

APPENDIX A
FISCAL CONSULTANT'S REPORT

This page intentionally left blank.

Placentia Redevelopment Project Area

Fiscal Consultant's Report

December 7, 2001

Placentia Redevelopment Agency
401 East Chapman Avenue
Placentia, California 92870
(714) 993-8124



Rosenow Spevacek Group, Inc.

540 North Golden Circle, Suite 305
Santa Ana, California 92705
Phone: (714) 541-4585
Fax: (714) 836-1748
E-Mail: info@webrsg.com

This page intentionally left blank.

Fiscal Consultant's Report

Placentia Redevelopment Project Area

Table of Contents

Introduction	1
<u>Background</u>	2
<u>Redevelopment Plan Limitations</u>	2
<u>General Assumptions in the Revenue Projections</u>	3
<u>Assessed Valuation</u>	3
Growth Assumptions in the Revenue Projections_	5
Changes in Value Caused by Ownership Changes.....	5
New Construction.....	5
Assessment Appeals	6
Tax Increment Collection	
Fee/Delinquencies/Supplemental Roll_	8
Tax Rates.....	9
Unitary Utility Revenue	9
Tax Increment Revenue Sharing Agreements.....	10
Taxing Entity Payments	10
Developer Agreement Payments	12
Top Ten Secured Taxpayers.....	13
Tax Increment Revenue Projections.....	14

This page intentionally left blank.

Introduction

This Fiscal Consultant's Report ("Report") has been prepared at the request of the Placentia Redevelopment Agency ("Agency"). The Redevelopment Plan for the Placentia Redevelopment Project Area was originally adopted on July 19, 1983 by Ordinance No. 83-0-113 ("Original Area"), and was subsequently amended twice. The first amendment, adopted on June 26, 1990, by Ordinance No. 90-0-115, added territory to the Original Area ("Amendment Area"). The Original Area and the Amendment Area are referred to collectively as the "Project Area." The second amendment, adopted on December 6, 1994, by Ordinance No. 94-0-144, established time limitations mandated by changes in the California Health and Safety Code, California Community Redevelopment Law ("Redevelopment Law"). It is our understanding that the Agency will employ this Report to substantiate the level of low and moderate income housing set-aside tax increment revenue available to fund debt service for the Agency's proposed Tax Allocation Bonds ("Bonds") to fund housing related programs.

The following tables have been incorporated into this Report:

Table 1:	Redevelopment Plan Limits
Table 2:	Base Year Valuation
Table 3:	Acreage by Land Use Category – Original Area
Table 4A:	Historic Assessed Valuation and Tax Increment Receipts – Original Area
Table 4B:	Historic Assessed Valuation and Tax Increment Receipts – Amendment Area
Table 5A:	Assessment Appeal Summary – Original Area
Table 5B:	Assessment Appeal Summary – Amendment Area
Table 6:	2000-01 Tax Rates
Table 7A:	Top 10 Secured Taxpayers – Original Area
Table 7B:	Top 10 Secured Taxpayers – Amendment Area
Table 8A:	Tax Increment Revenue Projections –Original Area
Table 8B:	Tax Increment Revenue Projections – Amendment Area
Table 8C:	Tax Increment Projection Summary

Projected assessed values and tax increment revenues presented in this Report are based upon the following assumptions:

1. Historical growth trends;
2. Trended growth in valuation as permitted by Article XIIA of the California Constitution ("Proposition 13"), and;
3. Assessment and apportionment procedures of the County of Orange ("County").

All tax increment revenue projections have been conservatively estimated to reduce the possibility of overstating future low and moderate income housing set aside revenue.

Background

Redevelopment Plan Limitations

All applicable time and financial limits for both the Original Area and the Amendment Area are provided below in Table 1.

TABLE 1 REDEVELOPMENT PLAN LIMITS		
	ORIGINAL AREA	AMENDMENT AREA
TIME LIMITS		
<i>Incur Debt</i>	January 1, 2004	June 26, 2010 (20 years)
<i>Plan Effectiveness</i>	July 19, 2023 (40 years)	June 26, 2030 (40 years)
<i>Increment Collection</i>	July 19, 2033	June 26, 2040
FINANCIAL LIMITS		
<i>Bond Indebtedness</i>	\$100,000,000	
<i>Tax Increment</i>	\$305,000,000	

Source: Redevelopment Plan for Placentia Redevelopment Project, adopted July 19, 1983, and Redevelopment Plan for Amendment No. 1 to the Placentia Redevelopment Project, adopted June 26, 1990.

The time limitations presented by Table 1 involve the Agency's ability to incur debt, undertake Plan activities, and collect tax increment revenues. The financial limitations pertain to the amount of tax increment revenue that the Agency may receive, and the amount of bonded indebtedness that may be outstanding at any one time. According to information provided by the City's Finance Department, the Agency received \$13,898,245 between fiscal years 1988-89 through 2000-01.

General Assumptions in the Revenue Projections

Assessed Valuation

The Redevelopment Plan for the Project Area provides that the Agency may collect tax increment to finance project implementation. Tax increment revenue is generated from increases in the current year total assessed value above the base year value. In August of each year, the County Auditor-Controller provides a report for the Project Area that delineates the current year and base year values. The current year (fiscal year 2001-02) total net assessed value for the Original Area and the Amendment Area is \$144,995,011 and \$76,122,047, respectively. Tax increment revenue is generated from the incremental assessed value in excess of the 1983 and 1990 base year values for the Original Area and the Amendment Area, which are \$31,642,321 and \$52,575,727, respectively. The components of the base year valuations for the both Areas, as reported in 2001-02 by the Orange County Auditor Controller, are listed in Table 2.

TABLE 2		
BASE YEAR ASSESSED VALUATION		
	Original Area	Amendment Area
Locally Assessed Secured Value	\$23,288,879	\$37,926,085
Public Utility	\$0	\$93,378
Unsecured Value	\$8,353,442	\$14,623,159
Other Exemptions	\$0	(\$66,895)
TOTAL	\$31,642,321	\$52,575,727

Source: Orange County Auditor-Controller's Office,
November, 2001.

The majority of the secured assessed value for both Areas is generated by industrial property. It is estimated that over 50% of the secured assessed value in the Original and Amendment Areas are designated for industrial use. Table 3 summarizes the acreage for each Area by land use category.

TABLE 3				
ACREAGE BY LAND USE CATEGORY				
Land Use Category	Acreage		% of Total	
	Original Area	Amendment Area	Original Area	Amendment Area
Commercial	24.60	29.71	28.08%	38.98%
Industrial	56.23	39.16	64.19%	51.38%
Professional	0.00	0.86	0.00%	1.13%
Recreational	1.04	0	1.19%	0.00%
Residential	4.65	5.65	5.31%	7.41%
Social Clubs and Assoc.	0.00	0.16	0.00%	0.21%
Vacant Industrial	1.08	0	1.23%	0.00%
Vacant	0.00	0.68	0.00%	0.89%
Total	87.60	76.22	100.00%	100.00%
Source: Information from the Orange County Assessor through the First American Real Estate Solutions Database				
Note: Acreage totals do not include streets				

Tables 4A and 4B summarize year-to-year changes in the assessed values in the Original and Amendment Areas based upon the County Auditor-Controller's annual assessed value reports and tax increment revenue receipts.

PLACENTIA REDEVELOPMENT PROJECT AREA - ORIGINAL AREA
HISTORICAL ASSESSED VALUATIONS AND TAX INCREMENT RECEIPTS

	1997-98	%	1998-99	%	1999-00	%	2000-01	%	2001-02	
	CHANGE		CHANGE		CHANGE		CHANGE		CHANGE	
Assessed Values (1):										
SECURED:	\$83,490,316		\$88,815,684		\$97,267,096		\$106,905,635		\$111,425,138	
UNSECURED:	30,391,485		34,403,484		34,206,032		37,248,242		33,569,873	
TOTAL AV:	\$113,881,801	8.20%	\$123,219,168	6.70%	\$131,473,128	6.70%	\$144,153,877	9.65%	\$144,995,011	0.58%
LESS: BASE YEAR:	(31,642,321)		(31,642,321)		(31,642,321)		(31,642,321)		(31,642,321)	
INCREMENTAL AV:	\$82,239,480	11.35%	\$91,576,847	9.01%	\$99,830,807	9.01%	\$112,511,556	12.70%	\$113,352,690	0.75%
1% Levy Revenue:	822,395		915,768		998,308		1,125,116		1,133,527	
Override Rate Revenue:	7,237		8,059		8,785		9,901		9,975	
Unitary Utility Revenue (2):	0		0		0		0		0	
Gross Est. Revenue:	\$829,632	11.35%	\$923,827	9.01%	\$1,007,093	9.01%	\$1,135,017	12.70%	\$1,143,502	0.75%
Deduct for										
County Tax Collection Fee:	\$10,292		\$9,488		\$10,069		\$10,276		\$0	
Net Est. Revenue:	\$819,340	11.59%	\$914,339	9.04%	\$997,024	9.04%	\$1,124,741	12.81%	\$1,143,502	1.67%
Housing Fund:	\$163,868		\$182,868		\$199,405		\$224,948		\$228,700	
Net Est. Revenue less Housing:	\$655,472		\$731,471		\$797,620		\$899,793		\$914,802	
Actual Revenues Paid by County :										
Secured:	\$567,120		\$656,376		\$741,715		\$838,209		N/A	
Unsecured:	\$223,088		\$270,263		\$260,349		\$272,324		N/A	
Public Utility:	\$0		\$0		\$8,660		\$7,744		N/A	
Supplemental:	\$36,040		\$6,045		\$59,432		\$9,826		N/A	
Homeowners:	\$408		\$366		\$376		\$331		N/A	
Prior Secured:	\$82,352		\$41,060		\$16,154		\$6,308		N/A	
Prior Supplemental:	\$5,132		\$0		\$444		\$37		N/A	
Prior Unsecured:	\$71		\$31		\$38,985		\$566		N/A	
Property Tax Administration Costs:	(\$10,292)		(\$9,488)		(\$10,069)		(\$10,276)		N/A	
Actual Net Revenue Paid (3):	\$903,920	6.72%	\$964,654	15.69%	\$1,116,047	15.69%	\$1,125,069	0.81%	N/A	
Housing Fund-Actual Revenue:	\$180,784		\$192,931		\$223,209		\$225,014		N/A	
Net Actual Rev. less Housing:	\$723,136		\$771,723		\$892,837		\$900,055		N/A	

(1) County of Orange Auditor Controller Annual Assessed Valuation Reports.

(2) Unitary utility revenue (AB 454) as reported by the Orange County Auditor Controller.

(3) Fiscal Year apportionments as reported by the Orange County Auditor-Controller's Office. Includes supplemental and prior year collections.

TABLE 4B

**PLACENTIA REDEVELOPMENT PROJECT AREA - AMENDMENT AREA
HISTORICAL ASSESSED VALUATIONS AND TAX INCREMENT RECEIPTS**

	1997-98	%	1998-99	%	1999-00	%	2000-01	%	2001-02
	CHANGE		CHANGE		CHANGE		CHANGE		CHANGE
Assessed Values (1):									
SECURED:	\$52,292,835		\$54,993,541		\$56,522,144		\$60,354,501		\$63,684,516
UNSECURED:	14,282,554		12,605,543		12,780,580		13,603,538		12,437,531
TOTAL AV:	\$66,575,389	1.54%	\$67,599,084	2.52%	\$69,302,724	2.93%	\$73,958,039	6.72%	\$76,122,047
LESS: BASE YEAR:	(52,575,737)		(52,575,737)		(52,575,737)		(52,575,737)		(52,575,737)
INCREMENTAL AV:	\$13,999,652	7.31%	\$15,023,347	11.34%	\$16,726,987	11.34%	\$21,382,302	27.83%	\$23,546,310
1% Levy Revenue:	139,997		150,233		167,270		213,823		235,463
Override Rate Revenue:	1,232		1,322		1,472		1,882		2,072
Unitary Utility Revenue (2):	0		0		0		0		0
Gross Est. Revenue:	\$141,228	7.31%	\$151,556	11.34%	\$168,742	11.34%	\$215,705	27.83%	\$237,535
Deduct for:									
County Tax Collection Fee:	\$1,737		\$1,539		\$1,572		\$1,974		\$0
Net Est. Revenue:	\$139,491	7.55%	\$150,016	11.43%	\$167,170	11.43%	\$213,730	27.85%	\$237,535
Housing Fund:	\$27,898		\$30,003		\$33,434		\$42,746		\$47,507
Net Est. Revenue less Housing:	\$111,593		\$120,013		\$133,736		\$170,984		\$190,028
Actual Revenues Paid by County :									
Secured:	\$106,114		\$106,255		\$134,456		\$167,573		N/A
Unsecured:	\$29,754		\$27,700		\$30,062		\$39,114		N/A
Supplemental:	\$15,412		\$15,935		\$76,935		\$25,914		N/A
Public Utility:	\$148		\$142		\$206		\$184		N/A
Homeowners:	\$89		\$94		\$102		\$211		N/A
Prior Secured:	\$9,528		\$4,566		\$8,364		\$14,188		N/A
Prior Supplemental:	\$851		\$0		\$0		\$0		N/A
Prior Unsecured:	\$249		\$253		\$192		\$55		N/A
Property Tax Administration Costs:	(\$1,737)		(\$1,539)		(\$1,572)		(\$1,974)		N/A
Actual Net Revenue Paid (3):	\$160,408		\$153,407	62.15%	\$248,744	62.15%	\$245,264	-1.40%	N/A
Housing Fund-Actual Revenue:	\$32,082		\$30,681		\$49,749		\$49,053		N/A
Net Actual Rev. less Housing:	\$128,326		\$122,725		\$198,996		\$196,212		N/A

(1) County of Orange Auditor Controller Annual Assessed Valuation Reports.

(2) Unitary utility revenue (AB 454) as reported by the Sonoma County Auditor Controller.

(3) Fiscal Year apportionments as reported by the Orange County Auditor-Controller's Office. Includes supplemental and prior year collections.

Over the past five years, assessed values have increased by in the Original and Amendment Areas by approximately 27% and 14%, respectively.

Growth Assumptions in the Revenue Projections

The tax increment revenue projections contained on Tables 8A through 8C assume a 2% inflationary adjustment permitted under Proposition 13, in the Original and Amendment Areas' secured assessed value. Since the passage of Proposition 13 in 1976, there have only been four years when the inflationary adjustment has been less than 2%. This occurred once in the early 1980s and in fiscal years 1995-96, 1996-97, and 1999-00. For fiscal years 1995-96, 1996-97, and 1999-00, the actual increases imposed by Article XIII A were 1.19%, 1.11% and 1.853%, respectively. The County Auditor Controller reports a return to the 2% inflationary growth for 2001-02. Because unsecured and nonunitary utility values are not subject to annual inflationary increases, and are subject to unpredictable increases and decreases, these values are held constant in the tax increment revenue projections.

The growth assumptions were established by RSG to account for the following factors that affect future tax increment collections in the Project Area.

Changes in Value Caused by Ownership Changes

Under Section 110.1 of the Revenue and Taxation Code, a change of ownership establishes a reassessment of taxable property based on the property's purchase price and fair market value. Sales that occur prior to the lien date (January 1) are reflected on the next fiscal year's assessment roll. Additionally, sales occurring after the lien date are subject to a supplemental tax bill for the prorated amount of increase in taxes during the fiscal year. Because few property sales since January 1, 2001 could be verified, the revenue projections contained in Tables 4A and 4B do not include any provision for ownership changes nor supplemental roll revenues that may be generated from resale activity. However, changes in ownership will continue to occur and will typically cause increases in assessed valuation.

New Construction

Because the majority of the Project Area is built out with very little vacant land available for new construction, and there are no significant projects

pending within the Project Area, no new construction value has been analyzed as part of this Report.

Assessment Appeals

Property owners that wish to dispute the value of their property may file an assessment appeal with the County Assessor. In most cases, an assessment appeal is filed because the applicant (property owner) believes that present market conditions cause the property to be worth less than its assessed value. These market-driven appeals are referred to as Proposition 8 appeals. Although these reductions are temporary, the County Assessor has indicated that assessed values reduced pursuant to Proposition 8 are not adjusted back to their original value until market conditions improve. No Proposition 8 appeals were filed in 2001, nor are any of these type of appeals pending at the present time.

The second type of assessment appeal is a Base Year appeal, wherein property owners challenge the original (basis) value of their property. Because a successful Base Year appeal could reduce the basis value used to compute future reassessments pursuant to Proposition 13, Base Year appeals can have a more sustainable effect on project area tax increment revenues as compared to Proposition 8 appeals.

Tables 5A and 5B present an assessment appeals summary for the Original and Amendment Areas. All of the granted appeals shown on Tables 6A and 6B are Base Year appeals. Over the last 4 years, less than 10 appeals per year have been filed in the each the two Areas. Of this number, the vast majority are denied or withdrawn. In the Amendment Area, only 1 base year appeal has been granted in nearly 4 years. In this case, the applicant received a 13% reduction in assessed value. No appeals are pending for this area. In the Original Area, only 4 appeals were granted over the last 4 years, with the applicants receiving a 6% reduction in value in 1998 and a 2% reduction in value in 2000. There are currently 2 pending appeals for the Original Area, with the applicants requesting a 50% reduction in value. These applicants include State Farm Mutual Automobile Insurance Company, seeking a \$1,286,923 reduction of value for one parcel, and an individual property owner, seeking a \$37,935 reduction in value for one parcel. If the County Assessor grants the applicant's request of a 50% reduction, it will result in a \$1.3 million reduction in assessed valuation in this portion of the Project Area. Because each appeal is reviewed on a case-by-case basis, and the outcome cannot be predicted, no reductions for appeals have been included in the revenue projections.

TABLE 5A**PLACENTIA REDEVELOPMENT PROJECT - ORIGINAL AREA
SECURED ROLL ASSESSMENT APPEAL SUMMARY
1998 TO 2000**

	1998	1999	2000	2001
Total Appeals on File	9	4	6	2
Withdrawn/Late/Denied	8	3	4	0
Appeals Stipulated/Reduced	1	1	2	0
Appeals Pending	0	0	0	2
Resolved Appeals Summary				
Assessor's Original Value	\$458,959	\$966,403	\$1,053,493	\$0
Applicant Opinion of Value	\$418,736	\$963,603	\$1,010,875	\$0
Requested Reduction of Value	\$40,223	\$2,800	\$42,618	\$0
% Reduction Requested	9%	0.29%	4%	0%
Assessor Resolved Value	\$431,000	\$966,203	\$1,031,237	\$0
% Reduction Granted	-6%	0%	-2%	0%
Pending Appeals Summary				
Assessor's Original Value	\$0	\$0	\$0	\$2,673,271
Applicant Opinion of Value	\$0	\$0	\$0	\$1,348,413
Requested Reduction of Value	\$0	\$0	\$0	\$1,324,858
% Reduction Requested	0%	0%	0%	50%

Source: Orange County Assessor's Office

TABLE 5B

**PLACENTIA REDEVELOPMENT PROJECT - AMENDMENT AREA
SECURED ROLL ASSESSMENT APPEAL SUMMARY
1998 TO 2001**

	1998	1999	2000	2001
Total Appeals on File	8	1	6	1
Withdrawn/Late/Denied	8	1	5	1
Appeals Stipulated/Reduced	0	0	1	0
Appeals Pending	0	0	0	0
Resolved Appeals Summary				
Assessor's Original Value	\$0	\$0	\$918,000	\$0
Applicant Opinion of Value	\$0	\$0	\$800,000	\$0
Requested Reduction of Value	\$0	\$0	\$118,000	\$0
% Reduction Requested	0%	0%	13%	0%
Assessor Resolved Value	\$0	\$0	\$800,000	\$0
% Reduction Granted	0%	0%	-13%	0%
Pending Appeals Summary				
Assessor's Original Value	\$0	\$0	\$0	\$0
Applicant Opinion of Value	\$0	\$0	\$0	\$0
Requested Reduction of Value	\$0	\$0	\$0	\$0
% Reduction Requested	0%	0%	0%	0%

Source: Orange County Assessor's Office

Tax Increment Collection Fee/Delinquencies/Supplemental Roll

Actual tax increment disbursements are reduced to reflect the tax collection fee charged by the County Auditor-Controller pursuant to Senate Bill 2577. The tax collection fee varies slightly from year-to-year; during 2000-01, the County Auditor-Controller reported that the tax collection fee was \$10,278 in the Original Area, and \$1,974 in the Amendment Area, or approximately .9% of the total tax increment revenue paid to the Agency. Actual tax increment receipts will be reduced to reflect tax collection fees charged by the County of Orange.

According to the Orange County Auditor-Controller's Office, the Agency has opted not to be included in the Teeter Plan. Therefore, tax increment revenue apportionments are based on actual property tax receipts. This results in apportionments that include prior year delinquent taxes and penalties that are paid, and exclude current year delinquencies. Historically, prior year secured, unsecured and supplemental taxes have varied considerably and typically represent less than 5% of tax increment revenues. However, in fiscal year 1997-98, these revenues represented 10% and 7% of revenues paid to the Agency in the Original and Amendment Areas, respectively. Conversely, a review of other prior fiscal

years indicates that the percentage of prior year payments is less than 5%, and in some years has been as low as 1% and 2%. It is clear that receipts may also increase or decrease by the amount of supplemental roll revenue and prior supplemental roll refunds. Because delinquencies, refunds, penalties and supplemental taxes cannot be accurately projected, and historically the revenues have exceeded the costs resulting in slightly higher revenues than anticipated, no provision is made to reflect their impact on future revenues.

Tax Rates

The Original Area is comprised of seven tax rate areas, while the Amendment Area has a total of four tax rate areas. The 2001-02 tax rates for these tax rate areas are as follows:

TABLE 6			
2001-02 Tax Rates			
ORIGINAL PROJECT AREA		AMENDMENT AREA	
TRA No.	Tax Rate	TRA No.	Tax Rate
09-020	1.0088	09-036	1.0088
09-025	1.0088	09-037	1.0088
09-030	1.0088	09-038	1.0088
09-031	1.0088	09-039	1.0088
09-032	1.0088		
09-033	1.0088		
09-034	1.0088		

Source: Orange County Auditor-Controller's Office,
November 7, 2001.

Because override rates tend to decline as debt service is paid, a tax rate of 1% has been assumed in the tax increment revenue projections.

Unitary Utility Revenue

As provided by Assembly Bill 454, property tax revenue from unitary utility property is disbursed in a different manner than revenue from nonunitary property. The County Auditor-Controller has provided figures of unitary utility revenues for the Project Area; these amounts are enumerated in Tables 4A and 4B. Unitary utility revenues in the Project Area have

remained relatively constant since 1996-97. No increase in the unitary utility revenue has been included in the tax increment revenue projections.

Tax Increment Revenue Sharing Agreements

Taxing Entity Payments

Prior to 1994, Section 33401 of the Health and Safety Code allowed redevelopment agencies to pay to any other entity collecting property taxes within the redevelopment project area a portion of tax increment revenues to alleviate any financial burden related to the redevelopment project. The Agency entered into several agreements in connection with the Original and Amendment Areas. These entities are identified below and a summary of the terms of each of the agreements is also provided.

ORIGINAL AREA AND AMENDMENT AREA

County of Orange and Orange County Flood Control District

On December 4, 1990, the Agency entered into a pass through agreement with both the County of Orange ("County") and the Orange County Flood Control District ("District") for both the Original Area and the Amendment Area, collectively. According to County Auditor-Controller records, the County has three funds that are affected taxing entities; the Orange County General Fund, the District and the Orange County Department of Harbors, Beaches and Parks ("HBP"). The terms of the agreement dictate that 65% of the County share and 30% of the HBP share of Distributable Tax Increment (i.e., that portion of tax increment above the first \$1,500,000 received by the Agency in any single fiscal year, inclusive of deposits to the Agency's low and moderate income housing fund) shall be paid to the County annually. In addition, the agreement establishes that the District shall receive 100% of the District's share of Distributable Tax Increment annually.

Additionally, this agreement states that these payments shall be junior and subordinate to the Agency's bonded indebtedness. However, the Agency must set-aside sufficient funds in sizing any future bonded indebtedness to satisfy the obligations pursuant to this agreement. If the Agency is unable to pay the full amount due to the County and the District, the Agency may incur a deficit and defer these payments for a maximum of three years, at which time the Agency must pay the County and the District the sum of the deferred payment together with interest at a rate equal to the average coupon rate of the bonds to which the deferred amount payable to the County and the District is subordinate. The Agreement also states that the

County or the District may request that the Agency include an amount to be secured by the percentage of tax increment payable to the County and the District in the sizing of the bond issue. Such requests shall be subject to the Agency's full discretion to determine the amount of the bond issue, maturity, interest rates and all other material terms. In the event bonds are issued, the Agency shall pay to the County and the District, upon receipt of that portion of the proceeds (less costs of issuance, reserve funds and all other mounts allocable to that portion of the bond issuance secured by the percentage of tax increment payable to the County and the District), the Agency's payment to the County and the District as set forth in the agreement.

Placentia-Yorba Linda Unified School District

The agreement between the Agency and the Placentia-Yorba Linda Unified School District ("PYLUSD"), dated December 7, 1993, provides for the Agency to deposit into a District's Capital Facilities Fund 6.25% of the first \$1,000,000 of Tax Increment and 10% of Tax Increment in excess of \$1,000,000. Tax Increment is defined as gross tax increment less: 20% low and moderate income housing set aside, County property tax administration fee, ERAF payments and any other State mandated payments. Additionally, the Agency must also pay to the PYLUSD the portion of ad valorem property taxes attributable to the increase in tax rate for bonded indebtedness established for the PYLUSD; because the revenue projections included in this Report do not include any override rate revenue, no deduction has been made for this payment. The Agency was also required to deposit \$200,000 in an account for refurbishment of Valencia High School that is assumed to have been paid.

The required payments are subordinate to bonded indebtedness or any other existing obligation entered into by the Agency prior to the date of the agreement. If the Agency is unable to make the full required payment in any fiscal year, the unpaid portion may be deferred, but must be repayed the following fiscal year from available Tax Increment, as it is defined in the agreement.

AMENDMENT AREA ONLY

North Orange County Community College District

The agreement between the Agency and the North Orange County Community College District ("NOCCCD"), dated December 18, 1990, provides for the NOCCCD to receive 40% of its share of the annual tax increment from the Amendment Area. Payment to NOCCCD is subordinate to the Agency's bonded indebtedness; however, the Agency

must size new bond issuances in such a way that sufficient funds are projected to be available to satisfy its obligations to the NOCCCD pursuant to the agreement. If the Agency is unable to pay the pass through in any fiscal year, the amount is required to be paid to the NOCCCD the following fiscal year.

Orange County Vector Control District

The Agency entered into a tax increment sharing agreement with the Orange County Vector Control District ("OCVCD") on July 3, 1990. This agreement provides for the Agency to pay to the District 100% of the District's share of tax increment for the Amendment Area. This agreement contains the same language as the NOCCCD agreement with regard to subordination and deferral.

Orange County Water District

Pursuant to the pass through agreement between the Agency and the Orange County Water District ("OCWD") dated December 5, 1990, the Agency is required to pay to the OCWD 50% of its share of tax increment for the Amendment Area. This agreement contains the same language as the NOCCCD and OCVCD agreements with regard to subordination and deferral, but establishes a maximum 3-year deferral period.

Orange County Superintendent of Schools

The Agency entered into a tax increment sharing agreement with the Orange County Superintendent of Schools ("OCSOS") on March 19, 1991. This agreement provides for the Agency to pay to the OCSOS 40% of the District's share of tax increment for the Amendment Area. This agreement contains the same language as the NOCCCD and OCVCD agreements with regard to subordination and deferral.

Developer Agreement Payments

The Agency has entered into an agreement pertaining to development of the Office Depot that requires payment of a portion of tax increment generated by this development. Because this payment will cease in 2002-03 and it has no bearing on the amount of increment to be deposited into the low and moderate income housing fund, the revenue projections do not make provision for these payments.

Top Ten Secured Taxpayers

Utilizing the County's 2000-01 Secured Assessment Roll, the top ten largest taxpayers within the Original and Amendment Areas have been identified and are listed on Tables 7A and 7B below. The top ten taxpayers account for \$53,969,525, or 50.5%, of the Original Area 2000-01 secured net assessed value of \$106,863,635. The top ten taxpayers in the Amendment Area account for \$26,058,626, or 43% of the area's 2000-01 secured net assessed value of \$60,305,501.

TABLE 7A				
TOP TEN SECURED TAXPAYERS - ORIGINAL AREA				
SECURED				
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%
TOP TEN TOTALS	18		\$53,969,525	50.5%
2000-01 PROJECT AREA SECURED NET ASSESSED VALUE			\$106,863,635	

Sources: Orange County Auditor-Controller's Office and First American Real Estate Solutions / Metroscan, 2000-01 Secured Assessment Roll.

TABLE 7B

**TOP TEN SECURED TAXPAYERS - AMENDMENT AREA
SECURED**

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%
TOP TEN TOTALS	15		\$26,058,626	43.2%
2000-01 PROJECT AREA SECURED NET ASSESSED VALUE			\$60,305,501	

Sources: Orange County Auditor-Controller's Office and First American Real Estate Solutions / Metroscan, 2000-01 Secured Assessment Roll.

Tax Increment Revenue Projections

Tables 8A through 8C present the tax increment revenue projections for the Original Area, the Amendment Area, and the combined Project Area, based upon the assumptions described in this Report.

In fiscal year 2001-02, RSG projects that the Agency will have a total of \$273,798 of housing revenues available for debt service and coverage on the proposed bonds.

We trust that this information provides the bond financing team with an adequate basis for determining the Agency's ability to meet debt service requirements for the Bonds. While RSG has taken precautions to assure the accuracy of the data used in the formulation of these tax increment revenue projections, we cannot ensure that projected valuations will be realized. Future events and conditions that cannot be controlled or predicted with certainty may affect actual values presented in this Report.

TABLE 8A

PLACENTIA REDEVELOPMENT PROJECT AREA - ORIGINAL AREA
PROJECTED TAX INCREMENT REVENUES

Plan Year	Secured Assessed Values	Unsecured Assessed Values	Total Assessed Value	Incremental Value	Gross Tax Increment	Housing Fund (20% of TI)	Total Tax Increment Less Hous.
Base Year			31,642,321		1.00%		
19 2001-02	111,425,138	33,569,873	144,995,011	113,352,690	1,133,527	226,705	906,822
20 2002-03	113,653,641	33,569,873	147,223,514	115,581,193	1,155,812	231,162	924,650
21 2003-04	115,926,714	33,569,873	149,496,587	117,854,266	1,178,543	235,709	942,834
22 2004-05	118,245,248	33,569,873	151,815,121	120,172,800	1,201,728	240,346	961,382
23 2005-06	120,610,153	33,569,873	154,180,026	122,537,705	1,225,377	245,075	980,302
24 2006-07	123,022,356	33,569,873	156,592,229	124,949,908	1,249,499	249,900	999,599
25 2007-08	125,482,803	33,569,873	159,052,676	127,410,355	1,274,104	254,821	1,019,283
26 2008-09	127,992,459	33,569,873	161,562,332	129,920,011	1,299,200	259,840	1,039,360
27 2009-10	130,552,308	33,569,873	164,122,181	132,479,860	1,324,799	264,960	1,059,839
28 2010-11	133,163,354	33,569,873	166,733,227	135,090,906	1,350,909	270,182	1,080,727
29 2011-12	135,826,621	33,569,873	169,396,494	137,754,173	1,377,542	275,508	1,102,033
30 2012-13	138,543,154	33,569,873	172,113,027	140,470,706	1,404,707	280,941	1,123,766
31 2013-14	141,314,017	33,569,873	174,883,890	143,241,569	1,432,416	286,483	1,145,933
32 2014-15	144,140,297	33,569,873	177,710,170	146,067,849	1,460,678	292,136	1,168,543
33 2015-16	147,023,103	33,569,873	180,592,976	148,950,655	1,489,507	297,901	1,191,605
34 2016-17	149,963,565	33,569,873	183,533,438	151,891,117	1,518,911	303,782	1,215,129
35 2017-18	152,962,837	33,569,873	186,532,710	154,890,389	1,548,904	309,781	1,239,123
36 2018-19	156,022,093	33,569,873	189,591,966	157,949,645	1,579,496	315,899	1,263,597
37 2019-20	159,142,535	33,569,873	192,712,408	161,070,087	1,610,701	322,140	1,288,561
38 2020-21	162,325,386	33,569,873	195,895,259	164,252,938	1,642,529	328,506	1,314,024
39 2021-22	165,571,894	33,569,873	199,141,767	167,499,446	1,674,994	334,999	1,339,996
40 2022-23	168,883,332	33,569,873	202,453,205	170,810,884	1,708,109	341,622	1,366,487
41 2023-24	172,260,998	33,569,873	205,830,871	174,188,550	1,741,886	348,377	1,393,508
42 2024-25	175,706,218	33,569,873	209,276,091	177,633,770	1,776,338	355,268	1,421,070
43 2025-26	179,220,342	33,569,873	212,790,215	181,147,894	1,811,479	362,296	1,449,183
44 2026-27	182,804,749	33,569,873	216,374,622	184,732,301	1,847,323	369,465	1,477,858
45 2027-28	186,460,844	33,569,873	220,030,717	188,388,396	1,883,884	376,777	1,507,107
46 2028-29	190,190,061	33,569,873	223,759,934	192,117,613	1,921,176	384,235	1,536,941
47 2029-30	193,993,862	33,569,873	227,563,735	195,921,414	1,959,214	391,843	1,567,371
48 2030-31	197,873,740	33,569,873	231,443,613	199,801,292	1,998,013	399,603	1,598,410
49 2031-32	201,831,214	33,569,873	235,401,087	203,758,766	2,037,588	407,518	1,630,070
50 2032-33	205,867,839	33,569,873	239,437,712	207,795,391	2,077,954	415,591	1,662,363
						9,979,369	

TABLE 8B

PLACENTIA REDEVELOPMENT PROJECT AREA - AMENDMENT AREA
PROJECTED TAX INCREMENT REVENUES

Plan Year	Secured Assessed Values	Unsecured	Total Assessed Value	Incremental Value	Gross Tax Increment	Housing Fund (20% of TI)	Total Tax Increment	Pass Throughs				Total Pass Thrus	Revenue Net of P.T. & L.A.I
								NOCCCD	OCVCD	OCWD	OC		
Base Year	2.00%	0.00%	52,575,737		1.00%		Less Hous	6.55%	0.10%	0.81%	1.71%		
12 2001-02	63,684,516	12,437,531	76,122,047	23,546,310	235,463	47,093	188,370	6,174	247	950	1,611	8,982	179,389
13 2002-03	64,958,206	12,437,531	77,395,737	24,820,000	248,200	49,640	198,560	6,507	260	1,002	1,698	9,468	189,092
14 2003-04	66,257,370	12,437,531	78,694,901	26,119,164	261,192	52,238	208,953	6,848	274	1,054	1,787	9,963	198,990
15 2004-05	67,582,518	12,437,531	80,020,049	27,444,312	274,443	54,889	219,554	7,196	288	1,108	1,878	10,469	209,086
16 2005-06	68,934,168	12,437,531	81,371,699	28,795,962	287,960	57,592	230,368	7,550	302	1,162	1,970	10,984	219,383
17 2006-07	70,312,852	12,437,531	82,750,383	30,174,646	301,746	60,349	241,397	7,911	316	1,218	2,064	11,510	229,887
18 2007-08	71,719,109	12,437,531	84,156,640	31,580,903	315,809	63,162	252,647	8,280	331	1,275	2,161	12,047	240,600
19 2008-09	73,153,491	12,437,531	85,591,022	33,015,285	330,153	66,031	264,122	8,656	346	1,333	2,259	12,594	251,528
20 2009-10	74,616,561	12,437,531	87,054,092	34,478,355	344,784	68,957	275,827	9,040	362	1,392	2,359	13,152	262,675
21 2010-11	76,108,892	12,437,531	88,546,423	35,970,686	359,707	71,941	287,765	9,431	377	1,452	2,461	13,721	274,044
22 2011-12	77,631,070	12,437,531	90,068,601	37,492,864	374,929	74,986	299,943	9,830	393	1,513	2,565	14,302	285,641
23 2012-13	79,183,691	12,437,531	91,621,222	39,045,485	390,455	78,091	312,364	10,237	409	1,576	2,671	14,894	297,470
24 2013-14	80,767,365	12,437,531	93,204,896	40,629,159	406,292	81,258	325,033	10,652	426	1,640	2,780	15,498	309,535
25 2014-15	82,382,712	12,437,531	94,820,243	42,244,506	422,445	84,489	337,956	11,076	443	1,705	2,890	16,114	321,842
26 2015-16	84,030,366	12,437,531	96,467,897	43,892,160	438,922	87,784	351,137	11,508	460	1,772	3,003	16,743	334,394
27 2016-17	85,710,974	12,437,531	98,148,505	45,572,768	455,728	91,146	364,582	11,949	478	1,840	3,118	17,384	347,198
28 2017-18	87,425,193	12,437,531	99,862,724	47,286,987	472,870	94,574	378,296	12,398	496	1,909	3,235	18,038	360,258
29 2018-19	89,173,697	12,437,531	101,611,228	49,035,491	490,355	98,071	392,284	12,856	514	1,979	3,355	18,705	373,579
30 2019-20	90,957,171	12,437,531	103,394,702	50,818,965	508,190	101,638	406,552	13,324	533	2,051	3,477	19,385	387,166
31 2020-21	92,776,314	12,437,531	105,213,845	52,638,108	526,381	105,276	421,105	13,801	552	2,125	3,601	20,079	401,026
32 2021-22	94,631,841	12,437,531	107,069,372	54,493,635	544,936	108,987	435,949	14,287	571	2,200	3,728	20,787	415,162
33 2022-23	96,524,478	12,437,531	108,962,009	56,386,272	563,863	112,773	451,090	14,784	591	2,276	3,858	21,509	429,581
34 2023-24	98,454,967	12,437,531	110,892,498	58,316,761	583,168	116,634	466,534	15,290	612	2,354	3,990	22,245	444,289
35 2024-25	100,424,066	12,437,531	112,861,597	60,285,860	602,859	120,572	482,287	15,806	632	2,434	4,125	22,996	459,290
36 2025-26	102,432,548	12,437,531	114,870,079	62,294,342	622,943	124,589	498,355	16,333	653	2,515	4,262	23,763	474,592
37 2026-27	104,481,199	12,437,531	116,918,730	64,342,993	643,430	128,686	514,744	16,870	675	2,597	4,402	24,544	490,200
38 2027-28	106,570,823	12,437,531	119,008,354	66,432,617	664,326	132,865	531,461	17,418	697	2,682	4,545	25,341	506,120
39 2028-29	108,702,239	12,437,531	121,139,770	68,564,033	685,640	137,128	548,512	17,977	719	2,768	4,691	26,154	522,358
40 2029-30	110,876,284	12,437,531	123,313,815	70,738,078	707,381	141,476	565,905	18,547	742	2,855	4,840	26,984	538,921
41 2030-31	113,093,810	12,437,531	125,531,341	72,955,604	729,556	145,911	583,645	19,128	765	2,945	4,991	27,829	555,815
42 2031-32	115,355,686	12,437,531	127,793,217	75,217,480	752,175	150,435	601,740	19,721	789	3,036	5,146	28,692	573,048
43 2032-33	117,662,800	12,437,531	130,100,331	77,524,594	775,246	155,049	620,197	20,326	813	3,129	5,304	29,572	590,624
44 2033-34	120,016,055	12,437,531	132,453,586	79,877,849	798,778	159,756	639,023	20,943	838	3,224	5,465	30,470	608,553
45 2034-35	122,416,377	12,437,531	134,853,908	82,278,171	822,782	164,556	658,225	21,572	863	3,321	5,629	31,386	626,840
46 2035-36	124,864,704	12,437,531	137,302,235	84,726,498	847,238	169,453	677,812	22,214	889	3,421	5,797	32,320	645,492
47 2036-37	127,361,998	12,437,531	139,799,529	87,223,792	872,238	174,448	697,790	22,869	915	3,521	5,968	33,272	664,518
48 2037-38	129,909,238	12,437,531	142,346,769	89,771,032	897,710	179,542	718,168	23,537	941	3,624	6,142	34,244	683,924
49 2038-39	132,507,423	12,437,531	144,944,954	92,369,217	923,692	184,738	738,954	24,218	969	3,729	6,320	35,235	703,719
50 2039-40	135,157,571	12,437,531	147,595,102	95,019,365	950,194	190,039	760,155	24,913	997	3,836	6,501	36,246	723,909
						4,286,841							

TABLE 8C

PLACENTIA REDEVELOPMENT PROJECT AREA - COMBINED AREA SUMMARY
PROJECTED TAX INCREMENT REVENUES

Plan Year	Gross Tax Increment 1.00%	Cumulative Tax Increment	Housing Fund (20% of TI)	Total Tax Increment Less Hous.	Pass Throughs										Total Pass Thrus	Revenue Net of P/T & L/M	
					County			OCVCD			OC			Supermidl			
					Gen. Fund		HBPD	OCFCD		PYLU	NOCCD	OCVCD	OCWD				OC
					5.80%	1.47%	1.90%	6.55%	0.10%	0.81%	1.71%						
Base Year																	
12 2001-02	1,368,990	13,898,245	273,798	1,095,192	-	-	-	72,019	6,174	247	950	1,611	81,001	1,014,191			
13 2002-03	1,404,012	15,267,235	280,802	1,123,210	-	-	-	74,821	6,507	260	1,002	1,698	84,289	1,038,921			
14 2003-04	1,439,734	16,671,247	287,947	1,151,787	-	-	-	77,679	6,848	274	1,054	1,787	87,642	1,064,145			
15 2004-05	1,476,171	18,110,981	295,234	1,180,937	503	-	-	80,594	7,196	288	1,108	1,878	91,063	1,089,874			
16 2005-06	1,513,337	19,587,152	302,667	1,210,669	1,932	226	974	83,567	7,550	302	1,162	1,970	95,366	1,115,303			
17 2006-07	1,551,246	21,100,489	310,249	1,240,996	3,390	397	1,708	86,600	7,911	316	1,218	2,064	101,242	1,139,755			
18 2007-08	1,589,913	22,651,735	317,983	1,271,930	4,877	570	2,458	89,693	8,280	331	1,275	2,161	107,234	1,164,696			
19 2008-09	1,629,353	24,241,647	325,871	1,303,482	6,393	748	3,222	92,848	8,656	346	1,333	2,259	113,347	1,190,135			
20 2009-10	1,669,582	25,871,000	333,916	1,335,666	7,940	929	4,002	96,067	9,040	362	1,392	2,359	119,582	1,216,084			
21 2010-11	1,710,616	27,540,582	342,123	1,368,493	9,518	1,113	4,797	102,698	9,431	377	1,452	2,461	125,941	1,242,551			
22 2011-12	1,752,428	29,251,198	350,494	1,401,976	11,128	1,302	5,608	106,113	9,830	393	1,513	2,565	132,428	1,269,548			
23 2012-13	1,795,162	31,003,669	359,032	1,436,130	12,769	1,494	6,435	109,597	10,237	409	1,576	2,671	139,044	1,297,085			
24 2013-14	1,838,707	32,798,830	367,741	1,470,966	14,444	1,690	7,279	113,150	10,652	426	1,640	2,780	145,793	1,325,173			
25 2014-15	1,883,124	34,632,661	376,625	1,506,499	16,152	1,889	8,140	116,774	11,076	443	1,705	2,890	152,677	1,353,822			
26 2015-16	1,928,428	36,520,661	385,686	1,542,743	17,894	2,093	9,018	120,471	11,508	460	1,772	3,003	159,698	1,383,044			
27 2016-17	1,974,639	38,449,089	394,928	1,579,711	19,671	2,301	9,914	124,242	12,398	478	1,840	3,118	166,860	1,412,851			
28 2017-18	2,021,774	40,423,728	404,355	1,617,419	21,483	2,513	10,827	128,088	12,856	514	1,979	3,355	174,165	1,443,254			
29 2018-19	2,069,851	42,445,502	413,970	1,655,881	23,332	2,729	11,759	132,011	13,324	533	2,051	3,477	181,617	1,474,264			
30 2019-20	2,118,891	44,515,353	423,778	1,695,112	25,218	2,950	12,709	136,013	13,801	552	2,125	3,601	189,217	1,505,896			
31 2020-21	2,168,910	46,634,244	433,782	1,735,128	27,141	3,175	13,679	140,094	14,287	571	2,200	3,728	196,969	1,538,159			
32 2021-22	2,219,931	48,803,154	443,986	1,775,945	29,103	3,404	14,667	144,258	14,784	591	2,276	3,858	204,876	1,571,068			
33 2022-23	2,271,972	50,957,057	454,394	1,817,577	31,105	3,638	15,676	148,504	15,290	612	2,354	3,990	212,942	1,604,635			
34 2023-24	2,325,053	53,229,293	465,011	1,860,042	33,146	3,877	16,705	152,836	15,806	632	2,434	4,125	221,169	1,638,874			
35 2024-25	2,379,196	55,620,110	475,839	1,903,357	35,228	4,121	17,754	157,254	16,333	653	2,515	4,262	229,560	1,673,797			
36 2025-26	2,434,422	60,433,729	486,884	1,947,538	37,351	4,369	18,824	161,760	16,870	675	2,597	4,402	238,119	1,709,419			
37 2026-27	2,490,753	65,472,692	498,151	1,992,602	39,518	4,623	19,916	166,357	17,418	697	2,682	4,545	246,849	1,745,753			
38 2027-28	2,548,210	70,746,103	509,642	2,038,568	41,727	4,881	21,030	171,045	17,977	719	2,768	4,691	255,754	1,782,814			
39 2028-29	2,606,816	76,263,434	521,363	2,085,453	43,981	5,145	22,165	175,828	18,547	742	2,855	4,840	264,837	1,820,616			
40 2029-30	2,666,595	81,585,459	533,319	2,133,276	46,279	5,414	23,324	180,706	19,128	765	2,945	4,991	274,102	1,859,174			
41 2030-31	2,727,569	87,078,194	545,514	2,182,055	48,624	5,688	24,505	185,681	19,721	789	3,036	5,146	283,552	1,898,503			
42 2031-32	2,789,762	92,738,672	557,952	2,231,810	51,016	5,968	25,711	190,756	20,326	813	3,129	5,304	293,191	1,938,619			
43 2032-33	2,853,200	98,541,413	570,640	2,282,560	53,923	-	-	195,756	20,943	838	3,224	5,465	303,022	1,979,538			
44 2033-34	2,918,778	104,460,225	584,556	2,337,016	56,825	-	-	203,225	21,572	863	3,321	5,629	312,945	2,020,483			
45 2034-35	3,000,000	110,460,225	600,000	2,399,000	59,825	-	-	212,400	22,214	889	3,420	5,797	323,842	2,068,325			
46 2035-36	3,090,000	116,550,225	616,556	2,466,556	62,915	-	-	221,485	22,869	915	3,521	5,968	335,740	2,121,065			
47 2036-37	3,187,500	122,737,725	634,448	2,544,004	66,168	-	-	231,337	23,537	941	3,624	6,142	348,683	2,179,248			
48 2037-38	3,292,500	129,030,225	653,542	2,627,546	70,710	-	-	241,818	24,218	969	3,729	6,320	362,644	2,242,892			
49 2038-39	3,405,000	135,435,225	673,738	2,716,284	75,738	-	-	252,954	24,913	997	3,836	6,501	377,719	2,319,611			
50 2039-40	3,525,000	142,060,225	695,194	2,811,478	81,555	-	-	264,713	25,713	1,026	3,954	6,687	393,924	2,402,535			
			14,266,210	760,155									36,246	773,909			

This page intentionally left blank.

APPENDIX B

THE CITY OF PLACENTIA

The following information is presented as general background data. The Bonds are payable solely from the Special Taxes made by the property owners in the District and other sources as described herein. The taxing power of the City of Placentia, the State of California or any political subdivision thereof is not pledged to the payment of the Bonds. See "THE BONDS".

Location

The City of Placentia covers 6.7 square miles in the heart of Orange County. Located in the Southern California Coastal Metropolitan Region, the City is 24 miles southeast of Los Angeles and 22 miles northeast of Long Beach. Placentia's proximity to the junction of the Riverside and Orange freeways provides easy access to all points of the region. The City is bordered by the neighboring communities of Brea, Fullerton, Anaheim and Yorba Linda.

Topography and Climate

Placentia has an average elevation of 300 feet above sea level. The City's temperate climate, with an average high of 73 degrees and a low of 52 degrees, allowed for its earlier prosperity as a producer of Valencia Oranges. The City's rainfall averages 11.5 inches per year.

The Placentia area experiences excessive levels of secondary air pollutants, as does much of the Los Angeles Basin region. The combination of prevailing atmospheric pressure gradients and the position of major topographic features produces a southwesterly afternoon wind. Consequently, Placentia's air passes over an area of extensive urbanization. Mild drainage winds caused by the cooling of land at night improves the City's air quality during the early morning hours. The air quality problems in the entire Southern California Coastal Region stems from the presence of a semi-permanent low level temperature inversion, combined with generally light winds.

Municipal Government

Nearly 100 years after its initial settlement as a Spanish land grant, Placentia was incorporated on December 2, 1926 with 800 residents on 0.16 square miles. 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 City maintains Police Department consisting of 59 sworn officers and 17 full-time non-sworn personnel, with 34 vehicles and a comprehensive communications system. Fire protection is provided through an arrangement with the Orange County Fire Department.

Personal Income

From 1996 through 1999, the City's median household effective buying income grew as shown in the following table.

**CITY OF PLACENTIA
PERSONAL INCOME
For the Years 1996 through 1999**

Year and Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
1996		
City of Placentia	737,332	47,032
Orange County	44,978,643	42,747
California	492,516,991	35,216
United States	4,161,512,384	33,482
1997		
City of Placentia	791,600	49,066
Orange County	48,027,189	42,715
California	524,439,600	36,483
United States	4,399,998,035	34,618
1998		
City of Placentia	846,036	49,827
Orange County	50,605,637	45,176
California	551,999,317	37,554
United States	4,621,491,738	35,377
1999		
City of Placentia	937,216	51,709
Orange County	55,179,528	48,773
California	590,376,663	39,492
United States	4,877,786,658	37,233

Source: S&MM (Sales and Marketing Management) Survey of Buying Power.

Population

The following table sets forth population figures for the City, Orange County and the State of California the years listed:

POPULATION DATA

<u>Year</u>	<u>City of Placentia</u>		<u>Orange County</u>		<u>State of California</u>	
	<u>Population</u>	<u>Percentage Increase</u>	<u>Population</u>	<u>Percentage Increase</u>	<u>Population</u>	<u>Percentage Increase</u>
1970 ⁽¹⁾	21,948	--	1,421,233	--	19,971,068	--
1980 ⁽¹⁾	35,041	59.65%	1,932,921	36.00%	23,688,145	18.61%
1990 ⁽¹⁾	41,259	17.74%	2,410,556	24.71%	29,760,021	25.63%
1991 ⁽²⁾	41,375	0.28%	2,453,277	1.77%	30,351,029	1.99%
1992 ⁽²⁾	41,831	1.10%	2,512,198	2.40%	30,989,009	2.10%
1993 ⁽²⁾	43,096	3.02%	2,555,051	1.71%	31,522,338	1.72%
1994 ⁽²⁾	44,082	2.29%	2,596,511	1.62%	31,960,623	1.39%
1995 ⁽²⁾	44,600	1.17%	2,641,355	1.73%	32,344,074	1.20%
1996 ⁽²⁾	45,100	1.12%	2,632,300	(0.35%)	32,223,000	(0.38%)
1997 ⁽²⁾	45,850	1.66%	2,677,500	1.71	32,670,000	1.38%
1998 ⁽²⁾	47,350	3.27%	2,734,500	2.12	33,226,000	1.70%
1999 ⁽²⁾	49,350	4.22%	2,788,800	1.98	33,766,000	1.62%
2000 ⁽²⁾	50,200	1.72%	2,828,400	1.41	34,336,000	1.68%

Sources: ⁽¹⁾U.S. Census.

⁽²⁾State of California Department of Finance Demographic Research Unit "California Population and Housing Estimates."

Industry and Employment

The City is a part of the County of Orange Metropolitan Statistical Area ("MSA") which includes all of Orange County. In addition to varied manufacturing employment, the MSA has large and growing commercial and service sector employment, as reflected in the following table.

County of Orange Metropolitan Statistical Area Civilian Labor Force Profile

Title	1996	1997	1998	1999	2000
Total, All Industries	1,191,100	1,240,000	1,305,000	1,352,100	1,398,600
Total Farm	6,700	6,900	6,600	7,000	7,900
Total Nonfarm	1,184,300	1,233,900	1,299,200	1,345,100	1,390,700
Civilian Unemployment Rate	4.1%	3.2%	2.9%	2.6%	2.5%
Goods Producing	264,600	281,400	298,100	303,900	311,400
Mining	900	900	900	700	600
Construction	52,500	58,100	65,500	73,800	79,700
Manufacturing	211,200	222,400	231,700	229,400	231,000
Durable Goods	139,300	149,100	157,800	154,900	154,400
Nondurable Goods	71,900	73,300	74,000	74,500	76,700
Service Producing	919,700	952,500	1,001,100	1,041,300	1,079,400
Transportation & Public Utilities	42,800	44,400	46,300	48,600	51,600
Trade	298,600	309,900	322,500	331,500	339,700
Wholesale Trade	89,600	93,900	98,300	99,900	101,000
Retail Trade	209,100	216,000	224,200	231,600	238,800
General Merchandise	20,800	20,600	22,200	21,400	21,400
Food Stores	25,400	25,900	26,800	27,700	26,900
Eating & Drinking Places	82,600	85,500	87,500	90,600	93,400
Other Retail Trade	41,400	42,300	44,000	46,100	48,600
Finance, Insurance & Real Estate	86,900	92,900	100,400	104,200	105,200
Services	361,700	372,700	395,600	415,900	436,300
Government	129,700	132,700	136,400	141,100	146,600
Federal Government	14,500	13,500	13,200	12,700	13,000
State & Local Government	115,100	119,200	123,200	128,400	133,600

Source: State of California Employment Development Department.

The following tables set forth the largest manufacturing and non-manufacturing employers located in the City:

**City of Placentia
Largest Manufacturing Employers as of 1999**

<u>Name of Company</u>	<u>Employment</u>	<u>Products</u>
The Hartwell Corporation	300	Mechanical Fasteners
Knott's Berry Farm Foods	200	Jam and Jelly Processing
Microdot	190	Manufactures Insert Fasteners
A-1 Carbide	100	Machining
TNT Plastic Molding	125	Plastic Molded Parts
Modular Display Systems	100	Display Signs
Instrument Specialties	80	Electronic Interference Shields
Sun Eight Company	45	Aircraft Fittings
Magnavon Industries	40	Aircraft Hand Tools

Source: Placentia Chamber of Commerce, www.placentia.org.

**City of Placentia
Largest Non-manufacturing Employers as of 1999**

<u>Name of Company</u>	<u>Employment</u>	<u>Product or Service</u>
Placentia-Yorba Linda School District	2400	School System Grades K-12
Placentia-Linda Community Hospital	300	General Hospital/24Hr. Emergency Services
McMullen Argus Publishing	200	Publish Trade Magazines
City of Placentia	137	Community Government
Best Foods Baking Group	120	Bakery - English Muffins
Fairway Ford	100	Automobile Dealer-New/Used
Hometown Buffet	100	Homestyle Buffet Food
Savon Drugs, Inc.	71	Drug Store, Pharmacy & Gen. Merchandise
Albertsons	70	Supermarket
Ralphs Grocery Company	70	Supermarket
El Torito Restaurant	55	Mexican Food
Von's	50	Supermarket
Marriott New Residence Inn	40	Hotel
DON-A-VEE Jeep, Inc.	36	Jeep Sales New/Used
Office Depot	35	Office Supplies/Machines/Computers
OfficeMax	33	Office Supplies/Machines/Computers
Atwood Sales	30	Building Materials
Holiday Inn	30	Hotel
Long's Drugs	30	Drug Store, Pharmacy, & Gen. Merchandise
Ross Dress for Less	30	General Apparel

Source: Placentia Chamber of Commerce. www.placentia.org.

Commercial Activity

The following table sets forth the dollar value of taxable transactions in the City for the years shown:

CITY OF PLACENTIA		
Total Taxable Transactions		
Year	Retail Sales (\$000)	Total Taxable Transactions (\$000)
1995	195,953	278,660
1996	218,980	308,314
1997	235,252	347,481
1998	249,858	377,141
1999	267,756	400,418
2000 ⁽¹⁾	145,093	207,557

⁽¹⁾ First and second quarter 2000 Sales only.

Source: State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Public Utilities

Water is provided by the Southern California Water Company. The City participates in the Orange County Sanitation District, which operates two sewage treatment plants with a 230 million gallons per day capacity. Electricity is supplied by the Southern California Edison Company and natural gas by the Southern California Gas Company. The General Telephone Company provides telephone service.

Transportation

Highway 57, the Orange Freeway, passes through the City and provides a major north-south link to the surrounding area. Highway 91, the Riverside Freeway, provides access to Los Angeles and the eastern communities of Riverside County.

The City is also close to the Costa Mesa Freeway, Highway 55, allowing for easy access to John Wayne-Orange County Airport, 14 miles to the south. Los Angeles International Airport is approximately 36 miles to the west.

Education

Public education in Placentia is provided by the Placentia-Yorba Linda Unified School District through nine elementary schools, two junior high schools, and three high schools. There are also two parochial schools. Residents also have access to institutions of higher learning located in Los Angeles and Orange Counties, including five campuses of the State University and College System. Cal State Fullerton is less than one mile from the City. Five junior colleges and eight colleges or universities are located within a 30 minute drive.

Medical Facilities

Placentia is served by one general hospital, the Placentia-Linda Community Hospital, with a total bed capacity of 114. This facility is also close to a number of clinics, convalescent hospitals, rest homes, and laboratories.

Recreation Facilities

Recreational outlets for the City's residents include the City's own community parks and the outdoor recreation opportunities provided by the surrounding area. In addition to the Tri-City Park area, located within and adjacent to the City, residents enjoy the use of a number of community centers including two gymnasiums, two city-owned swimming pools, two school-owned pools and 13 parks with playgrounds.

This page intentionally left blank.

APPENDIX C

Summary of Certain Provisions of the Indentures

The following brief summary of certain provisions of the Indentures is subject in all respects to all of the provisions thereof. This brief summary does not purport to be a complete statement of said provisions and prospective purchasers of the Bonds are referred to the complete text of the Indentures, copies of which are available upon request from the Trustee. Certain provisions of the Indentures setting forth the terms of the Bonds, the redemption provisions thereof and the use of the proceeds of the Bonds are set forth elsewhere in this Official Statement. See "SOURCES AND USES OF FUNDS" and "THE BONDS" herein.

CERTAIN DEFINITIONS

Capitalized terms not defined herein shall have the meanings set forth in the Indentures.

"Annual Debt Service" means, with respect to a series of Bonds, for each Bond Year, the sum of (1) the interest falling due on the Outstanding Bonds in such year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds, if any, are redeemed from the sinking account as may be scheduled, (2) the principal amount of the Outstanding Serial Bonds, if any, falling due by their terms in such year, and (3) the minimum amount of Mandatory Sinking Account Payments for Outstanding Term Bonds required to be paid or called and redeemed in such year, together with the redemption premiums, if any, thereon. The term **"Maximum Annual Debt Service"** means, as of any date of calculation, the Annual Debt Service as computed for the Bond Year in which such Annual Debt Service shall be largest, excluding from such calculation any Annual Debt Service relating to a principal amount of Special Bonds equal to the amount then on deposit in the Temporary Redemption Fund.

"Bonds" means the Series A Bonds and the Series B Bonds issued under the Indentures and all Additional Bonds. **"Additional Bonds"** means all tax allocation bonds of the Agency authorized and executed pursuant to the Indentures and issued and delivered in accordance therewith. **"Serial Bonds"** means Bonds for which no mandatory sinking account payments are provided. **"Term Bonds"** means Bonds which are payable on or before their specified maturity dates from mandatory sinking account payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"Business Day" means a day of the year which is not a Saturday or Sunday, or a day on which banking institutions located in the State of California or the Federal Reserve system are required or authorized to remain closed.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consultant's Report" means a report signed by an Independent Financial Consultant or an Independent Redevelopment Consultant, as may be appropriate to the subject of the report, and including: (1) a statement that the person or firm making or giving such report has read the pertinent provisions of the Indenture to which such report relates; (2) a brief statement as to the nature and scope of the examination or investigation upon which the report is based; and (3) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

"Fiscal Agreements" means the agreements relating to the Project Area as originally executed and as amended in accordance with their respective terms and the Indentures.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the Agency as its Fiscal Year in accordance with the Law and identified to the Trustee.

“Housing Project” means those projects approved and assisted by the Agency, which increase, improve and/or preserve the supply of low and moderate income housing within the City and such other uses as may lawfully be expended in accordance with the Law.

“Housing Set-Aside Amounts” means the portion of Tax Increment Revenues required to be set-aside and deposited in the Low and Moderate Income Housing Fund pursuant to Section 33334.2, 33334.3, 33334.6 or 33487 of the Law or such greater amount of Tax Increment Revenues as provided by the Indenture, but in any event not to exceed 20% of the Tax Increment Revenues.

“Indentures” means the Indenture of Trust, dated as of December 1, 2001, between the Agency and the Trustee, related to the Series A Bonds and the Indenture of Trust, dated as of December 1, 2001, between the Agency and the Trustee, related to the Series B Bonds, as each may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions of such Indenture.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the Agency, and who, or each of whom: (1) is in fact independent and not under the domination of the Agency; (2) does not have any substantial interest, direct or indirect, with the Agency; and (3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Agency who has engaged in the municipal financial consulting business in each of the 3 calendar years immediately preceding the date of such appointment and who, or each of whom: (1) is in fact independent and not under the domination of the Agency; (2) does not have any substantial interest, direct or indirect, with the Agency; and (3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

“Independent Redevelopment Consultant” means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency who has engaged in such consulting business in each of the 3 calendar years immediately preceding the date of such appointment, and who, or each of whom: (1) is in fact independent and not under the domination of the Agency; (2) does not have any substantial interest, direct or indirect, with the Agency; and (3) is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

“Investment Agreement” means an investment agreement or guaranteed investment contract by and between the Trustee and a financial institution whose long term debt or claims paying ability is rated “A” or higher by S&P, dated as of the date of delivery of a series of Bonds, respecting their investment of moneys in certain funds or accounts established pursuant to the Indenture.

“Law” means the Community Redevelopment Law of the State of California (being Part I, commencing with Section 33000, of Division 24 of the Health and Safety Code of the State of California), and all laws amendatory thereof or supplemental thereto.

“Low and Moderate Income Housing Fund” means the Low and Moderate Income Housing Fund established with respect to the Project Area in accordance with Section 33334.2, 33334.3, 33334.6 or 33487 of the Law.

“Mandatory Sinking Account Payment” means, with respect to Bonds of any series and maturity, the amount required by the Indenture or any Supplemental Indenture to be paid by the Agency on any single date for the retirement of Term Bonds of such series and maturity.

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture relating to disqualified Bonds) all Bonds except -- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds paid or deemed to have been paid within the meaning of the Indenture; and (3) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture.

“Permitted Investments” means any of the following which at the time are legal investments (as determined by the Agency) under the laws of the State of California for moneys held under the Indenture and then proposed to be invested therein:

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): a. Farmers Home Administration (FmHA): Certificates of beneficial ownership; b. Federal Housing Administration (FHA): Debentures; c. General Services Administration: Participation certificates; d. Government National Mortgage Association (GNMA or “Ginnie Mae”); GNMA-guaranteed mortgage backed bonds, GNMA-guaranteed pass-through obligations (participation certificates); e. U.S. Maritime Administration: Guaranteed Title XI financing; and f. U.S. Department of Housing and Urban Development (HUD): Project Notes, Local Authority Bonds.

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): a. Federal Home Loan Bank System: Senior debt obligations (Consolidated debt obligations); b. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”): Participation Certificates (Mortgage-backed securities), Senior debt obligations; c. Federal National Mortgage Association (FNMA or “Fannie Mae”): Mortgage backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of the unpaid principal); d. Student Loan Marketing Association (SLMA or “Sallie Mae”): Senior debt obligations; e. Resolution Funding Corp. (REFCORP): Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable; and f. Farm Credit System: Consolidated systemwide bonds and notes.

(4) Money market funds (including funds managed or advised by the Trustee or an affiliate of the Trustee) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAM-G”; “AAAm”, or “AAm”.

(5) Certificates of deposit secured at all times by collateral described in (1) or (2) above. Certificates of deposit must have a one year or less maturity. Such certificates must be issued by commercial

banks (including the Trustee or its affiliates), savings and loan associations or mutual savings banks whose short term obligations are rated "A-1+" or better by S&P.

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.

(7) Investment agreements with (i) any bank or trust company licensed to do business in any state of the United States or any national banking association (including the Trustee) or government bond dealer reporting to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, having a combined capital and surplus of at least \$100,000,000, and rated "A" or better by Standard & Poor's Ratings Services or (ii) any corporation that is organized and operating within the United States of America and that has total assets in excess of five hundred million dollars (\$500,000,000) and rated "A" or better by Standard & Poor's Ratings Services; provided, however, that the Trustee is required to withdraw all amounts invested therein if such rating falls below "A", unless such investment agreement shall have been assigned to an institution with at least an "A" rating or collateralized with securities described in subparagraph (1) hereof or subparagraph (2) hereof (which collateral shall be marked to market weekly at collateral levels required by Standard & Poor's Ratings Services to maintain the ratings on the Bonds) and held by the Trustee or a third-party custodian.

(8) Commercial paper rated "A-1+" or better by S&P.

(9) Bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest long-term rating categories assigned by such agencies.

(10) Federal funds or bankers acceptances with a maximum term of one year and of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "A-1+" or better by S&P.

(11) Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Agency or the Trustee (buyer/lender), and the transfer of cash from the Agency or the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date. Such repurchase agreements must satisfy the following criteria: a. Repurchase agreements must be between the Agency or the Trustee and a dealer bank or securities firm: (i) Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction SIPC and which are rated "A" or better by S&P; or (ii) Banks rated "A" or above by S&P; b. The written repurchase agreement must include the following: (i) Securities which are acceptable for transfer: (a) Direct U.S. governments, and (b) Federal agencies backed by the full faith and credit of the U.S. government (FNMA and FHLMC); (ii) The term of the repurchase agreement may be up to 30 days; (iii) The collateral must be delivered to the Agency, Trustee or third party acting as agent for the Trustee before or simultaneous with payment (perfection by possession of certificated securities); (iv) The Trustee has a perfected first priority security interest in the collateral; (v) Collateral is free and clear of third-party liens and in the case of SIPC, broker was not acquired pursuant to a repurchase agreement or reverse repurchase agreement; (vi) Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee to liquidate collateral; (vii) Valuation of collateral: (a) the securities must be valued weekly, market-to-market at current market price plus accrued interest; and (b) the value of the collateral must be equal to 104% of the amount of cash transferred by the Agency to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Agency, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of the collateral must equal 105%; c. Legal opinion which must be delivered to the Agency: the repurchase agreement meets guidelines under state law for legal investment of funds of the Agency; d. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(12) Pre-refunded municipal bonds rated “AAA” by S&P; provided, that the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

(13) The Local Agency Investment Fund (LAIF) and any other state administered pool investment fund in which the Agency is statutorily permitted or required to invest to the extent such deposits are held in the name of the Trustee.

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

“Project Area” means the Agency Redevelopment Project Area described in the Redevelopment Plan.

“Redevelopment Plan” means the redevelopment plan for the Project Area of the Agency in Placentia, California, adopted and approved as the Redevelopment Plan by Ordinance No. 83-0-113, adopted by the City Council of the City of Placentia, California on July 19, 1983, as amended by the adoption of Ordinance No. 90-0-115, adopted by the City Council of the City of Placentia, California on June 26, 1990, together with all further amendments thereto hereafter made in accordance with the Law and the Indenture.

“Regulatory Agreement” means the regulatory agreements or other agreements designated by the Agency evidencing compliance with provisions of the Law with respect to low and moderate income housing, including Sections 33334.2 to 33334.19, inclusive.

“Reserve Account Requirement” means, with respect to a series of Bonds, as of any date of calculation, an amount equal to the least of (i) Maximum Annual Debt Service, (ii) 10% of the initial principal amount of the Bonds or (iii) 125% of average annual debt service.

“Revenues” means the portion of Tax Increment Revenues, after deducting the Housing Set-Aside Amounts required to be set-aside and deposited in the Low and Moderate Income Housing Fund pursuant to Law, to be deposited into the Special Fund.

“Sinking Accounts” means the subaccounts in the Principal Account so designated and established pursuant to the Indenture.

“Supplemental Indenture” means any indenture then in full force and effect which has been duly executed and delivered by the Agency and the Trustee, amendatory of or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means the certificate delivered by the Agency at the time of issuance and delivery of a series of Bonds relating to the requirements of the Code, as the same may be amended or supplemented in accordance with its terms.

“Tax Increment Revenues” means all taxes allocated and paid to the Agency pursuant to Article 6 of Chapter 6 of the 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.

SERIES A INDENTURE PROVISIONS

Pledge of Housing Set-Aside Amounts; Housing Special Fund

All the Housing Set-Aside Amounts and all money in the Housing Special Fund and in the funds or accounts so specified and provided for in the Indenture are irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Housing Set-Aside Amounts and such other money shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Housing Set-Aside Amounts and other moneys there may be applied such sums for such purposes as are permitted under the Indenture for the Bonds. Subject to the provisions of the Indenture relating to the application of funds upon acceleration, this pledge shall constitute a first lien on the Housing Set-Aside Amounts and such other money for the payment of the Bonds in accordance with the terms thereof. All the Housing Set-Aside Amounts, together with any interest earned thereon, shall, so long as any Bonds shall be Outstanding, be deposited when and as received by the Agency in the "Redevelopment Agency of the City of Placentia Redevelopment Project Area Housing Special Fund" (hereinafter called the "Housing Special Fund"), which shall be created by the Agency and which fund the Agency covenants and agrees to maintain.

Receipt and Deposit of Housing Set-Aside Amounts; Bond Fund

The Agency covenants and agrees that all Housing Set-Aside Amounts, when and as received, will be received by the Agency in trust under the Indenture and deposited in the Housing Special Fund and will be accounted for through and held in trust in the Housing Special Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Housing Set-Aside Amounts, whether received by the Agency in trust or deposited with the Trustee, all as provided in the Indenture, shall nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

The Agency covenants and agrees that on or before January 26 and July 26 of each year, commencing on July 26, 2002, it shall transfer to the Trustee from the Housing Special Fund the amounts set forth in the Indenture for deposit in the Bond Fund for the payment of principal and interest on the Bonds.

Establishment and Maintenance of Accounts for Use of Money in the Bond Fund

All moneys in the Bond Fund shall be set aside by the Trustee in the following respective special accounts within the Bond Fund (each of which the Agency covenants and agrees to cause to be maintained), in the following order of priority:

- (a) Interest Account;
- (b) Principal Account; and
- (c) Reserve Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Indenture.

Interest Account. On or before January 26 and July 26 of each year, commencing on July 26, 2002, the Trustee shall set aside from the Bond Fund and deposit in the Interest Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. On or before July 26 of each year, commencing on July 26, 2002, the Trustee shall set aside from the Bond Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Bonds on the next succeeding principal payment date. In the event that there shall be insufficient money in the Housing Special Fund to make in full all such principal payments required to be made pursuant to the Indenture at any one time, then the available money shall be applied pro rata to the making of such principal payments in the proportion which all such principal payments bear to each other.

No deposit need be made into the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Bonds.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they shall become due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Indenture.

Reserve Account. On or before July 31 of each year, commencing on July 31, 2002, the Trustee shall set aside from the Bond Fund and deposit in the Reserve Account an amount of money that shall be required to maintain the Reserve Account in the full amount of the Reserve Account Requirement. No deposit need be made in the Reserve Account so long as there shall be on deposit therein a sum equal to at least the amount required to be on deposit therein. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money of the Agency is lawfully available therefor, or for the purpose of repaying any amount due and payable under the terms of a Reserve Account Credit Facility (as defined below), or for the purpose of retiring all Bonds then Outstanding, except that for so long as the Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the amount required to be on deposit therein shall, unless otherwise directed in a Written Request of the Agency, be withdrawn from the Reserve Account by the Trustee and transferred to the Bond Fund.

Notwithstanding any provision of the Indenture to the contrary, all or any portion of the Reserve Account Requirement for the Bonds may be satisfied by the provision of a policy of insurance, a surety bond, a letter of credit or other comparable credit facility, or a combination thereof, which, together with moneys on deposit in the Reserve Account, provide an aggregate amount equal to the Reserve Account Requirement; provided, that the provider of any such policy of insurance, surety bond, letter of credit or other comparable credit facility must be rated in the highest rating category by Standard & Poor's Ratings Services at the time of delivery of such credit facility (the "Reserve Account Credit Facility").

On or after August 2 of each year, commencing August 2, 2002, after transfer of moneys to the Reserve Account necessary to replenish the Reserve Account to the Reserve Account Requirement (or to repay all amounts due and payable under the terms of a Reserve Account Credit Facility), all moneys in the Bond Fund and the accounts therein (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.

Establishment of Funds: Redemption Fund

In addition to the Housing Special Fund and the Bond Fund, there are further created a special trust fund to be held by the Trustee called the "Redevelopment Agency of the City of Placentia Redevelopment Project Area Housing Set-Aside Redemption Fund" (the "Redemption Fund").

There is further created a special trust fund to be held by the Agency called the “Redevelopment Agency of the City of Placentia Redevelopment Project Area Housing Set-Aside Project Fund” (the “Project Fund”), and within the Project Fund a subaccount called the “Series A Project Account” and a subaccount called the “Series B Project Account.”

The Agency may at any time deposit moneys into the Redemption Fund for the purposes of redeeming Bonds in accordance with the terms of the Indenture. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice can be timely given and at the redemption prices then applicable to redemptions from the Redemption Fund; provided that, at any time prior to selection of Bonds for redemption, the Trustee upon Written Request of the Agency shall apply such amounts to the purchase of Bonds by the Agency 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 direct such purchase if the purchase price (exclusive of accrued interest) exceeds the par value of such Bonds.

Project Fund

The Agency covenants that moneys held by it in the Project Fund (including the Series A Project Account therein) shall be used and disbursed in the manner provided by law for the purpose of aiding in financing the Housing Project (or for making reimbursements to the Agency for such costs theretofore paid by it), including payment of all costs incidental to or connected with such financing.

Deposit and Investment of Moneys in Funds and Accounts

All money held by the Trustee in any of the accounts or funds established pursuant to the Indenture shall be invested in Permitted Investments at the Written Request of the Agency. The Trustee may commingle the funds and accounts established under the Indenture for investment purposes, but shall nevertheless account for each separately. In the absence of written investment instructions from the Agency, the Trustee shall invest solely in Permitted Investments of the type set forth in clause (4) of the definition thereof. Subject to the terms of the Indenture and the terms of any Supplemental Indenture, all interest or profits received on any money held in any fund or account by the Trustee shall be transferred to the Interest Account, except that interest or profits on amounts in the Reserve Account shall be retained in the Reserve Account to the extent necessary to satisfy the Reserve Account Requirement. All amounts invested in the Reserve Account shall have a maturity date not later than five years from the date of investment.

Conditions for the Issuance of Additional Bonds

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 Bonds theretofore issued under the Indenture, but only subject to the following specific conditions, which are conditions precedent to the issuance of any such Additional Bonds:

(a) The Agency shall be in compliance with all covenants contained in the 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 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, including a provision requiring the proceeds of such Additional Bonds to be applied solely for (i) the financing of certain housing activities pursuant to the Law, including Sections 33334.2 to 33334.19, inclusive and/or (ii) the purpose of refunding any Bonds, 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 Bonds and such Additional Bonds, and that an amount at least equal to the Reserve Account Requirement on all Outstanding 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 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 Trustee to be levied throughout the term of the Additional Bonds and all then Outstanding 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 1.3 times the Maximum Annual Debt Service on all then Outstanding Bonds and such Additional Bonds and any unsubordinated loans, advances or indebtedness payable from Housing Set-Aside Amounts pursuant to the Law.

(d) For purposes of the calculation required by (c) above, there shall not be included as Additional Bonds any Bonds the proceeds of which are deposited in an escrow fund held by the Trustee, provided that:

(1) A Certificate of the Agency shall be filed with the Trustee to the effect that the proceeds of such Additional Bonds, together with additional moneys, if any, deposited in such escrow fund, together with earnings to be received upon the investment of such proceeds and such moneys will be at least sufficient to pay the interest on, as it accrues and becomes due and payable in accordance with the terms of, such Additional Bonds;

(2) The Supplemental Indenture authorizing the issuance of such Additional Bonds shall provide that moneys may be transferred from said escrow fund only if 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 (other than the "homeowner's exemption") or tax rate limitations) for the then current Fiscal Year will be at least equal to 1.3 times Maximum Annual Debt Service on all Outstanding Bonds, (exclusive of disqualified Bonds described in the Indenture) as measured without taking into account a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and

(3) The Supplemental Indenture authorizing the issuance of such Additional Bonds shall provide that Additional Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

(e) No Additional Bonds may be issued while any proceeds of any Outstanding Bonds are held in an escrow fund.

In the event such Additional Bonds are to be issued solely for the purpose of refunding and retiring any Outstanding Bonds, interest and principal payments on the Outstanding 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 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 Bonds theretofore issued under the Indenture will be Outstanding. In addition, nothing contained in the Indenture shall limit the Agency from incurring any indebtedness secured by Housing Set-Aside Amounts and wholly subordinate to the Bonds.

Covenants of the Agency

Against Encumbrances. The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Housing Set-Aside Amounts, except as provided in the Indenture, and will not issue any obligation or security superior to or on a parity with the Bonds payable in whole or in part from the Housing Set-Aside Amounts (other than Additional Bonds).

Tax Covenants; Rebate Fund. The Agency shall establish and maintain a fund to be held by the Trustee separate from any other fund established and maintained under the Indenture designated the Rebate Fund. Subject to a tax certificate dated the date of and prepared in connection with the issuance of the Bonds (the "Tax Certificate"), as such Tax Certificate may be amended and supplemented from time to time, moneys held in the Rebate Fund are pledged to secure payments to the United States of America and the Agency or the Holders shall have no rights in or claim to such moneys. The Agency specifically covenants that the Agency will comply with such Tax Certificate and will pay or cause to be paid to the United States of America the rebate amounts as such term is used in such Tax Certificate at the times and in the amounts determined therein. The Agency shall not use or permit the use of any proceeds of Bonds or any funds of

the Agency, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause any Bonds to be an “arbitrage bond” within the meaning of Section 148 of the Code, “private activity bond” within the meaning of Section 141(a) of the Code, or “federally guaranteed” within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from time to time thereunder and under Section 103(c) of the Internal Revenue Code of 1954, as amended. The Agency shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Agency shall comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the Bonds. The Agency shall not use or permit the use of any proceeds of the Bonds or any funds of the Agency, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code.

Extension or Funding of Claims for Interest. In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Management and Operation of Properties. The Agency will manage and operate all properties owned by the Agency and comprising any part of the Project in a sound and business-like manner and in conformity with all valid requirements of any governmental authority relative to the Project or any part thereof, and will keep such properties insured at all times in conformity with sound business practice.

Payment of Claims. The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Housing Set-Aside Amounts or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds; provided that nothing contained in the Indenture shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

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

The Agency will prepare and file with the Bond Insurer, the Trustee annually as soon as practicable, but in any event not later than 180 days after the close of each Fiscal Year, so long as any Bonds are Outstanding, an audited financial statement of the Agency relating to the Housing Special Fund and all other funds or accounts established pursuant to the Indenture for the preceding Fiscal Year prepared by an Independent Certified Public Accountant, showing the balances in each such fund as of the beginning of such Fiscal Year and all deposits in and withdrawals from each such fund during such Fiscal Year and the balances in each such fund as of the end of such Fiscal Year, which audited financial statement shall include a statement as to the manner and extent to which the Agency has complied with the provisions of the Indenture as it relates to such funds. The Agency will also prepare and file with the Bond Insurer and the Trustee annually as soon as practicable, but in any event not later than 180 days after the close of each Fiscal Year, a summary statement showing the status of the Project for the preceding Fiscal Year. The Agency will furnish a copy of such audited financial statement and such summary statement to any Holder upon request,

to the Bond Insurer and the Trustee and to investment bankers, security dealers and others interested in the Bonds.

Protection of Security and Rights of Holders. The Agency will preserve and protect the security of the Bonds and the rights of the Holders, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Agency, such Bonds shall be incontestable by the Agency.

Payment of Taxes and Other Charges. Subject to the provisions of the Indenture, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due; provided that nothing contained in the Indenture shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

Financing the Housing Project. The Agency will commence the financing of the Housing Project to be aided with the proceeds of the Bonds with all practicable dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law so as to complete the Housing Project as soon as possible.

Taxation of Leased Property. Whenever any property in the Project is redeveloped by the Agency subsequent to the date of the Indenture and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, and in either event, such leased property comprises more than 10% of the land area within the Project Area, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease shall be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the Agency within 30 days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments shall be treated as Housing Set-Aside Amounts and shall be deposited by the Agency in the Housing Special Fund; provided, however, that this provision shall not be applicable to finance leases between the Agency and the City or to any lessee which is a joint powers agency or a public entity formed to facilitate lease financings for the City.

Disposition of Property in Project Area. The Agency will not authorize the disposition of any real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of the Indenture, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses) if such dispositions, together with all similar prior dispositions on or subsequent to the effective date of the Indenture, shall comprise more than 10% of the land area in the Project Area. If the Agency proposes to make any such disposition which, together with all similar dispositions on or subsequent to the effective date of the Indenture, shall comprise more than 10% of the land area in the Project Area, it shall appoint an Independent Redevelopment Consultant and direct such consultant to submit a Consultant's Report to the Agency, the Bond Insurer and the Trustee on the effect of such proposed disposition. If the Consultant's Report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Law will not be materially reduced by such proposed disposition, the Agency may make such proposed disposition. If the Consultant's Report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Law will be materially reduced by such proposed disposition, the Agency shall either not make such proposed disposition or, in its discretion and as a condition precedent to its

approval of such proposed disposition, shall require that such new owner or owners either: (1) Pay to the Agency, so long as any of the Bonds are Outstanding, an amount equal to the amount that would have been received by the Agency as Housing Set-Aside Amounts if such property were assessed and taxed in the same manner as privately-owned non-exempt property, which payment shall be made within 30 days after taxes for each year would become payable to the taxing agencies for non-exempt property and in any event prior to the delinquency date of such taxes established by law; or (2) Pay to the Agency a single sum equal to the amount estimated by the Agency to be receivable from taxes on such property from the date of such payment to the last maturity date of all Outstanding Bonds, less a reasonable discount value. All such payments to the Agency in lieu of taxes shall be treated as Housing Set-Aside Amounts and shall be deposited by the Agency with the Trustee for deposit in the Housing Special Fund.

Amendment of Redevelopment Plan. If the Agency proposes an amendment to the Redevelopment Plan that may affect the amount of Tax Increment Revenues payable to the Agency, it shall appoint an Independent Redevelopment Consultant and direct such consultant to submit a Consultant's Report to the Agency, the Bond Insurer and the Trustee on the effect of such proposed amendment. If the Consultant's Report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Law will not be materially reduced by such proposed amendment, the Agency may make such amendment. If the Consultant's Report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Law will be materially reduced by such proposed amendment, the Agency shall not make such proposed amendment.

Housing Set-Aside Amounts; Fiscal Agreements. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Housing Set-Aside Amounts, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Orange County.

The Agency shall not approve, execute or deliver any agreement, or approve, execute or deliver or otherwise agree to any amendment, modification or supplement to any of the Fiscal Agreements or any other tax sharing agreements, which will reduce, or would have the effect of reducing, the Housing Set-Aside Amounts.

Compliance with Regulatory Agreement. The Agency covenants and agrees to comply with all terms of the Regulatory Agreement and will not approve, execute or deliver or otherwise agree to any amendment, modification or supplement thereto except with the advice of counsel.

Very Low, Low or Moderate Income Housing Support. The Agency covenants that it will comply with the requirements set forth in Section 33334.2 of the Law regarding the use of Housing Set-Aside Amounts, subject to any limitation set forth in the Indenture and the Law.

Continuing Disclosure. The Agency and the Trustee covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Agency or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, after the receipt of indemnity satisfactory to the Trustee, shall, or any Holder or Beneficial Owner may, take such actions as may be necessary or appropriate, including seeking mandate or specific performance by court order, to cause the Agency or the Trustee, as the case may be, to comply with its continuing disclosure obligation under the Indenture.

Amendment by Consent of Holders

The Indenture and the rights and obligations of the Agency and of the Holders may be amended at any time by a supplemental indenture which shall become binding when the written consents of the Holders of 60% or more in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, and the consent of the Bond Insurer are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the Agency to pay the interest or principal or redemption premium, if any, at the time and place and at the rate and in the currency provided in the Indenture of any Bond, without the express written consent of the Holder of such Bond, or (2) permit the creation by the Agency of any mortgage, pledge or lien upon the Housing Set-Aside Amounts superior to or on a parity with the pledge and lien created in the Indenture for the benefit of the Bonds other than as provided for in the Indenture, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify the rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the Agency and of the Holders may also be amended at any time by a supplemental indenture which shall become binding upon execution and delivery, without the consent of any Holders, but only to the extent permitted by law and only for any one or more of the following purposes: (a) to add to the covenants and agreements of the Agency contained in the Indenture, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Agency in the Indenture; (b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to questions arising under the Indenture, as the Agency may deem necessary or desirable and not inconsistent with the Indenture, and which shall not adversely affect the interest of the Holders; or (c) to provide for the issuance of any Additional Bonds, and to provide the terms and conditions under which such Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture.

Events of Default and Acceleration of Maturities

The following events shall be events of default (herein called "Events of Default") under the Indenture: (a) if default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise; (b) if default shall be made in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; (c) if default shall be made by the Agency in the observance of any of the other agreements, conditions or covenants on its part in the Indenture or in the Bonds contained, and such default shall have continued for a period of 30 days after the Agency shall have been given notice in writing of such default by the Trustee; or (d) if the Agency shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property.

In each and every such case during the continuance of such event of default, the Trustee shall upon the written request of the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding, by notice in writing to the Agency, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding; provided, however, that such declaration shall only be made upon the filing of the prior written approval of the Bond Insurer with the Trustee.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of

the money due shall have been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest at the rate of 10% per annum on such overdue installments of principal and interest, and the reasonable fees and expenses of the Trustee, including but not limited to the fees and expenses of its attorneys and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Holders of all of the Bonds, rescind and annul such declaration and its consequences; provided, however, that such rescission or annulment or waiver shall only be made upon the filing of the prior written approval of the Bond Insurer with the Trustee. No such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Funds upon Acceleration. All money in the funds and accounts provided for in the Indenture upon the date of the declaration of acceleration by the Trustee as provided in the Indenture, and all Housing Set-Aside Amounts thereafter received by the Agency under the Indenture, shall be transmitted to the Trustee and shall be applied by the Trustee in the following order: First, to the payment of the fees, costs and expenses of the Trustee in providing for the declaration of such event of default, including reasonable compensation to their agents, attorneys and counsel, and to the payment of the costs and expenses of the Trustee, if any, in carrying out the provisions of the Indenture relating to events of default and remedies, including reasonable compensation to its agents, attorneys and counsel and any outstanding fees and expenses of the Trustee; Second, upon presentation of the Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on the overdue interest and principal at the rate of 10% per annum, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal, ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Discharge of Indebtedness

If the Agency shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds the interest due thereon and the principal thereof, at the times and in the manner stipulated therein and in the Indenture, then the Holders of such Bonds shall cease to be entitled to the pledge of Housing Set-Aside Amounts, and all covenants, agreements and other obligations of the Agency to the Holders of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Agency all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall after payment of amounts due the Trustee under the Indenture pay over or deliver to the Agency all money or securities held by it pursuant to the Indenture which are not required for the payment of the interest due on and the principal of such Bonds.

Bonds for the payment of which money shall have been set aside (through deposit by the Agency or otherwise) to be held in trust by the Trustee for such payment at the maturity date thereof or otherwise shall be deemed, as of the date of such setting aside, to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph.

Any Outstanding Bonds shall prior to the maturity date thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if (1) there shall have been

deposited with the Trustee either money in an amount which shall be sufficient, or securities described in clause (1) of the definition of Permitted Investments (including any securities described in clause (1) of the definition of Permitted Investments issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, as set forth in a written report of an Independent Certified Public Accountant, to pay when due the interest due and to become due on such Bonds on and prior to the maturity date thereof, and the principal of such Bonds and (2) the Agency shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Holders of such Bonds that the deposit required by (1) above has been made with the Trustee and that such Bonds are deemed to have been paid as described in this section and stating the maturity date upon which money is to be available for the payment of the principal of such Bonds.

Neither securities described in clause (1) of the definition of Permitted Investments nor money deposited with the Trustee as described in this section nor interest or principal payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the interest on and principal of such Bonds; provided that any cash received from such interest or principal payments on such securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested at the written direction of the Agency in securities described in clause (1) of the definition of Permitted Investments maturing at times and in amounts sufficient to pay when due the interest on and principal of such Bonds on and prior to such maturity date thereof, and interest earned from such reinvestments shall, to the extent not required for payment of the interest on and principal of such Bonds, be deposited in the Housing Special Fund. For purposes of this Section, securities described in clause (1) of the definition of Permitted Investments shall mean and include only such securities that are not subject to redemption prior to their maturity.

Liability of Agency Limited to Housing Set-Aside Amounts

Notwithstanding anything contained in the Indenture, the Agency shall not be required to advance any money derived from any source of income other than the Housing Set-Aside Amounts for the payment of the interest on or the principal of the Bonds or for the performance of any covenants contained in the Indenture.

The Bonds are special obligations of the Agency and are payable, as to interest thereon and principal thereof, exclusively from the Housing Set-Aside Amounts, and the Agency is not obligated to pay them except from the Housing Set-Aside Amounts. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Housing Set-Aside Amounts, and the Housing Set-Aside Amounts constitute a trust fund for the security and payment of the interest on and the principal of the Bonds. The Bonds are not a debt of the City of Placentia, the State of California or any of its political subdivisions, and neither said City, said State nor any of its political subdivisions is liable therefor, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Agency. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Unclaimed Moneys

Anything in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remains unclaimed for 2 years after the date when such Bonds have become due and payable, if such money was held by the Trustee at such date, or for 2 years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds become due and payable, shall be repaid by the Trustee to the Agency, as its absolute property and free from trust,

and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee shall, at the expense of the Agency, cause to be mailed to the registered Holders of such Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the Agency.

SERIES B INDENTURE PROVISIONS

Pledge of Revenues; Special Fund

All of the Revenues and all money in the Special Fund and in the funds or accounts so specified and provided for in the Indenture are irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Revenues and such other money shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Indenture for the Bonds. Subject to the provisions of the Indenture relating to the application of funds upon acceleration, this pledge shall constitute a first lien on the Revenues and such other money for the payment of the Bonds in accordance with the terms thereof. All the Revenues, together with any interest earned thereon, shall, so long as any Bonds shall be Outstanding, be deposited when and as received by the Agency in the "Redevelopment Agency of the City of Placentia Redevelopment Special Fund" (hereinafter called the "Special Fund"), which shall be created by the Agency and which fund the Agency covenants and agrees to maintain.

Receipt and Deposit of Revenues; Bond Fund

The Agency covenants and agrees that all Revenues, when and as received, will be received by the Agency in trust under the Indenture and deposited in the Special Fund and will be accounted for through and held in trust in the Special Fund, and the Agency shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Revenues, whether received by the Agency in trust or deposited with the Trustee, all as provided in the Indenture, shall nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

The Agency covenants and agrees that on or before January 26 and July 26 of each year, commencing on July 26, 2002, it shall transfer to the Trustee from the Special Fund the amounts set forth in the Indenture for deposit in the Bond Fund for the payment of principal and interest on the Bonds.

Establishment and Maintenance of Accounts for Use of Money in the Bond Fund

All moneys in the Bond Fund shall be set aside by the Trustee in the following respective special accounts within the Bond Fund (each of which the Agency covenants and agrees to cause to be maintained), in the following order of priority:

- (a) Interest Account;
- (b) Principal Account; and
- (c) Reserve Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Indenture.

Interest Account. On or before January 26 and July 26 of each year, commencing on July 26, 2002, the Trustee shall set aside from the Bond Fund and deposit in the Interest Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. On or before July 26 of each year, commencing on July 26, 2002, the Trustee shall set aside from the Bond Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Bonds on the next succeeding principal payment date. In the event that there shall be insufficient money in the Special Fund to make in full all such principal payments required to be made pursuant to the Indenture at any one time, then the available money shall be applied pro rata to the making of such principal payments in the proportion which all such principal payments bear to each other.

No deposit need be made into the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Bonds.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they shall become due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Indenture.

Reserve Account. On or before July 31 of each year, commencing on July 31, 2002, the Trustee shall set aside from the Bond Fund and deposit in the Reserve Account an amount of money that shall be required to maintain the Reserve Account in the full amount of the Reserve Account Requirement. No deposit need be made in the Reserve Account so long as there shall be on deposit therein a sum equal to at least the amount required to be on deposit therein. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money of the Agency is lawfully available therefor, or for the purpose of repaying any amount due and payable under the terms of a Reserve Account Credit Facility (as defined below), or for the purpose of retiring all Bonds then Outstanding, except that for so long as the Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the amount required to be on deposit therein shall, unless otherwise directed in a Written Request of the Agency, be withdrawn from the Reserve Account by the Trustee and transferred to the Bond Fund.

Notwithstanding any provision of the Indenture to the contrary, all or any portion of the Reserve Account Requirement for the Bonds may be satisfied by the provision of a policy of insurance, a surety bond, a letter of credit or other comparable credit facility, or a combination thereof, which, together with moneys on deposit in the Reserve Account, provide an aggregate amount equal to the Reserve Account Requirement; provided, that the provider of any such policy of insurance, surety bond, letter of credit or other comparable credit facility must be rated in the highest rating category by Standard & Poor's Ratings Services at the time of delivery of such credit facility (the "Reserve Account Credit Facility").

On or after August 2 of each year, commencing August 2, 2002, after transfer of moneys to the Reserve Account necessary to replenish the Reserve Account to the Reserve Account Requirement (or to repay all amounts due and payable under the terms of a Reserve Account Credit Facility), all moneys in the

Bond Fund and the accounts therein (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.

Establishment of Funds; Redemption Fund

In addition to the Special Fund and the Bond Fund, there are further created a special trust fund to be held by the Trustee called the "Redevelopment Agency of the City of Placentia Redevelopment Project Area Redemption Fund" (the "Redemption Fund").

There is further created a special trust fund to be held by the Agency called the "Redevelopment Agency of the City of Placentia Redevelopment Project Area Project Fund" (the "Project Fund"), and within the Project Fund a subaccount called the "Series B Project Account."

The Agency may at any time deposit moneys into the Redemption Fund for the purposes of redeeming Bonds in accordance with the terms of the Indenture. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice can be timely given and at the redemption prices then applicable to redemptions from the Redemption Fund; provided that, at any time prior to selection of Bonds for redemption, the Trustee upon Written Request of the Agency shall apply such amounts to the purchase of Bonds by the Agency 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 direct such purchase if the purchase price (exclusive of accrued interest) exceeds the par value of such Bonds.

Project Fund

The Agency covenants that moneys held by it in the Project Fund (including the Series B Project Account therein) shall be used and disbursed for redevelopment projects approved and assisted by the Agency within the City which implement and support the purposes for which the Redevelopment Plan was adopted (or for making reimbursements to the Agency for such costs theretofore paid by it) and such other uses for which funds may lawfully be expended in accordance with the Law, including payment of all costs incidental to or connected with such financing project.

Deposit and Investment of Moneys in Funds and Accounts

All money held by the Trustee in any of the accounts or funds established pursuant to the Indenture shall be invested in Permitted Investments at the Written Request of the Agency. The Trustee may commingle the funds and accounts established under the Indenture for investment purposes, but shall nevertheless account for each separately. In the absence of written investment instructions from the Agency, the Trustee shall invest solely in Permitted Investments of the type set forth in clause (4) of the definition thereof. Subject to the terms of the Indenture and the terms of any Supplemental Indenture, all interest or profits received on any money held in any fund or account by the Trustee shall be transferred to the Interest Account, except that interest or profits on amounts in the Reserve Account shall be retained in the Reserve Account to the extent necessary to satisfy the Reserve Account Requirement. All amounts invested in the Reserve Account shall have a maturity date not later than five years from the date of investment.

Conditions for the Issuance of Additional Bonds

Additional Bonds may be issued payable from the Revenues and secured by a lien and charge upon the Revenues equal to the lien and charge securing the Outstanding Bonds theretofore issued under the

Indenture, but only subject to the following specific conditions, which are conditions precedent to the issuance of any such Additional Bonds:

(a) The Agency shall be in compliance with all covenants contained in the 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 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, including a provision requiring the proceeds of such Additional Bonds to be applied solely for (i) the financing of certain redevelopment activities approved and assisted by the Agency within the City which implements and supports the purposes for which the Redevelopment Plan was adopted pursuant to the Law and/or (ii) the purpose of refunding any Bonds, 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 Bonds and such Additional Bonds, and that an amount at least equal to the Reserve Account Requirement on all Outstanding 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 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 Trustee to be levied throughout the term of the Additional Bonds and all then Outstanding 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 1.3 times the Maximum Annual Debt Service on all then Outstanding Bonds and such Additional Bonds and any unsubordinated loans, advances or indebtedness payable from Revenues pursuant to the Law.

(d) For purposes of the calculation required by (c) above, there shall not be included as Additional Bonds any Bonds the proceeds of which are deposited in an escrow fund held by the Trustee, provided that:

(1) A Certificate of the Agency shall be filed with the Trustee to the effect that the proceeds of such Additional Bonds, together with additional moneys, if any, deposited in such escrow fund, together with earnings to be received upon the investment of such proceeds and such moneys will be at least sufficient to pay the interest on, as it accrues and becomes due and payable in accordance with the terms of, such Additional Bonds;

(2) The Supplemental Indenture authorizing the issuance of such Additional Bonds shall provide that moneys may be transferred from said escrow fund only if 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 (other than the "homeowner's exemption") or tax rate limitations) for the then current Fiscal Year will be at least equal to 1.3 times Maximum Annual Debt Service on all Outstanding Bonds, (exclusive of disqualified Bonds described in the Indenture) as measured without taking into account a principal amount of Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and

(3) The Supplemental Indenture authorizing the issuance of such Additional Bonds shall provide that Additional Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

(e) No Additional Bonds may be issued while any proceeds of any Outstanding Bonds are held in an escrow fund.

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

Covenants of the Agency

Against Encumbrances. The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Revenues, except as provided in the Indenture, and will not issue any obligation or

security superior to or on a parity with the Bonds payable in whole or in part from the Revenues (other than Additional Bonds).

Tax Covenants; Rebate Fund. The Agency shall establish and maintain a fund to be held by the Trustee separate from any other fund established and maintained under the Indenture designated the Rebate Fund. Subject to a tax certificate dated the date of and prepared in connection with the issuance of the Bonds (the "Tax Certificate"), as such Tax Certificate may be amended and supplemented from time to time, moneys held in the Rebate Fund are pledged to secure payments to the United States of America and the Agency or the Holders shall have no rights in or claim to such moneys. The Agency specifically covenants that the Agency will comply with such Tax Certificate and will pay or cause to be paid to the United States of America the rebate amounts as such term is used in such Tax Certificate at the times and in the amounts determined therein. The Agency shall not use or permit the use of any proceeds of Bonds or any funds of the Agency, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause any Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code, "private activity bond" within the meaning of Section 141(a) of the Code, or "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from time to time thereunder and under Section 103(c) of the Internal Revenue Code of 1954, as amended. The Agency shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Agency shall comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the Bonds. The Agency shall not use or permit the use of any proceeds of the Bonds or any funds of the Agency, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code.

Extension or Funding of Claims for Interest. In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Management and Operation of Properties. The Agency will manage and operate all properties owned by the Agency and comprising any part of the Project in a sound and business-like manner and in conformity with all valid requirements of any governmental authority relative to the Project or any part thereof, and will keep such properties insured at all times in conformity with sound business practice.

Payment of Claims. The Agency will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds; provided that nothing contained in the Indenture shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such claims.

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

The Agency will prepare and file with the Bond Insurer, the Trustee annually as soon as practicable, but in any event not later than 180 days after the close of each Fiscal Year, so long as any Bonds are Outstanding, an audited financial statement of the Agency relating to the Special Fund and all other funds or accounts established pursuant to the Indenture for the preceding Fiscal Year prepared by an Independent Certified Public Accountant, showing the balances in each such fund as of the beginning of such Fiscal Year and all deposits in and withdrawals from each such fund during such Fiscal Year and the balances in each such fund as of the end of such Fiscal Year, which audited financial statement shall include a statement as to the manner and extent to which the Agency has complied with the provisions of the Indenture as it relates to such funds. The Agency will also prepare and file with the Bond Insurer and the Trustee annually as soon as practicable, but in any event not later than 180 days after the close of each Fiscal Year, a summary statement showing the status of the Project for the preceding Fiscal Year. The Agency will furnish a copy of such audited financial statement and such summary statement to any Holder upon request, to the Bond Insurer and the Trustee and to investment bankers, security dealers and others interested in the Bonds.

Protection of Security and Rights of Holders. The Agency will preserve and protect the security of the Bonds and the rights of the Holders, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Agency, such Bonds shall be incontestable by the Agency.

Payment of Taxes and Other Charges. Subject to the provisions of the Indenture, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Area, or upon the revenues therefrom, when the same shall become due; provided that nothing contained in the Indenture shall require the Agency to make any such payments so long as the Agency in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges.

Financing the Redevelopment Project. The Agency will commence the financing of the Redevelopment Project to be aided with the proceeds of the Bonds with all practicable dispatch, and such financing will be accomplished and completed in a sound, economical and expeditious manner and in conformity with the Redevelopment Plan and the Law so as to complete the Redevelopment Project as soon as possible.

Taxation of Leased Property. Whenever any property in the Project is redeveloped by the Agency subsequent to the date of the Indenture and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, and in either event, such leased property comprises more than 10% of the land area within the Project Area, the property shall be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract shall provide (1) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease shall be less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee shall pay such difference to the Agency within 30 days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments shall be treated as Revenues and shall be deposited by the Agency in the Special Fund; provided, however, that this provision shall not be applicable to finance leases between the Agency and the City or to any lessee which is a joint powers agency or a public entity formed to facilitate lease financings for the City.

Disposition of Property in Project Area. The Agency will not authorize the disposition of any real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of the Indenture, or property to be used

for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses) if such dispositions, together with all similar prior dispositions on or subsequent to the effective date of the Indenture, shall comprise more than 10% of the land area in the Project Area. If the Agency proposes to make any such disposition which, together with all similar dispositions on or subsequent to the effective date of the Indenture, shall comprise more than 10% of the land area in the Project Area, it shall appoint an Independent Redevelopment Consultant and direct such consultant to submit a Consultant's Report to the Agency, the Bond Insurer and the Trustee on the effect of such proposed disposition. If the Consultant's Report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Law will not be materially reduced by such proposed disposition, the Agency may make such proposed disposition. If the Consultant's Report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Law will be materially reduced by such proposed disposition, the Agency shall either not make such proposed disposition or, in its discretion and as a condition precedent to its approval of such proposed disposition, shall require that such new owner or owners either: (1) Pay to the Agency, so long as any of the Bonds are Outstanding, an amount equal to the amount that would have been received by the Agency as Revenues if such property were assessed and taxed in the same manner as privately-owned non-exempt property, which payment shall be made within 30 days after taxes for each year would become payable to the taxing agencies for non-exempt property and in any event prior to the delinquency date of such taxes established by law; or (2) Pay to the Agency a single sum equal to the amount estimated by the Agency to be receivable from taxes on such property from the date of such payment to the last maturity date of all Outstanding Bonds, less a reasonable discount value. All such payments to the Agency in lieu of taxes shall be treated as Revenues and shall be deposited by the Agency with the Trustee for deposit in the Special Fund.

Amendment of Redevelopment Plan. If the Agency proposes an amendment to the Redevelopment Plan that may affect the amount of Tax Increment Revenues payable to the Agency, it shall appoint an Independent Redevelopment Consultant and direct such consultant to submit a Consultant's Report to the Agency, the Bond Insurer and the Trustee on the effect of such proposed amendment. If the Consultant's Report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Law will not be materially reduced by such proposed amendment, the Agency may make such amendment. If the Consultant's Report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Law will be materially reduced by such proposed amendment, the Agency shall not make such proposed amendment.

Revenues; Fiscal Agreements. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Orange County.

The Agency shall not approve, execute or deliver any agreement, or approve, execute or deliver or otherwise agree to any amendment, modification or supplement to any of the Fiscal Agreements or any other tax sharing agreements, which will reduce, or would have the effect of reducing, the Revenues.

Compliance with Regulatory Agreement. The Agency covenants and agrees to comply with all terms of the Regulatory Agreement and will not approve, execute or deliver or otherwise agree to any amendment, modification or supplement thereto except with the advice of counsel.

Continuing Disclosure. The Agency and the Trustee covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Agency or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, after the receipt of indemnity satisfactory to the Trustee, shall, or any Holder or Beneficial Owner may, take such actions as may be necessary or appropriate,

including seeking mandate or specific performance by court order, to cause the Agency or the Trustee, as the case may be, to comply with its continuing disclosure obligation under the Indenture.

Amendment by Consent of Holders

The Indenture and the rights and obligations of the Agency and of the Holders may be amended at any time by a supplemental indenture which shall become binding when the written consents of the Holders of 60% or more in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, and the consent of the Bond Insurer are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the Agency to pay the interest or principal or redemption premium, if any, at the time and place and at the rate and in the currency provided in the Indenture of any Bond, without the express written consent of the Holder of such Bond, or (2) permit the creation by the Agency of any mortgage, pledge or lien upon the Revenues superior to or on a parity with the pledge and lien created in the Indenture for the benefit of the Bonds other than as provided for in the Indenture, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify the rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the Agency and of the Holders may also be amended at any time by a supplemental indenture which shall become binding upon execution and delivery, without the consent of any Holders, but only to the extent permitted by law and only for any one or more of the following purposes: (a) to add to the covenants and agreements of the Agency contained in the Indenture, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Agency in the Indenture; (b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to questions arising under the Indenture, as the Agency may deem necessary or desirable and not inconsistent with the Indenture, and which shall not adversely affect the interest of the Holders; or (c) to provide for the issuance of any Additional Bonds, and to provide the terms and conditions under which such Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture.

Events of Default and Acceleration of Maturities

The following events shall be events of default (herein called "Events of Default") under the Indenture: (a) if default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise; (b) if default shall be made in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; (c) if default shall be made by the Agency in the observance of any of the other agreements, conditions or covenants on its part in the Indenture or in the Bonds contained, and such default shall have continued for a period of 30 days after the Agency shall have been given notice in writing of such default by the Trustee; or (d) if the Agency shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property.

In each and every such case during the continuance of such event of default, the Trustee shall upon the written request of the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding, by notice in writing to the Agency, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained

to the contrary notwithstanding; provided, however, that such declaration shall only be made upon the filing of the prior written approval of the Bond Insurer with the Trustee.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest at the rate of 10% per annum on such overdue installments of principal and interest, and the reasonable fees and expenses of the Trustee, including but not limited to the fees and expenses of its attorneys and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of at least 25% in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Holders of all of the Bonds, rescind and annul such declaration and its consequences; provided, however, that such rescission or annulment or waiver shall only be made upon the filing of the prior written approval of the Bond Insurer with the Trustee. No such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Funds upon Acceleration. All money in the funds and accounts provided for in the Indenture upon the date of the declaration of acceleration by the Trustee as provided in the Indenture, and all Revenues thereafter received by the Agency under the Indenture, shall be transmitted to the Trustee and shall be applied by the Trustee in the following order: First, to the payment of the fees, costs and expenses of the Trustee in providing for the declaration of such event of default, including reasonable compensation to their agents, attorneys and counsel, and to the payment of the costs and expenses of the Trustee, if any, in carrying out the provisions of the Indenture relating to events of default and remedies, including reasonable compensation to its agents, attorneys and counsel and any outstanding fees and expenses of the Trustee; Second, upon presentation of the Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on the overdue interest and principal at the rate of 10% per annum, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal, ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Discharge of Indebtedness

If the Agency shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds the interest due thereon and the principal thereof, at the times and in the manner stipulated therein and in the Indenture, then the Holders of such Bonds shall cease to be entitled to the pledge of Revenues, and all covenants, agreements and other obligations of the Agency to the Holders of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Agency all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall after payment of amounts due the Trustee under the Indenture pay over or deliver to the Agency all money or securities held by it pursuant to the Indenture which are not required for the payment of the interest due on and the principal of such Bonds.

Bonds for the payment of which money shall have been set aside (through deposit by the Agency or otherwise) to be held in trust by the Trustee for such payment at the maturity date thereof or otherwise shall

be deemed, as of the date of such setting aside, to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph.

Any Outstanding Bonds shall prior to the maturity date thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if (1) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or securities described in clause (1) of the definition of Permitted Investments (including any securities described in clause (1) of the definition of Permitted Investments issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, as set forth in a written report of an Independent Certified Public Accountant, to pay when due the interest due and to become due on such Bonds on and prior to the maturity date thereof, and the principal of such Bonds and (2) the Agency shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Holders of such Bonds that the deposit required by (1) above has been made with the Trustee and that such Bonds are deemed to have been paid as described in this section and stating the maturity date upon which money is to be available for the payment of the principal of such Bonds.

Neither securities described in clause (1) of the definition of Permitted Investments nor money deposited with the Trustee as described in this section nor interest or principal payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the interest on and principal of such Bonds; provided that any cash received from such interest or principal payments on such securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested at the written direction of the Agency in securities described in clause (1) of the definition of Permitted Investments maturing at times and in amounts sufficient to pay when due the interest on and principal of such Bonds on and prior to such maturity date thereof, and interest earned from such reinvestments shall, to the extent not required for payment of the interest on and principal of such Bonds, be deposited in the Special Fund. For purposes of this Section, securities described in clause (1) of the definition of Permitted Investments shall mean and include only such securities that are not subject to redemption prior to their maturity.

Liability of Agency Limited to Revenues

Notwithstanding anything contained in the Indenture, the Agency shall not be required to advance any money derived from any source of income other than the Revenues for the payment of the interest on or the principal of the Bonds or for the performance of any covenants contained in the Indenture.

The Bonds are special obligations of the Agency and are payable, as to interest thereon and principal thereof, exclusively from the Revenues, and the Agency is not obligated to pay them except from the Revenues. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and the principal of the Bonds. The Bonds are not a debt of the City of Placentia, the State of California or any of its political subdivisions, and neither said City, said State nor any of its political subdivisions is liable therefor, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Agency. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Agency nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Unclaimed Moneys

Anything in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remains unclaimed for 2 years after the date when

such Bonds have become due and payable, if such money was held by the Trustee at such date, or for 2 years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds become due and payable, shall be repaid by the Trustee to the Agency, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee shall, at the expense of the Agency, cause to be mailed to the registered Holders of such Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the Agency.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is dated as of [Closing Date], is executed and delivered by the Redevelopment Agency of the City of Placentia (the "Agency") in connection with the issuance of \$3,100,000 Housing Set-Aside Tax Allocation Bonds, 2001 Series A (the "Series A Bonds") and \$4,655,000 Tax Allocation Bonds, 2001 Series B (the "Series B Bonds" and together with the Series A Bonds, the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2002 (the "Indenture"), by and between the Agency and U.S. Bank Trust National Association, as trustee (the "Trustee"). Pursuant to Section 6.18 of the Indenture, the Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Agency for the benefit of the Owners and Beneficial Owners (as defined below) of the Bonds and in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement, unless otherwise defined, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owners" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the Executive Director of the Agency, or his or her designee, or such other officer or employee as the Agency shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean U.S. Bank Trust National Association, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, a current list of which is attached hereto in Exhibit B.

"Official Statement" shall mean the Official Statement dated January 8, 2002, prepared and distributed in connection with the initial sale of the Bonds.

"Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*State Repository*” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Agency shall provide, or shall cause the Dissemination Agent to provide, each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement not later than nine (9) months after the end of the Agency’s fiscal year (which date currently would be the last day of March, based upon the June 30 end of the Agency’s fiscal year), commencing with the report for the 2001/2002 fiscal year.

(b) Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report in a form suitable for reporting to the Repositories to the Dissemination Agent (if other than the Agency) and the Trustee. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(c) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and
- (ii) if the Dissemination Agent is other than the Agency, and if, and to the extent, the Agency has provided an Annual Report in final form to the Dissemination Agent for dissemination, file a report with the Agency and the Trustee certifying that the Annual Report has been provided to the Repositories pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Agency’s Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following financial information and operating data set forth in the final Official Statement:

- (i) Historical Tax Increment Revenues for the Redevelopment Project Area for such fiscal years in substantially the format set forth in the section entitled “TAX INCREMENT REVENUES” of the Official Statement; and
- (ii) Largest Property Taxpayers in the Redevelopment Project Area for such fiscal years in substantially the format set forth in the section entitled TAX INCREMENT REVENUES” of the Official Statement; and

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders;
- (viii) Contingent or uncheduled bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities; and
- (xi) Rating changes.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable Federal securities law. The Dissemination Agent shall have no responsibility for such determination and shall be entitled to conclusively rely on the Agency’s determination.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Agency’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the delivery to the Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent.

(a) The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing ninety days notice to the Agency and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Agency. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Agency in a timely manner and in a form suitable for filing. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Agency pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be U.S. Bank Trust National Association. If at any time there is no designated Dissemination Agent appointed by the Agency, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of Dissemination Agent hereunder, the Agency shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The Dissemination Agent may resign its duties hereunder at any time upon written notice to the Agency.

(b) The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Agency from time to time and for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Agency hereunder and shall not be deemed to be acting in any fiduciary capacity for the Agency, Owners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the Agency or an opinion of nationally recognized bond counsel.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by Owners of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change

of accounting principles, on the presentation) of financial information or operating data being presented by the Commission.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Agreement, any Participating Underwriter or any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. All of the immunities, indemnities, and exceptions from liability in Article VI of the Indenture insofar as they relate to the Trustee shall apply to the Trustee and the Dissemination Agent in this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the Agency or an opinion of nationally recognized bond counsel. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Trustee or Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, the Dissemination Agent, the Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: [Closing Date]

REDEVELOPMENT AGENCY OF THE
CITY OF PLACENTIA

By _____
Executive Director

**ACCEPTANCE OF DISSEMINATION
AGENT:**

The undersigned hereby accepts the designation of Dissemination Agent and agrees to further the duties set forth in the foregoing Continuing Disclosure Agreement.

U.S. BANK TRUST NATIONAL
ASSOCIATION, as Dissemination
Agent

By _____
Authorized Signatory

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING
BOARD OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Redevelopment Agency of the City of Placentia

Name of Bond Issue: \$3,100,000 Housing Set-Aside Tax Allocation Bonds
 2001 Series A; and
 \$4,655,000 Tax Allocation Bonds 2001 Series B

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Redevelopment Agency of the City of Placentia (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.18 of the Indenture of Trust, dated as of January 1, 2002, by and between the Agency and U.S. Bank Trust National Association, as trustee. The Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

**REDEVELOPMENT AGENCY OF THE
CITY OF PLACENTIA**

By _____
Name:
Title:

cc: Trustee

This page intentionally left blank.

EXHIBIT B

**NATIONALLY RECOGNIZED MUNICIPAL
SECURITIES INFORMATION REPOSITORIES**

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of May 2001:

Bloomberg Municipal Repositories

P.O. Box 840
Princeton, NJ 08542-0840
Phone: (609) 279-3200
Fax: (609) 279-5962
E-mail: Munis@bloomberg.com

Standard & Poor's J.J. Kenny Repository

55 Water Street, 45th Floor
New York, NY 10041
Attn: Kenny Repository Service
Phone: (212) 438-4595
Fax: (212) 438-3975
E-Mail: nrmsir_repository@sandp.com

DPC Data Inc.

One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 346-0720
E-Mail: nrmsir@dpcdata.com

Interactive Data NRMSIR

Attn: Repository
100 Williams Street
New York, NY 10038
Phone: (212) 771-6899
or (800) 689-8466
Fax: (212) 771-7390
E-Mail: NRMSIR@interactivedata.com
Website: <http://www.InteractiveData.com>

This page intentionally left blank.

APPENDIX E

FORM OF BOND COUNSEL OPINION

[Closing Date]

Redevelopment Agency
of the City of Placentia
401 East Chapman Avenue
Placentia, California 92870

**Re: Redevelopment Agency of the City of Placentia
Housing Set-Aside Tax Allocation Bonds, 2002 Series A and
Tax Allocation Bonds 2002 Series B (Final Opinion)**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Redevelopment Agency of the City of Placentia (the "Issuer") of \$3,100,000 aggregate principal amount of Redevelopment Agency of the City of Placentia Housing Set-Aside Tax Allocation Bonds, 2002 Series A (the "Series A Bonds") and \$4,655,000 aggregate principal amount of Redevelopment Agency of the City of Placentia Tax Allocation Bonds, 2002 Series B (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds"), issued pursuant to the provisions of the Community Redevelopment Law of the State of California (being Part I of Division 24 of the Health and Safety Code of the State of California), as amended. The Series A Bonds are being issued pursuant to an Indenture of Trust (the "Series A Indenture") and the Series B Bonds are being issued pursuant to an Indenture of Trust (the "Series B Indenture" and, together with the Series A Indenture, the "Indentures"), each dated as of January 1, 2002, by and between the Agency and U.S. Bank, N.A. (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Purchase Contract.

In such connection, we have reviewed the record of the proceedings submitted to us relative to the issuance of the Bonds, including the Indentures, the Tax Certificate of the Issuer, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Issuer, the Trustee and others, certificates of the Issuer, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Indentures, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have

not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indentures, the Tax Certificate and in certain other documents, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions and events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indentures and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Issuer.
2. The Indentures have been duly executed and delivered by, and constitute the valid and binding obligations of, the Issuer. The Indentures create a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Housing Set-Aside Amounts and the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indentures, except the Rebate Fund, subject to the provisions of the Indentures permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indentures.
3. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the City of Placentia or the State of California and said City and said State are not liable for the payment thereof.
4. 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. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other federal or State tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The foregoing represent our interpretation of applicable law to the facts as described herein. We bring to your attention that our opinions and conclusions are an expression of professional judgment and are not a guarantee of a result.

Very truly yours,

McFarlin & Anderson



