside Amounts, and moneys held from time to time in the Housing Special Fund and specified funds and accounts created pursuant to the Series A Indenture.

Housing Set-Aside Amounts are defined in the Series A Indenture as that portion of all Tax Incremental Revenues (defined as taxes annually allocated and paid to the Agency with respect to the

Project Area 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 of California and as provided in the Redevelopment Plan, including all payments and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations), which are required under the provisions of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund of the Agency, or an amount greater than required by the Redevelopment Law in the event the Redevelopment Law is changed to require a deposit of less than 20% of the Tax Increment Revenues into the Low and Moderate Income Housing Fund, but in any event not to exceed 20% of the Tax Increment Revenues. See "TAX INCREMENT REVENUES."

THE SERIES A BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY AND AS SUCH ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) AND NEITHER THE CITY, THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) IS LIABLE FOR THE PAYMENT THEREOF. IN NO EVENT SHALL THE SERIES A BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY SET FORTH IN THE SERIES A INDENTURE.

Any future decrease in the taxable valuation of property in the Project Area or in the applicable tax rates relating thereto will reduce the tax increment revenues allocated to the Agency from the Project Area and correspondingly will have an adverse impact on the ability of the Agency to pay the principal of and interest on the Series A Bonds. Except for the Housing Set-Aside Amounts and the amounts held in trust under the Series A Indenture, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the Series A Bonds.

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

### **Pass-Through Agreements**

The Agency has entered into several agreements (the "Pass-Through Agreements") in connection with the Project Area, whereby portions of the tax increment revenues which would otherwise be received by the Agency as described above are paid to certain other taxing entities. The amount of the Housing Set-Aside Amount is calculated without regard to any payments required under the Pass-Through Agreements. See "TAX INCREMENT REVENUES" herein for a description of the amount of projected Tax Increment Revenues net of amounts payable under the Pass-Through Agreements, and "APPENDIX A -- FISCAL CONSULTANT'S REPORT" for a description of the Pass-Through Agreements.

### **Bond Fund**

The Bond Fund is created under the Series A Indenture and held in trust by the Trustee for payment of principal of and interest on the Series A Bonds. Within the Bond Fund are created the Interest Account, the Principal Account and the Reserve Account. The Series A Indenture requires the Agency to transfer from the Housing Special Fund to the Bond Fund, on each January 26 and July 26, commencing on July 26, 2002, the following amounts in the following order of priority:

First, to the Interest Account, for payment of interest on the Series A Bonds, on each January 26 and July 26, commencing on July 26, 2002, the Trustee is to transfer an amount which, together with any

money contained therein, is equal to the aggregate amount of interest coming due and payable on all Outstanding Series A Bonds on the next succeeding interest payment date.

Second, to the Principal Account, for payment of principal on the Series A Bonds, on each July 26, commencing on July 26, 2002, the Trustee is to transfer an amount which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Series A Bonds on the next succeeding principal payment date.

Third, to the Reserve Account, on or before July 31 of each year, commencing July 31, 2002, the Trustee is to transfer an amount required to maintain the Reserve Account in the full amount of Reserve Account Requirement.

Fourth, on or after August 2 of each year, commencing August 2, 2002, after the above required transfers have been made, all moneys in the Bond Fund (except for moneys in the Reserve Account) shall be transferred to the Agency to be used by the Agency for any lawful purposes, and all Housing Set-Aside Amounts may be used by the Agency for any lawful purpose.

### **Reserve Account**

Moneys in the Reserve Account shall be used solely to replenish the Interest Account or the Principal Account, in that order, in the event of any deficiency therein, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Series A Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all Series A Bonds then Outstanding, except that any amount held in the Reserve Account in excess of the Reserve Requirement may be transferred to the Bond Fund. The Reserve Account Requirement, as of any date of calculation, is an amount equal to the least of (i) Maximum Annual Debt Service; (ii) 10% of the initial principal amount of the Series A Bonds; or, (iii) 125% of average annual debt service.

### **Additional Parity Debt**

Additional Bonds may be issued payable from the Housing Set-Aside Amounts and secured by a lien and charge upon the Housing Set-Aside Amounts equal to the lien and charge securing the Outstanding Series A Bonds theretofore issued, Such Additional Bonds shall be issued only subject to the following conditions precedent:

(a) The Agency shall be in compliance with all covenants contained in the Series A Indenture and in all Supplemental Indentures, and a Certificate of the Agency to that effect shall have been filed with the Trustee.

(b) The issuance of such Additional Bonds shall have been duly authorized pursuant to the Redevelopment Law and all applicable laws, and the issuance of such Additional Bonds shall have been provided for by a Supplemental Indenture duly executed and delivered by the Agency which shall specify the following:

(1) The purpose for which such Additional Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, include a provision requiring the proceeds of such Additional Bonds to be applied solely for (i) the financing of certain housing activities pursuant to the Redevelopment Law, including Sections 33334.2 to 33334.19, inclusive and/or (ii) the refunding of any Bonds payable from the Housing Set-Aside Amounts, including payment of all costs incidental to or connected with such refunding

(2) The authorized principal amount of such Additional Bonds;

(3) The date and the maturity date or dates of such Additional Bonds; provided that (i) each maturity date shall fall upon the same date as is the maturity date for Series A Bonds, (ii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number and denomination, and (iii) fixed serial maturities or mandatory sinking account payments, or any combination thereof, shall be established to provide for the retirement of all such Additional Bonds on or before their respective maturity dates;

(4) The interest payment dates for such Additional Bonds shall be on the same semiannual dates as the interest payment dates for Series A Bonds, except that the first installment of interest may be payable on either interest payment date;

(5) The denomination and method of numbering of such Additional Bonds;

(6) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

(7) The amount and due date of each mandatory sinking fund account payment, if any, for such Additional Bonds;

(8) The amount, if any, to be deposited from the proceeds of such Additional Bonds in the Interest Account;

(9) The amount, if any, to be deposited from the proceeds of such Additional Bonds in any reserve account; provided that such reserve account shall be increased at or prior to the time such Additional Bonds become Outstanding to an amount at least equal to the Reserve Account Requirement on all then Outstanding Series A Bonds and such Additional Bonds, and that an amount at least equal to the Reserve Account Requirement on all Outstanding Series A Bonds shall be maintained thereafter in such reserve account;

(10) The form of such Additional Bonds; and

(11) Such other provisions as are necessary or appropriate and not inconsistent with the Series A Indenture.

(c) The Housing Set-Aside Amounts, (which for this purpose shall be deemed not to include any and all payments, reimbursements and subventions specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations or any taxes received as a result of an ad valorem tax rate in excess of 1 % unless such tax rate is reasonably expected, as set forth in a Certificate of the Agency filed with the Series A Trustee to be levied throughout the term of the Additional Bonds and all then Outstanding Series A Bonds) based upon the assessed valuation of taxable property in the Project Area as shown on the equalized assessment roll (or, if available, the then current preliminary assessment roll provided by the Assessor of the County of Orange) next preceding the date of the Agency's delivery of the Supplemental Indenture providing for the issuance of such Additional Bonds shall be in an amount equal to at least 1.25 times the Maximum Annual Debt Service on all then Outstanding Series A Bonds and such Additional Bonds and any unsubordinated loans, advances or indebtedness payable from Housing Set-Aside Amounts pursuant to the Redevelopment Law.

In the event such Additional Bonds are to be issued solely for the purpose of refunding and retiring any Outstanding Series A Bonds, interest and principal payments on the Outstanding Series A

Bonds to be so refunded and retired from the proceeds of such Additional Bonds being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service on the Series A Bonds. Nothing contained in the Series A Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from the Housing Set-Aside Amounts and secured by a lien and charge on the Housing Set-Aside Amounts if, after the issuance and delivery of such tax allocation bonds, none of the Series A Bonds theretofore issued will be Outstanding. In addition, nothing contained in the Series A Indenture shall limit the Agency from incurring any indebtedness secured by Housing Set-Aside Amounts and wholly subordinate to the Series A Bonds.

## **SECURITY FOR THE SERIES B BONDS**

### **Revenues**

The Series B Bonds are secured by and payable from Revenues, and moneys held from time to time in the Special Fund and specified funds and accounts created pursuant to the Series B Indenture.

“Revenues” are defined in the Series B Indenture as taxes annually allocated and paid to the Agency with respect to the Project Area 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 of California and as provided in the Redevelopment Plan, including all payments and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations), *but excluding* amounts required under the provisions of the Redevelopment Law or the Redevelopment Plan to be deposited in the Low and Moderate Income Housing Fund of the Agency. See “TAX INCREMENT REVENUES.”

THE SERIES B BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY AND AS SUCH ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) AND NEITHER THE CITY, THE STATE, NOR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AGENCY) IS LIABLE FOR THE PAYMENT THEREOF. IN NO EVENT SHALL THE SERIES B BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY SET FORTH IN THE SERIES B INDENTURE.

Any future decrease in the taxable valuation of property in the Project Area or in the applicable tax rates relating thereto will reduce the Tax Increment Revenues allocated to the Agency from the Project Area and correspondingly will have an adverse impact on the ability of the Agency to pay the principal of and interest on the Series B Bonds. Except for the Revenues and the amounts held in trust under the Series B Indenture, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the Series B Bonds.

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

### **Pass-Through Agreements**

The Agency has entered into several agreements (the “Pass-Through Agreements”) in connection with the Project Area, whereby portions of the tax increment revenues which would otherwise be received by the Agency as described above are paid to certain other taxing entities. Except for the Pass-Through

Agreement between the Agency and the Placentia-Yorba Linda School District, amounts paid under the Pass-Through Agreements are paid on a basis which is subordinate to the payment of debt service on the Series B Bonds. See "TAX INCREMENT REVENUES" herein for a description of the amount of projected Tax Increment Revenues net of amounts payable under the Pass-Through Agreements, and "APPENDIX A -- FISCAL CONSULTANT'S REPORT" for a description of the Pass-Through Agreements.

### **Bond Fund**

The Bond Fund is created under the Series B Indenture and held in trust by the Series B Trustee for payment of principal of and interest on the Series B Bonds. Within the Bond Fund are created the Interest Account, the Principal Account and the Reserve Account. The Series B Indenture requires the Agency to transfer from the Special Fund to the Bond Fund, on each January 26 and July 26, commencing on July 26, 2002, the following amounts in the following order of priority:

First, to the Interest Account, for payment of interest on the Bonds, on each January 26 and July 26, commencing on July 26, 2002, the Series B Trustee is to transfer an amount which, together with any money contained therein, is equal to the aggregate amount of interest coming due and payable on all Outstanding Series B Bonds on the next succeeding interest payment date.

Second, to the Principal Account, for payment of principal on the Series B Bonds, on each July 26, commencing on July 26, 2002, the Series B Trustee is to transfer an amount which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Series B Bonds on the next succeeding principal payment date.

Third, to the Reserve Account, on or before July 31 of each year, commencing July 31, 2002, the Series B Trustee is to transfer an amount required to maintain the Reserve Account in the full amount of the Reserve Account Requirement.

Fourth, on or after August 2 of each year, commencing August 2, 2002, after the above required transfers have been made, all moneys in the Bond Fund (except for moneys in the Reserve Account) shall be transferred to the Agency to be used by the Agency for any lawful purposes, and all Revenues may be used by the Agency for any lawful purpose.

### **Reserve Account**

Moneys in the Reserve Account shall be used solely to replenish the Interest Account or the Principal Account, in that order, in the event of any deficiency therein, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Series B Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all Series B Bonds then Outstanding, except that any amount held in the Reserve Account in excess of the Reserve Requirement may be transferred to the Bond Fund. The Reserve Account Requirement, as of any date of calculation, is an amount equal to the least of (i) Maximum Annual Debt Service; (ii) 10% of the initial principal amount of the Series B Bonds; or, (iii) 125% of average annual debt service.

### **Additional Parity Debt**

Additional Bonds may be issued payable from Revenues and secured by a lien and charge upon Revenues payable to the Agency equal to the lien and charge securing the Outstanding Series B Bonds theretofore issued hereunder; provided, that, the proceeds of such Additional Bonds be applied solely for (i) the financing of redevelopment projects and purposes for which the Agency was formed pursuant to

the Redevelopment Law and/or (ii) the purpose of refunding any Series B Bonds payable from Revenues, including payment of all costs incidental to or connected with such refunding. Such Additional Bonds shall be issued only subject to the following conditions precedent:

(a) The Agency shall be in compliance with all covenants contained in the Series B Indenture and in all Supplemental Indentures, and a Certificate of the Agency to that effect shall have been filed with the Trustee.

(b) The issuance of such Additional Bonds shall have been duly authorized pursuant to the Redevelopment Law and all applicable laws, and the issuance of such Additional Bonds shall have been provided for by a Supplemental Indenture duly executed and delivered by the Agency which shall specify the following:

(1) The purpose for which such Additional Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, include a provision requiring the proceeds of such Additional Bonds to be applied solely for (i) the financing of the Agency's redevelopment purposes and activities pursuant to the Redevelopment Law, and/or (ii) the refunding of any Bonds payable from the Housing Set-Aside Amounts, including payment of all costs incidental to or connected with such refunding

(2) The authorized principal amount of such Additional Bonds;

(3) The date and the maturity date or dates of such Additional Bonds; provided that (i) each maturity date shall fall upon the same date as is the maturity date for Series B Bonds, (ii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number and denomination, and (iii) fixed serial maturities or mandatory sinking account payments, or any combination thereof, shall be established to provide for the retirement of all such Additional Bonds on or before their respective maturity dates;

(4) The interest payment dates for such Additional Bonds shall be on the same semiannual dates as the interest payment dates for Series B Bonds, except that the first installment of interest may be payable on either interest payment date;

(5) The denomination and method of numbering of such Additional Bonds;

(6) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

(7) The amount and due date of each mandatory sinking fund account payment, if any, for such Additional Bonds;

(8) The amount, if any, to be deposited from the proceeds of such Additional Bonds in the Interest Account;

(9) The amount, if any, to be deposited from the proceeds of such Additional Bonds in any reserve account; provided that such reserve account shall be increased at or prior to the time such Additional Bonds become Outstanding to an amount at least equal to the Reserve Account Requirement on all then Outstanding Series B Bonds and such Additional Bonds, and that an amount at least equal to the Reserve Account Requirement on all Outstanding Series B Bonds shall be maintained thereafter in such reserve account;

(10) The form of such Additional Bonds; and

(11) Such other provisions as are necessary or appropriate and not inconsistent with the Series B Indenture.

(c) The Revenues, (which for this purpose shall be deemed not to include any and all payments, reimbursements and subventions specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations or any taxes received as a result of an ad valorem tax rate in excess of 1 % unless such tax rate is reasonably expected, as set forth in a Certificate of the Agency filed with the Series B Trustee to be levied throughout the term of the Additional Bonds and all then Outstanding Series B Bonds) based upon the assessed valuation of taxable property in the Project Area as shown on the equalized assessment roll (or, if available, the then current preliminary assessment roll provided by the Assessor of the County of Orange) next preceding the date of the Agency's delivery of the Supplemental Indenture providing for the issuance of such Additional Bonds shall be in an amount equal to at least 1.25 times the Maximum Annual Debt Service on all then Outstanding Series B Bonds and such Additional Bonds and any unsubordinated loans, advances or indebtedness payable from Revenues pursuant to the Redevelopment Law.

In the event such Additional Bonds are to be issued solely for the purpose of refunding and retiring any Outstanding Series B Bonds, interest and principal payments on the Outstanding Series B Bonds to be so refunded and retired from the proceeds of such Additional Bonds being issued shall be excluded from the foregoing computation of Maximum Annual Debt Service. Nothing contained in the Indenture shall limit the issuance of any tax allocation bonds of the Agency payable from the Revenues and secured by a lien and charge on the Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Series B Bonds theretofore issued will be Outstanding. In addition, nothing contained in the Indenture shall limit the Agency from incurring any indebtedness secured by Revenues and wholly subordinate to the Series B Bonds.

## **RISK FACTORS**

PURCHASE OF THE BONDS WILL CONSTITUTE AN INVESTMENT SUBJECT TO CERTAIN RISKS, INCLUDING THE RISK OF NONPAYMENT OF PRINCIPAL AND INTEREST. BEFORE PURCHASING ANY OF THE BONDS, PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, AMONG OTHER THINGS, THE RISK FACTORS DESCRIBED BELOW.

THE FOLLOWING IS NOT MEANT TO BE AN EXHAUSTIVE LISTING OF ALL RISKS ASSOCIATED WITH THE PURCHASE OF THE BONDS. MOREOVER, THE ORDER OF PRESENTATION OF THE RISK FACTORS DOES NOT NECESSARILY REFLECT THE ORDER OF THEIR IMPORTANCE.

### **Bonds Are Limited Obligations and Not General Obligations**

The Bonds and the interest thereon are limited obligations of the Agency and do not constitute a general obligation of the Agency. See "SECURITY FOR THE SERIES A BONDS" and "SECURITY FOR THE SERIES B BONDS" herein. No Owner of the Bonds may compel exercise of the taxing power of the State of California or any of its political subdivisions or agencies to pay the principal of, premium, if any, or interest due on the Bonds. The Bonds do not evidence a debt of the City within the meaning of any constitutional or statutory debt limitation provision.

## **Reduction of Tax Increment Revenues**

Tax Increment Revenues allocated to the Agency (which constitute the principal source of repayment of the principal of and interest on the Bonds, as discussed herein) are a portion of the taxes allocated to the Agency each year which are determined by the amount of incremental valuation of taxable property in the Project Area, the current rate or rates at which property in the Project Area are taxed and the percentage of taxes collected in the Project Area. The Agency has no taxing power, nor does the Agency have the power to affect the rate at which property is taxed.

At least four types of events that are beyond the control of the Agency could occur and cause a reduction in Tax Increment Revenues arising from the Project Area, thereby impairing the ability of the Agency to make payments of principal of and interest and premium (if any) when due on the Bonds.

First, a reduction of taxable values of property or tax rates in the Project Area or a reduction of the rate of increase in taxable values of property in the Project Area caused by economic or other factors beyond the Agency's control (such as a relocation out of the Project Area by one or more major property owners, successful appeals by property owners for a reduction in a property's assessed value, a reduction of the general inflationary rate, a reduction in transfers of property, construction activity or other events that permit reassessment of property at lower values, or the destruction of property caused by natural or other disasters, including earthquake) could occur, thereby causing a reduction in Tax Increment Revenues.

Second, the California electorate or legislature could adopt limitations with the effect of reducing Tax Increment Revenues payable to the Agency. Such limitation already exists under Article XIII A of the California Constitution, which was adopted pursuant to the initiative process. For a further description of Article XIII A, see "PROPERTY TAXATION IN CALIFORNIA -- Constitutional Amendments Affecting Tax Increment Revenues," herein.

Third, a reduction in the tax rate applicable to property in the Project Area by reason of discontinuation of certain override tax levies in excess of the 1% basic levy will reduce Tax Increment Revenues otherwise available to pay debt service. Such override can be expected to decline over time until it reaches the 1% basic levy and may be discontinued at any time, which may cause a reduction in Tax Increment Revenues.

Fourth, delinquencies in the payment of property taxes by the owners of land in the Project Area could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Bonds.

Tax revenues allocated to the Agency are distributed throughout the year in installments, with the first major installment in December, a second major installment in April of the succeeding year and a final payment by the end of August in that year. The payments are adjusted to reflect actual collections. Any reduction in tax revenues, whether for any of the foregoing reasons or any other reason, could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Bonds.

## **Reduction in Inflationary Rate**

As described in greater detail below, Article XIII A of the California Constitution provides that the full cash value basis 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. The Agency has not, however, projected Tax Increment Revenues to be received by it based upon such 2% inflationary increases. Rather, the Agency has projected Tax Increment Revenues based upon those revenues actually received for Fiscal Year 2001-02, without adjustment for any increase. See "PROPERTY TAXATION IN CALIFORNIA - Constitutional Amendments Affecting Tax Increment Revenues" herein.

### **Development Risks**

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

### **Electrical Power Issues in California**

Electrical power and, to some extent, natural gas shortages have recently been experienced at various locations throughout the State of California, caused in part by the disparity between high unregulated wholesale power costs and regulated consumer power prices held at levels below wholesale power costs. On January 17, 2001, the Governor declared a state of emergency to exist due to the electric energy shortage in California, and on April 6, 2001, Pacific Gas & Electric Company filed for protection under Chapter 11 of the Bankruptcy Code. In response to these developments, the Governor has issued several executive orders, and a statutory scheme which includes the issuance of long- and short-term debt by or on behalf of the State has been implemented in part. Power prices and availability have become more stable since the events described above; however, there can be no assurance that these or other problems with electrical power markets in the State, by their tendency to suppress development or depress property values, will not adversely affect the Tax Increment Revenues.

### **Seismic Risk**

Earthquake faults capable of producing earthquakes strong enough to damage surface structures underlie southern California in a manner which puts most of the region at some risk of earthquake damage. According to the Seismic Safety and Safety Element of the City's general plan, dated March 4, 1975, the majority of the City is relatively free from serious or significant seismic risk. A generally moderate risk of seismic shaking exists. Fault rupture potential is held to be low in most areas, and potentially moderate in areas closest to the Norwalk fault, which transverses the southern part of the City in a generally west-northwest to east-southeast direction. Potential loss due to seismic events is mitigated through imposition of appropriate zoning and building code requirements, and implementation of safety and emergency preparedness measures. The 5.9 magnitude Whittier Narrows earthquake of October 1, 1987, centered on the Whittier fault north of the City, did not result in any significant property loss within the City.

## **Levy and Collection**

Neither the Agency or the Authority has independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Increment Revenues, and accordingly, could have an adverse impact on the ability of the Agency to pay debt service on the Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments.

## **Educational Revenue Augmentation Fund**

The State budget for Fiscal Year 1993-94 transferred \$2.6 billion to school districts from cities, counties and other local governments, including redevelopment agencies. As part of the budget's transfer of moneys to school districts, the State Legislature adopted SB 1135 which requires redevelopment agencies to transfer approximately \$65 million to the Educational Revenue Augmentation Fund in both Fiscal Years 1993-94 and 1994-95. While no such ERAF contribution has been required or budgeted since the 1994-95 Fiscal Year, there can be no assurance that the Legislature will not require similar or increased deposits in future years to deal with its budget deficits.

## **Property Assessment Appeals**

An assessee of locally-assessed or state-assessed property may contest the taxable value enrolled by the county assessor or by the State Board of Equalization ("SBE"), respectively. The assessee of SBE-assessed property or locally-assessed personal property, the valuation of which are subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally-assessed real property by Article XIII A, an assessee of locally assessed real property generally contests the original determination of the base assessment value of the parcel, i.e. the value assigned after a change of ownership or completion of new construction. In addition, the assessee of locally-assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sale transaction or the recently completed improvement. A base assessment appeal has significant future revenue impact because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the 2 percent inflation factor, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Pursuant to Section 51(b) of the Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value, if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in the value. Reductions in value pursuant to Section 51(b), commonly referred to as Proposition 8 appeals, can be achieved either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions which caused the drop in value. In fiscal years subsequent to a successful Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of

corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel's compounded base assessment value.

The taxable value of utility property may be contested by utility companies and railroads to the SBE. Generally, the impact of utility appeals is on the State-wide value of a utility determined by the SBE. As a result, the successful appeal of a utility may not affect the taxable value of a project area but could affect a project area's allocation of unitary property taxes.

The actual impact on tax increment is dependent upon the actual revised value of assessments resulting from values determined by the Orange County Assessment Appeals Board or through litigation and the ultimate timing of successful appeals. Because the County Controller adjusts revenues to the Agency to reflect roll corrections from successful appeals, the Agency may bear the burden of appeals. The actual valuation impact to the Project Area from successful assessment appeals will occur on the assessment roll prepared after the actual valuation reduction. See "TAX INCREMENT REVENUES – Tax Assessment Appeals" and "APPENDIX A -- FISCAL CONSULTANT'S REPORT."

### **Bankruptcy and Foreclosure**

On July 30, 1992 the United States court of Appeals for the Ninth Circuit issued an opinion in a bankruptcy case entitled *In re Glasply Marine Industries* holding that ad valorem property taxes levied by a county in the State of Washington after the date that the property owner filed a petition for bankruptcy would not be entitled to priority over the claims of a secured creditor with a prior lien on the property. Similar results were reached by several circuit courts in other circuits. Subsequently, however, section 362(b)(18) of the Bankruptcy Code was enacted, effectively overturning this line of decisions and providing that local governments may rely on statutory property tax liens to secure payment of property taxes after the filing of a bankruptcy petition.

For further discussion of other factors which may affect the amount of Tax Increment Revenue collected by the Agency, see "THE PROJECT AREA" herein.

### **Enforceability of Remedies**

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

## **PROPERTY TAXATION IN CALIFORNIA**

### **Constitutional Amendments Affecting Tax Increment Revenues**

Article XIII A of the California Constitution limits the amounts of ad valorem tax on real property to 1% of "full cash value" 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 period." Furthermore, all real property valuation may be increased to reflect the inflationary rate, as shown by the consumer price index, not to

exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voters voting on the proposition approving such bonds, and requires a vote of two-thirds of the qualified electorate to impose special taxes, while totally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State legislature to change any State tax law resulting in increased tax revenues.

Article XIII B of the California Constitution limits the annual appropriations from the proceeds of taxes 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 governmental entity. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the subsequent two years.

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 incurred for redevelopment activity shall not be deemed the receipt by such agency of proceeds of taxes within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or any appropriation subject to the limitation of, any other public body within the meaning or the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. Two California appellate court decisions have upheld the constitutionality of Section 33678, and in the one case in which a petition for review was filed in the California Supreme Court, such petition was denied.

### **Implementing Legislation**

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A of \$4.00 per \$100 assessed valuation (based on the traditional practice of using 25% of full cash value as the assessed value for tax purposes). The legislation further provided that, for Fiscal Year 1978-79 only, the tax levied by each county was to be appropriated among all taxing agencies within the county in proportion to their average share of taxes levied in certain previous years.

Effective as of the 1981-82 Fiscal Year, assessors in California no longer record property values in the tax rolls at the assessed value of 25% of market values. All taxable property value is shown at full market value. In conformity with this change in procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of market value and all general tax rates reflect the \$1 per \$100 of taxable value.

Future assessed valuation growth allowed under Article XIII A (i.e., new construction, change of ownership, and 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The Agency is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article

XIIIA effectively prohibits the levying of any other ad valorem property tax above those described above, even with the approval of the affected voters.

### **Constitutional Challenges to Property Tax System**

There have been many challenges to Article XIIIA of the California Constitution. Recently, the United States Supreme Court heard the appeal in *Nordlinger v. Hahn*, a challenge relating to residential property. Based upon the facts presented in *Nordlinger*, the United States Supreme Court held that the method of property tax assessment under Article XIIIA did not violate the federal Constitution. The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of Tax Increment Revenues should a future decision hold unconstitutional the method of assessing property.

### **Property Tax Collection Procedures**

In California, property that is subject to ad valorem taxes is classified as "secured" or "unsecured." The secured classification includes property on which any property tax levied by a county creates a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. Secured property taxes are not personal obligations of the taxpayer. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but is a personal obligation of and may become a lien on other property owned by the taxpayer.

Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The payment of delinquent taxes with respect to property on the secured roll may be enforced only through the sale of the property securing the taxes to the State for the amount of taxes that are delinquent. Such property may thereafter be redeemed by payment of the delinquent taxes and penalties. Unsecured personal property taxes may be collected, in the absence of timely payment by the taxpayer, through (1) a civil action against the taxpayer; (2) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on property of the taxpayer; (3) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer; and (4) 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.

Except for property assessed by the State, the valuation of taxable property is determined as of January 1 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 February 1 and become delinquent August 31, and such taxes are levied at the prior year's secured tax rate. The valuation of State-assessed property is determined on January 1 of each year.

### **Supplemental Assessments**

A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498) provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change, and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provides increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the lien date. To the

extent such supplemental assessments occur within the Project Area, Tax Increment Revenues may increase.

Collection of taxes based on supplemental assessments will occur throughout the year. Taxes due will be pro-rated according to the amount of time remaining in the tax year, with the exception of tax bills dated March 1 through May 31, which will be calculated on the basis of the remainder of the current fiscal year and the full twelve months of the next fiscal year.

### **Tax Collection Fees**

SB 2557 enacted in 1990 (Statutes of 1990, Chapter 466), authorized county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation, SB 1559 (Chapter 697, Statutes of 1992), specifically includes redevelopment agencies among entities subject to a property tax administration charge. The projections of tax revenues take such administrative costs into account.

### **Unitary Property Tax**

AB 454 (Statutes of 1987, Chapter 921) provides a revised method of reporting and allocating property tax revenues generated from most State-assessed unitary properties commencing with Fiscal Year 1988-89. Under AB 454, the State reports to each county auditor-controller only the county-wide unitary taxable value of each utility, without an indication of the distribution of the value among tax rate areas. AB 454 provides two formulas for auditor-controllers to use in order to determine the allocation of unitary property taxes generated by the county-wide unitary value, which are: (i) for revenue generated from the 1% tax rate, each jurisdiction is to receive up to 102% of its prior year unitary property Tax Increment Revenue; however, if county-wide revenues generated from unitary properties are greater than 102% of prior year revenues, each jurisdiction receives a percentage share of the excess unitary revenues equal to the percentage of each jurisdiction's share of secured property taxes; (ii) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction is to receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes.

The provisions of AB 454 apply to all State-assessed property, except railroads and non-unitary properties the valuation of which will continue to be allocated to individual tax rate areas. The provisions of AB 454 do not constitute an elimination or a revision of the method of assessing utilities by the State Board of Equalization. AB 454 allows, generally, valuation growth or decline of State-assessed unitary property to be shared by all jurisdictions within a county.

### **Business Inventory and Replacement Revenue**

Prior to 1979, the State reimbursed cities, counties, special districts and redevelopment agencies that portion of taxes which would have been generated by the exempted portion of business inventory value (50%). In 1979, the California Legislature enacted AB 66 (Statutes of 1979, Chapter 1150), eliminating the assessment and taxation of business inventory property and providing for replacement revenue for local agencies, except redevelopment agencies. In 1980, the California Legislature enacted AB 1994 (Statutes of 1980, Chapter 610), providing partial replacement revenue for the loss of business inventory revenues by redevelopment agencies.

In 1990, the California Legislature amended Section 16112.7 of the California Government Code (Chapter 449, Statutes of 1990) which precludes redevelopment agencies from pledging special subvention revenues toward the payment of debt service for bonded indebtedness incurred after July 31,

1990 (the effective date of the legislation). These revenues are not included in the projections of estimated tax revenues.

### **Proposition 87**

Under prior State law, if a taxing entity increased its tax rate to obtain revenues to repay general obligation bonds approved by two-thirds of the voters, the redevelopment agency with a project area which includes property affected by the tax rate increase would realize a proportionate increase in tax increment.

Proposition 87, approved by the voters of the State on November 8, 1988, requires that all revenues produced by a tax rate increase (approved by the voters on or after January 1, 1989) go directly to the taxing entity which increases the tax rate to repay the general obligation bonded indebtedness. As a result, redevelopment agencies no longer receive an increase in tax increment when taxes on property in the project area are increased to repay voter approved general obligation debt.

### **Future Initiatives**

Article XIII A, Article XIII B and Proposition 87 were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the Agency or the Agency's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the Authority or the Agency.

## **TAX INCREMENT REVENUES**

### **Tax Allocation Financing**

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies within the project area thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (except such portion generated by rates levied to pay bonded indebtedness approved by the voters on or after January 1, 1989, for the acquisition or improvement of real property) (herein, the "Tax Increment Revenues") are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above indicated.

### **Allocation of Taxes**

As provided in the Redevelopment Plan of the Agency, and pursuant to Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State of California and any city, county, city and county, district or other public corporation (herein collectively referred to as "taxing agencies") for Fiscal Years beginning after the effective date of the Project Area are divided as follows:

- (1) *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 said 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 approving the Project Area (or ordinances approving amendments to the Redevelopment Plan adding to the Project Area), shall be allocated to, and when collected shall be paid into the funds of the respective taxing agencies as taxes by or for said taxing agencies on all other property are paid; and

(2) *To the Agency:* Except for the taxes which are attributable to a tax rate levy by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to such taxing agency, that portion of said levied taxes each year in excess of the amounts provided in (1) above, shall be allocated to, and when collected, shall be paid into a special fund of the Agency to pay the principal of and interest on bonds, loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed, or otherwise) incurred by the Agency to finance or refinance, in whole or in part, redevelopment activities within the Project Area. Unless and until the total assessed valuation of the taxable property in the Project Area exceeds the total assessed value of the taxable property in the Project Area as shown by the last equalized assessment roll referred to in paragraph (1) above, all of the taxes levied and collected upon the taxable property in the Project Area shall be paid into the funds of the respective taxing agencies. When said bonds, loans, advances, and indebtedness, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in the Project Area shall be paid into the funds of the respective taxing agencies as taxes on all other property are paid.

The Agency is authorized to make pledges of the portion of taxes mentioned in paragraph (2) above to repay specific advances, loans and indebtedness as appropriate in carrying out the Redevelopment Plan.

Revenues generated as set forth above and allocated to the Agency are referred to as "Tax Increment Revenues." The Redevelopment Law requires redevelopment agencies to set aside not less than 20% of all tax increment derived for a redevelopment project area for which a final redevelopment plan has been adopted on or after January 1, 1977, or for any area which has been added to a project area by amendment to a redevelopment plan adopted on or after January 1, 1977, in a low and moderate income housing fund, unless the Agency make certain findings (the "Housing Set-Aside"). The Housing Set-Aside constitutes the principal source of the Housing Set-Aside Amounts securing the Agency's obligations under the Series A Indenture. See "SECURITY FOR THE SERIES A BONDS."

### **Housing Set-Aside Amounts**

In accordance with Section 33334.2 of the Redevelopment Law, not less than twenty percent (20%) of all taxes which are allocated to the Agency shall be used by the Agency for purposes of improving, increasing and preserving the City's supply of housing for persons and families of low or moderate income (including the payment of indebtedness issued or incurred for such purposes) (the "Housing Set-Aside"). The Housing Set-Aside constitutes the Housing Set-Aside Amounts pledged to the payment of principal of, interest on and premium, if any, on the Bonds.

The Housing Set-Aside requirement is applicable to a redevelopment agency unless the agency were to find that:

1. No need for such housing exists in the City; or

2. Less than twenty percent (20%) is sufficient to meet such housing needs of the City; or
3. (with respect to certain obligations of the agency entered into prior to May 1, 1991) a substantial effort is presently being carried out with other funds (either local, State or federal) and that such efforts are equivalent in impact to funds otherwise required to be deposited into the Low and Moderate Income Housing Fund.

Both the “no need” finding (item 1 above) and the “less than 20% finding” (item 2 above) must apply to very low income as well as low and moderate income households, must be consistent with the housing element of the community’s general plan and the annual report of its planning agency, and do not become effective until after certain filings have been made with the State Department of Housing and Community Development (“HCD”). Neither finding can be made unless the housing element is in proper form and up to date and has been filed with HCD.

The “equivalent effort” finding (item 3 above) must apply to the community’s share of regional housing needs as well as its own existing and projected needs. After June 30, 1993, no agency may make this finding unless it can show evidence that it is required in order to meet contractual obligations to bondholders or other private entities incurred prior to May 1, 1991 and made in reliance on the ability to make the finding. The Agency has made no such findings.

Funds available from the twenty percent (20%) requirement may be used outside the Redevelopment Project on a finding by the Agency and the City Council that such use will be of benefit to the Redevelopment Project. The Redevelopment Law also permits agencies with more than one project area to set aside less than twenty percent (20%) of the taxes allocated to the agency from one project area if the difference is made up from another project area in the same year and if the agency and the legislative body of the community find that such use of funds will benefit such other project area.

The Agency pledges in connection with the issuance of the Bonds that it will take no actions which will reduce the amount required to be deposited into the Low and Moderate Income Housing Fund.

### **Historical Tax Increment Revenues**

The following is a summary of the historical taxable valuation and resulting Tax Increment Revenues with respect to the Project Area. This summary of historical Tax Increment Revenues is not intended to guarantee the level of future Tax Increment Revenues.

#### **REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA Historical Tax Increment Revenues Original Project Area**

Fiscal Year	Net Estimated Tax Increment Revenue	Housing Fund Portion	Revenues Less Housing Fund Portion
1997-98	\$819,340	\$163,868	\$655,472
1998-99	\$914,339	\$182,868	\$731,471
1999-2000	\$997,024	\$199,405	\$797,620
2000-01	\$1,124,741	\$224,948	\$899,793
2001-02	\$1,155,527	\$226,705	\$906,822

Source: Fiscal Consultant’s Report. These figures should be read in conjunction with APPENDIX A – Fiscal Consultant’s Report.

**REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA**  
**Historical Tax Increment Revenues**  
**Added Area**

Fiscal Year	Net Estimated Tax Increment Revenue	Housing Fund Portion	Revenues Less Housing Fund Portion
1997-98	\$139,491	\$27,898	\$111,593
1998-99	\$150,016	\$30,003	\$120,013
1999-2000	\$167,170	\$33,434	\$133,736
2000-01	\$213,730	\$42,746	\$170,984
2001-02	\$235,463	\$47,093	\$188,370

Source: Fiscal Consultant's Report. These figures should be read in conjunction with APPENDIX A – Fiscal Consultant's Report.

**Direct and Overlapping Debt**

Presented below is a table of direct and overlapping debt for the Project Area, as of December 1, 2001.

**REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA**  
**Redevelopment Project Area**  
**Direct and Overlapping Bonded Debt**  
**As of December 1, 2001**

2001-02 Assessed Valuation: \$221,117,058  
Base Year Valuation: 84,218,058  
Incremental Valuation: \$136,899,000

<u>DIRECT DEBT:</u>	<u>% Applicable</u>	<u>Debt 12/1/01</u>
2001 Tax Allocation Bonds	100. %	\$ - (1)
TOTAL DIRECT DEBT		\$ 0

Ratio to Incremental Valuation: - %

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Orange County Teeter Plan Obligations	0.038%	\$47,586
Metropolitan Water District	0.009	<u>47,473</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$95,059

<u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Orange County General Fund Obligations	0.038%	\$387,391
Orange County Pension Obligations	0.038	51,153
Orange County Transit District Authority	0.038	3,004
Municipal Water District of Orange County Water Facilities Corporation	0.057	30,606
Orange County Water District Certificates of Participation	0.051	109,242
Orange County Sanitation District No. 2 Certificates of Participation	0.177	108,531
City of Placentia Certificates of Participation	2.924	203,657
Placentia Library Authority	2.882	<u>6,052</u>
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$899,636
Less: Orange County Transit District Authority (80% self-supporting)		2,403
MWDOC Water Facilities Corporation (100% self-supporting)		30,606
Orange County Water District Certificates of Participation (100% self-supporting)		<u>109,242</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$757,385

GROSS COMBINED TOTAL DIRECT AND OVERLAPPING DEBT	\$994,695 (2)
NET COMBINED TOTAL DIRECT AND OVERLAPPING DEBT	\$852,444

(1) Excludes tax allocation bonds to be sold.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations

Ratios to 2001-02 Assessed Valuation:

Gross Combined Total Direct and Overlapping Debt..... 0.45%  
Net Combined Total Direct and Overlapping Debt ..... 0.39%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/01: \$0

Source: California Municipal Statistics, Inc.

## Largest Property Taxpayers

Set forth in the following tables, reproduced from the Fiscal Consultant's Report, are the ten largest property taxpayers within the each of the Original Project Area and Added Area for Fiscal Year 2001-02.

TABLE 7A				
PLACENTIA ORIGINAL REDEVELOPMENT PROJECT AREA				
Owner Name	Parcel Count	Land Use	Secured Net Assessed Value	% of Project Area Secured Net Assessed Value
1. Knott Family Company LLC	1	Industrial Miscellaneous Uses	\$10,337,228	9.7%
2. IRP Muller Associates LLC	4	Industrial Miscellaneous Uses	\$8,479,260	7.9%
3. Marriott Residence Inn	1	COM,MISCELLANEOUS USES	\$6,720,000	6.3%
4. MNC Brother	1	Industrial Miscellaneous Uses	\$4,960,000	4.6%
5. Union Development Co. Inc.	1	Industrial Miscellaneous Uses	\$4,851,219	4.5%
6. Fairfield Inn by Marriott Ltd.	1	COM,MISCELLANEOUS USES	\$4,377,530	4.1%
7. General Rewinding, Inc.	1	Industrial Miscellaneous Uses	\$4,265,948	4.0%
8. CTG Properties LLC	1	COM,STORAGE - WAREHOUSE	\$3,453,296	3.2%
9. Totea Associates	6	Industrial Miscellaneous Uses	\$3,270,733	3.1%
10. 118 Orangethorpe LLC	1	COM,HOTEL	\$3,254,311	3.0%
<b>TOP TEN TOTALS</b>	<b>18</b>		<b>\$53,969,525</b>	<b>50.5%</b>
<b>2000-01 PROJECT AREA SECURED NET ASSESSED VALUE</b>			<b>\$106,863,635</b>	
Sources: Orange County Auditor-Controller's Office and First American Real Estate Solutions / Metroscan, 2000-01 Secured Assessment Roll.				

TABLE 7B				
PLACENTIA ADDED AREA				
Owner Name	Parcel Count	Land Use	Secured Net Assessed Value	% of Project Area Secured Net Assessed Value
1. CTG Properties LLC	1	Industrial Miscellaneous Uses	\$4,645,386	7.7%
2. FIRSTOCR	1	Industrial, Industrial Park	\$3,579,500	5.9%
3. Kenyon Placentia LLC	1	Commercial, Miscellaneous Uses	\$3,300,000	5.5%
4. Frome Dev Omega	1	Industrial, Light Industrial	\$3,100,698	5.1%
5. Office Depot Inc.	1	Industrial, Light Industrial	\$2,437,259	4.0%
6. Placentia Plaza	4	Commercial, Shopping Center	\$2,404,366	4.0%
7. Turner Family Trust	1	Industrial, Light Industrial	\$1,950,000	3.2%
8. Hansen, Charles M.	3	Commercial, Miscellaneous Uses	\$1,665,358	2.8%
9. Lawton Management	1	Commercial, Shopping Center - Strip Type	\$1,545,509	2.6%
10. Karmelich Jr. Ben M	1	Commercial, Shopping Center	\$1,430,550	2.4%
<b>TOP TEN TOTALS</b>	<b>15</b>		<b>\$26,058,626</b>	<b>43.2%</b>
<b>2000-01 PROJECT AREA SECURED NET ASSESSED VALUE</b>			<b>\$60,305,501</b>	
Sources: Orange County Auditor-Controller's Office and First American Real Estate Solutions / Metroscan, 2000-01 Secured Assessment Roll.				

## Tax Assessment Appeals

Taxable valuation of property within the Project Area, and, therefore, the Housing Set-Aside Amounts, may be reduced by the granting of assessment appeals. See "RISK FACTORS – Property Assessment Appeals." The Fiscal Consultant reports that in the Added Area, only one base year appeal has been granted in nearly four years, which resulted in a 13% reduction in assessed value of the applicant's property. No appeals are pending for the Amendment Area. In the Original Project Area, only four appeals were granted over the last four years, with the applicants receiving a 6% reduction in value in 1998 and a 2% reduction in value in 2000. There are currently two pending appeals for the Original Project Area, with the applicants requesting a 50% reduction in value, which, if granted, would result in an aggregate reduction in assessed value of \$1.3 million. See the section of "APPENDIX A – FISCAL CONSULTANT'S REPORT" entitled "Assessment Appeals."

## Projected Debt Service Coverage

The following tables show the estimated debt service and estimated debt service coverage for the Bonds through August 1, 2011. Projections of Housing Set-Aside Amounts and Revenues are based on assumptions which the Agency believes to be reasonable. However, there is no assurance that such projections will be realized. See "RISK FACTORS." In addition, the following projections do not anticipate the issuance of Parity Debt. The issuance of Parity Debt would have the effect of reducing the stated coverage ratios. See "SECURITY FOR THE SERIES A BONDS – Additional Parity Debt" and "SECURITY FOR THE SERIES B BONDS – Additional Parity Debt."

### REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA Housing Set-Aside Tax Allocation Bonds, 2002 Series A Estimated Debt Service Coverage Through August 1, 2011

Period Ending August 1	Total Projected Housing Set- Aside Amounts (for Fiscal Year ending June 30) <sup>(1)</sup>	Total Debt Service	Projected Coverage
2002	\$273,798	\$138,748	1.97
2003	280,802	217,278	1.29
2004	287,947	215,590	1.34
2005	295,234	218,903	1.35
2006	302,667	217,028	1.39
2007	310,249	215,153	1.44
2008	317,983	217,578	1.46
2009	325,871	214,745	1.52
2010	333,916	216,913	1.54
2011	342,123	218,823	1.56

<sup>(1)</sup> Source: Fiscal Consultant's Report. These figures should be read in conjunction with APPENDIX A – Fiscal Consultant's Report.

**REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA**  
**Tax Allocation Bonds, 2002 Series B**  
**Estimated Debt Service Coverage Through August 1, 2011**

Period Ending August 1	Total Projected Revenues (for Fiscal Year ending June 30)(1)	Total Debt Service	Projected Coverage
2002	\$1,014,191	\$203,754	4.98
2003	1,038,921	320,045	3.25
2004	1,064,145	322,608	3.30
2005	1,089,874	324,983	3.35
2006	1,115,303	322,170	3.46
2007	1,139,755	324,358	3.51
2008	1,164,696	320,238	3.64
2009	1,190,135	321,118	3.71
2010	1,216,084	321,740	3.78
2011	1,242,551	322,105	3.86

(1) Total Projected Revenues are shown net of payments required under all Pass-Through Agreements. Source: Fiscal Consultant's Report. These figures should be read in conjunction with APPENDIX A – Fiscal Consultant's Report.

**THE PROJECT AREA**

**Project Area**

The Placentia Redevelopment Project (the "Project Area") consists of the area included in the Redevelopment Plan adopted by Ordinance Number 83-O-113 (the "Original Project Area"), and the territory added by adoption of Ordinance No. 90-O-115, adopted June 26, 1990 (the "Added Area"). Ordinance No. 90-O-115 approved the Redevelopment Plan for the Amendment No. 1 to the Placentia Redevelopment Project, which superceded by amendment the Redevelopment Plan adopted by Ordinance Number 83-O-113. The Original Project Area consists of two non-contiguous parcels totaling approximately 87.60 acres (excluding streets), located within an area generally bounded by the City limits on the south and east, by Orangethorpe Avenue on the north, and by Melrose Street on the west. The Added Area consists of eight non-contiguous parcels totaling approximately 76.22 acres (excluding streets), located within an area generally bounded by Placentia Avenue on the west, by the Atchison, Topeka & Santa Fe Railroad right of way on the north, and property lines and other boundaries lying generally between Orangethorpe Avenue and Crowther Avenue on the south and property lines or other boundaries lying between Cameron Street and Porter Way to the east. Land use in the Original Project Area is approximately 28.08% commercial and 64.19% industrial. Land use in the Added Area is approximately 38.98% commercial and 51.38% industrial. Vacant land in the Project Area is limited to approximately 1.08 acres of vacant industrial property in the Original Project Area and approximately 0.68 acres of other vacant land in the Added Area. See "APPENDIX A – FISCAL CONSULTANT'S REPORT" herein.

**Bond and Tax Increment Limitations**

The Redevelopment Plan, as amended by Ordinance No. 94-0-144 on December 6, 1994, adopted by the City pursuant to the requirements of Assembly Bill 1290 (Statutes of 1993, Chapter 942) ("AB 1290"), establishes the following limitations with respect to the Redevelopment Plan. See also "APPENDIX A – FISCAL CONSULTANT'S REPORT."

The last date to incur indebtedness to be repaid from tax increment revenues is January 1, 2004 with respect to the Original Project Area, and June 26, 2010 with respect to the Added Area. These

limitations do not apply to incurring of debt to be paid from the Low and Moderate Income Housing Fund of the Agency.

The last date of the effectiveness of the Redevelopment Plan with respect to the Original Project Area is July 19, 2023, and with respect to the Added Area is June 26, 2030.

The number of dollars of taxes which may be allocated to the Agency shall not exceed the cumulative total of \$305,000,000. To date, \$13,898,245 has been allocated.

The amount of tax allocation bonded indebtedness which may be outstanding at any one time shall not exceed \$100,000,000. There is currently no outstanding tax allocation bonded indebtedness.

## Series A Bonds Debt Service Schedule

Scheduled annual debt service for the Series A Bonds is set forth in the following table.

**ANNUAL DEBT SERVICE SCHEDULE**  
 Redevelopment Agency of the City of Placentia  
 Housing Set-Aside Tax Allocation Bonds, 2002 Series A

<u>Bond Year</u> <u>Ending August 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 45,000	\$ 93,747.81	\$ 138,747.81
2003	45,000	172,277.50	217,277.50
2004	45,000	170,590.00	215,590.00
2005	50,000	168,902.50	218,902.50
2006	50,000	167,027.50	217,027.50
2007	50,000	165,152.50	215,152.50
2008	55,000	162,577.50	217,577.50
2009	55,000	159,745.00	214,745.00
2010	60,000	156,912.50	216,912.50
2011	65,000	153,822.50	218,822.50
2012	65,000	150,475.00	215,475.00
2013	70,000	147,127.50	217,127.50
2014	75,000	143,032.50	218,032.50
2015	80,000	138,645.00	218,645.00
2016	80,000	133,965.00	213,965.00
2017	85,000	129,285.00	214,285.00
2018	90,000	124,312.50	214,312.50
2019	100,000	119,047.50	219,047.50
2020	105,000	113,197.50	218,197.50
2021	110,000	107,055.00	217,055.00
2022	115,000	100,620.00	215,620.00
2023	125,000	93,892.50	218,892.50
2024	130,000	86,580.00	216,580.00
2025	135,000	78,975.00	213,975.00
2026	145,000	71,077.50	216,077.50
2027	155,000	62,595.00	217,595.00
2028	165,000	53,527.50	218,527.50
2029	170,000	43,875.00	213,875.00
2030	180,000	33,930.00	213,930.00
2031	195,000	23,400.00	218,400.00
2032	<u>205,000</u>	<u>11,992.50</u>	<u>216,992.50</u>
<b>TOTAL</b>	<b>\$3,100,000</b>	<b>\$3,537,362.81</b>	<b>\$6,637,362.81</b>

**Series B Bonds Debt Service Schedule**

Scheduled annual debt service for the Series B Bonds is set forth in the following table.

ANNUAL DEBT SERVICE SCHEDULE  
 Redevelopment Agency of the City of Placentia  
 Tax Allocation Bonds, 2002 Series B

<u>Bond Year</u> <u>Ending August 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 65,000	\$ 138,754.46	\$ 203,754.46
2003	65,000	255,045.00	320,045.00
2004	70,000	252,607.50	322,607.50
2005	75,000	249,982.50	324,982.50
2006	75,000	247,170.00	322,170.00
2007	80,000	244,357.50	324,357.50
2008	80,000	240,237.50	320,237.50
2009	85,000	236,117.50	321,117.50
2010	90,000	231,740.00	321,740.00
2011	95,000	227,105.00	322,105.00
2012	100,000	222,212.50	322,212.50
2013	105,000	217,062.50	322,062.50
2014	110,000	211,025.00	321,025.00
2015	120,000	204,700.00	324,700.00
2016	125,000	197,800.00	322,800.00
2017	130,000	190,612.50	320,612.50
2018	140,000	183,137.50	323,137.50
2019	145,000	175,087.50	320,087.50
2020	155,000	166,750.00	321,750.00
2021	165,000	157,837.50	322,837.50
2022	175,000	148,350.00	323,350.00
2023	185,000	138,287.50	323,287.50
2024	195,000	127,650.00	322,650.00
2025	205,000	116,437.50	321,437.50
2026	220,000	104,650.00	324,650.00
2027	230,000	92,000.00	322,000.00
2028	245,000	78,775.00	323,775.00
2029	260,000	64,687.50	324,687.50
2030	270,000	49,737.50	319,737.50
2031	290,000	34,212.50	324,212.50
2032	<u>305,000</u>	<u>17,537.50</u>	<u>322,537.50</u>
TOTAL	\$4,655,000	\$5,221,666.96	\$9,876,666.96

**Filing of Statement of Indebtedness**

Section 33675 of the Redevelopment Law requires that the Agency file, not later than the first day of October of each year with the county auditor, a statement of indebtedness certified by the chief financial officer of the Agency for each redevelopment project for which the redevelopment plan provides for the division of taxes pursuant to section 33670 of the Redevelopment Law. The statement of indebtedness is required to contain, among other things, the date on which the bonds were delivered, the

principal amount, term, purpose, interest rate and total interest of the bonds, the principal amount and the interest due in the fiscal year in which the statement of indebtedness is filed and the outstanding balance and amount due on the bonds. Similar information must be given for each loan, advance or indebtedness that the Agency has incurred or entered into which is payable from tax increment.

Section 33675(g) has been amended by AB 1290 to provide that payments of tax increment revenues from the county auditor to a redevelopment agency may not exceed the redevelopment agency's aggregate total outstanding debt service obligations minus the available revenues of the redevelopment agency, and establishes certain procedures under which a county auditor may, in certain cases, dispute the amount of indebtedness shown on the statement of indebtedness. Payments to a trustee under a bond resolution or indenture or payments to a public agency in connection with payments by such public agency pursuant to a bond issue may not be disputed in any action under Section 33675.

The Agency has determined that the amendments to Section 33675 limiting the payment of tax revenues to an amount not greater than the difference between a redevelopment agency's total outstanding debt obligations and total available revenues, as reported on the redevelopment agency's reconciliation statement, will not have an adverse impact on the Agency's ability to meet its debt service obligations.

## **THE PLACENTIA PUBLIC FINANCING AUTHORITY**

The Placentia Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement dated November 28, 1990, by and between the City and the Agency in accordance with the provisions of the Act. The Authority was created for the purpose of providing financing for public capital improvements for the City and the Agency through the acquisition by the Authority of such public capital improvements and/or the purchase by the Authority of local obligations within the meaning of the Act and/or the making of secured or unsecured loans to the City or the Agency in connection with the financing of public capital improvement projects. Under the Act, the Authority has the power to purchase the Bonds for immediate resale.

## **THE AGENCY**

### **Agency and Management**

The Agency was established pursuant to the Redevelopment Law. The City Council adopted Ordinance No.83-R101 on January 18, 1983, which activated the Agency. The Agency is governed by a five-member board which consists of all members of the City Council of the City. The Agency Board members and their term expiration dates are set forth in the following table.

<u>Board Member</u>	<u>Term Expires (November)</u>
Chris Lowe, Chair	2002
Constance Underhill, Vice Chair	2004
Scott P. Brady, Member	2004
Judy A. Dickinson, Member	2004
Norman Z. Eckenrode, Member	2002

### **Agency Powers**

The Agency is charged with the responsibility of eliminating blight within its redevelopment project areas through the process of redevelopment. The Agency is obligated pursuant to the Redevelopment Law to use 20% of its tax increment from the Project Area and for development of low

and moderate income housing. Generally, this process culminates when the Agency disposes of land for development by the private sector. Before this can be accomplished, the Agency must complete the process of acquiring and assembling the necessary sites, relocating residents and businesses, demolishing the deteriorated improvements, grading and preparing the sites for purchase by developers and providing for ancillary offsite improvements.

All powers of the Agency are vested in its five members. The Agency exercises all of the governmental functions authorized under the Redevelopment Law in carrying out projects and has sufficiently broad authority to acquire, develop, administer and sell or lease property, including the right of eminent domain and the right to issue bonds, notes and other evidences of indebtedness and expend their proceeds.

The Agency can clear buildings and other improvements and develop as a building site any real property owned or acquired, and in connection with such development, cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed.

Redevelopment in the State of California may be carried out pursuant to the Redevelopment Law. Section 33020 of the Redevelopment Law defines redevelopment to include the planning, development, replanning, redesign, clearance, reconstruction or rehabilitation, or any combination of these, of all or part of a survey area and the provision of such residential, commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them.

The Agency may, out of the funds available to it for such purposes, pay for all or part of the value of land and the cost of buildings, facilities, structures or other improvements to be publicly owned, to the extent that such improvements are of benefit to the relevant project area and no other reasonable means of financing is available. The Agency must sell or lease remaining property within a project area for redevelopment by others in strict conformity with the redevelopment plan, and may specify a period within which such redevelopment must begin and be completed.

The Agency is presently charged with the responsibility of the ongoing administration and implementation of two redevelopment project areas within the City.

### **Regulatory Issues**

The Agency is in material compliance with the provisions of the California Environmental Quality Act, constituting Division 13 (commencing with Section 21000) of the California Public Resources Code, with respect to the Project Area.

## **CONCLUDING INFORMATION**

### **Underwriting**

The Agency will sell the Bonds to the Authority for immediate resale to the Underwriter. The Underwriter expects to purchase the Series A Bonds from the Authority at a purchase price of \$3,036,543.00, which includes an Underwriter's discount of \$62,000.00 and an original issue discount of \$1,457.00. The Underwriter expects to purchase the Series B Bonds from the Authority at a purchase price of \$4,532,738.75, which includes an Underwriter's discount of \$93,100.00 and an original issue discount of \$29,161.25. The Underwriter intends to offer the Bonds to the public initially at the prices set forth on the cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

### **Legal Opinion**

McFarlin & Anderson, Lake Forest, California, Bond Counsel, will render an opinion substantially in the form set forth in APPENDIX E hereto, stating that the Indenture is a valid and binding contract of the Agency enforceable in accordance with its terms.

The legal opinion is only as to legality and is not intended to be nor is it to be interpreted or relied upon as a disclosure document or an express or implied recommendation as to the investment quality of the Bonds.

### **Tax Matters**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The Agency has covenanted to maintain the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of McFarlin & Anderson, Bond Counsel, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the aforementioned covenant, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is also of the opinion that, assuming compliance with the aforementioned covenant, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, the interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. The receipt or accrual of interest on the Bonds owned by a corporation may affect the computation of its alternative minimum taxable income, upon which the alternative minimum tax is imposed, to the extent that such interest is taken into account in determining the adjusted current earnings of that corporation (75 percent of the excess, if any, of such adjusted current earnings over the alternative minimum taxable income being an adjustment to alternative minimum taxable income (determined without regard to such adjustment or to the alternative tax net operating loss deduction)).

Bond Counsel has not undertaken to advise in the future whether any event after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. Furthermore, Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of bond counsel if such advice or approval is given by counsel other than Bond Counsel.

Although Bond Counsel is of the opinion that interest on the Bonds is exempt from state personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocated to interest on the Bonds, (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel has expressed no opinion regarding any such other tax consequences.

#### **No Litigation**

There is no action, suit or proceeding known to the Agency or the Authority to be pending or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Agency or the Authority taken with respect to any of the foregoing.

#### **Financial Advisor**

The Agency has retained Municipal Capital Management, Inc. as financial advisor (the "Financial Advisor") with respect to the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is an independent financial advisory firm and not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

#### **Rating**

The Bonds are rated "BBB+" by Standard & Poor's. The rating reflects only the view of the rating agency, and an explanation of the significance of the rating may be obtained from Standard & Poor's, 55 Water Street, New York, New York, 10041. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

#### **Miscellaneous**

All of the preceding summaries of the Indenture, the Bond Law, the Redevelopment Law, other applicable legislation, the Redevelopment Plan, 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 Agency for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not 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 the Agency have been duly authorized by the Agency.

REDEVELOPMENT AGENCY OF THE CITY OF  
PLACENTIA

/s/ Robert D'Amato

Executive Director