

(See “CONCLUDING INFORMATION – No Ratings on the Notes” herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Agency, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See “LEGAL MATTERS – Tax Matters.”

ORANGE COUNTY

STATE OF CALIFORNIA

\$6,850,000

**PLACENTIA REDEVELOPMENT AGENCY
PLACENTIA REDEVELOPMENT PROJECT
2009 SUBORDINATE TAX ALLOCATION NOTES**

Dated: Date of Delivery

Due: February 1, 2014

This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “NOTEHOLDERS’ RISKS” herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Notes.

<u>Interest Rate</u>	<u>Reoffering Yield</u>	<u>CUSIP®†</u>
7.75%	7.75%	725885 AA5

Proceeds from the sale of the Placentia Redevelopment Agency (the “Agency”) Placentia Redevelopment Project 2009 Subordinate Tax Allocation Notes (the “Notes”) will be used to (i) finance redevelopment activities of the Agency within or of benefit to the Agency’s Placentia Redevelopment Project (the “Project Area”), (ii) net fund capitalize interest on the Notes through February 1, 2012, and (iii) provide for the costs of issuing the Notes.

The Notes will be issued under an Indenture, dated as of February 1, 2009 (the “Indenture”), by and between the Agency and U.S. Bank National Association, as Trustee (the “Trustee”). The Notes are special obligations of the Agency and are payable solely from and secured by a pledge of certain tax increment revenues of the Project Area on a basis subordinate to certain outstanding indebtedness of the Agency, and a pledge of amounts in certain funds and accounts established under the Indenture. The Agency expects to pay the principal of the Notes at their maturity from proceeds of refunding bonds or notes which may be authorized and issued at or before such maturity as described herein. See “SOURCES OF PAYMENT FOR THE NOTES” and “NOTEHOLDERS’ RISKS – Failure to Issue Refunding Bonds or Notes.”

Interest on the Notes is payable semiannually on August 1 and February 1 of each year, commencing August 1, 2009, until maturity or optional redemption thereof (see “THE NOTES - General Provisions” and “THE NOTES – Redemption” herein).

The Notes are being issued for sale to the Placentia Public Financing Authority which is concurrently selling the Notes to the Underwriter. The Notes are being offered when, as and if issued, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed on for the Agency by Van Blarcom Leibold McClendon & Mann, Laguna Hills, California, Agency Counsel and by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel and for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the Notes will be available for delivery through the facilities of The Depository Trust Company on or about February 19, 2009 (see “APPENDIX G – DTC AND THE BOOK-ENTRY-ONLY SYSTEM” herein).

The date of the Official Statement is January 30, 2009.

STONE & YOUNGBERG

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

While the City of Placentia maintains an internet website for various purposes, none of the information on that website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Notes.

**PLACENTIA REDEVELOPMENT AGENCY
PLACENTIA, CALIFORNIA**

CITY COUNCIL/AGENCY BOARD MEMBERS

Greg Sowards, *Mayor and Chairman*
Joseph V. Aguirre, *Mayor Pro Tem and Vice Chairman*
Scott W. Nelson, *Council Member and Agency Member*
Constance Underhill, *Council Member and Agency Member*
Jeremy B. Yamaguchi, *Council Member and Agency Member*

CITY AND AGENCY STAFF

Troy L. Butzlaff, ICMA-CM, *City Administrator and Executive Director*
Ken Domer, *Assistant City Administrator/Development Services*
Stephen D. Pischel, *Administrative Services Director*
Karen Ogawa, *Finance Director*
Patrick J. Melia, *City Clerk and Agency Secretary*
Chad P. Wanke, *City and Agency Treasurer*

PROFESSIONAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Disclosure Counsel

Jones Hall
A Professional Law Corporation
San Francisco, California

City Attorney and Authority Counsel

Woodruff, Spradlin & Smart
Costa Mesa, California

Agency Counsel

Van Blarcom Leibold McClendon & Mann
Laguna Hills, California

Financial Advisor

Harrell & Company Advisors, LLC
Orange, California

Fiscal Consultant

HdL Coren & Cone
Diamond Bar, California

Trustee

U.S. Bank National Association
Los Angeles, California

TABLE OF CONTENTS

INTRODUCTION	1	NOTEHOLDERS' RISKS	22
The Agency	1	Refinancing; Payments of Notes at Maturity.....	22
The City	1	Failure to Issue Refunding Bonds or Notes.....	22
Security and Sources of Repayment	1	Factors Which May Affect Tax Increment	
Purpose	2	Revenues.....	23
Tax Matters	2	State of California Fiscal Issues	25
Other Professional Services	3	Real Estate and General Economic Risks.....	27
Offering of the Notes	3	Estimated Tax Increment Revenues.....	27
Information Concerning this Official Statement.....	3	Notes are Subordinate Obligations	28
THE NOTES	4	Secondary Market.....	28
General Provisions.....	4	Loss of Tax Exemption.....	28
Redemption.....	5	Change in Law.....	28
General Redemption Provisions	5	LEGAL MATTERS.....	29
Scheduled Debt Service on the Notes	6	Enforceability of Remedies	29
Issuance of Additional Debt.....	6	Approval of Legal Proceedings	29
ESTIMATED SOURCES AND USES OF		Tax Matters.....	29
FUNDS.....	7	Absence of Litigation	31
SOURCES OF PAYMENT FOR THE NOTES	8	CONCLUDING INFORMATION	31
Tax Allocation Financing.....	8	No Ratings on the Notes.....	31
Tax Increment Revenues.....	8	The Financial Advisor	31
Pledge of Subordinate Tax Revenues.....	8	Continuing Disclosure.....	31
Tax Sharing Agreements and Tax Sharing Statutes....	9	Underwriting	32
Proceeds of Refunding Obligations	10	Additional Information.....	32
No Reserve Account	10	References	32
Capitalized Interest	10	Execution.....	32
THE AGENCY.....	11	APPENDIX A – SUMMARY OF CERTAIN	
Agency Powers	11	PROVISIONS OF THE INDENTURE	
Redevelopment Plans.....	12	APPENDIX B – FISCAL CONSULTANT’S REPORT	
Plan Limitations.....	12	APPENDIX C – CITY OF PLACENTIA	
Low and Moderate Income Housing.....	13	INFORMATION STATEMENT	
Agency Budgetary Process and Administration.....	14	APPENDIX D – AGENCY AUDITED FINANCIAL	
Agency Accounting Records and Financial		STATEMENTS FOR THE FISCAL YEAR	
Statements	14	ENDING JUNE 30, 2008	
THE PROJECT AREA	16	APPENDIX E – FORM OF CONTINUING	
Description of the Project Area.....	16	DISCLOSURE CERTIFICATE	
Proposed Public Improvements	16	APPENDIX F – FORM OF BOND COUNSEL	
Major Taxpayers	17	OPINION	
Assessment Appeals.....	19	APPENDIX G – DTC AND THE BOOK-ENTRY-	
Assessed Valuations and Tax Increment Revenues..	19	ONLY SYSTEM	
Tax Collections	19		
Outstanding Indebtedness of the Project Area	20		
Projected Subordinate Tax Revenues and Debt			
Service Coverage	20		

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OFFICIAL STATEMENT

\$6,850,000

PLACENTIA REDEVELOPMENT AGENCY PLACENTIA REDEVELOPMENT PROJECT 2009 SUBORDINATE TAX ALLOCATION NOTES

This Official Statement which includes the cover page and appendices (the “Official Statement”) is provided to furnish certain information concerning the sale of the Placentia Redevelopment Agency, Placentia Redevelopment Project, 2009 Subordinate Tax Allocation Notes (the “Notes”), in the aggregate principal amount of \$6,850,000.

INTRODUCTION

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

The Agency

The Placentia Redevelopment Agency (the “Agency”) is a public body, corporate and politic, existing under and by virtue of the Community Redevelopment Law of the State, constituting Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State (the “Redevelopment Law”). The Agency was activated by the City Council of the City of Placentia on December 7, 1982. The City Council, at the same time, declared itself to be the members of the Agency and appointed the City Administrator to be the Agency’s Executive Director (see “THE AGENCY” herein).

The City

The City of Placentia (the “City”) was incorporated in 1926 as a general law city, adopted a charter form of government in 1965, and operates under the council-administrator form of government. The City encompasses approximately 6.7 square miles and is located in northern Orange County, adjacent to the cities of Brea, Fullerton and Yorba Linda (see “APPENDIX C - CITY OF PLACENTIA INFORMATION STATEMENT” herein).

Security and Sources of Repayment

The Agency has previously issued its Tax Allocation Bonds 2002 Series B (the “2002 Bonds”), pursuant to an Indenture of Trust relating to the 2002 Bonds dated as of January 1, 2002 (the “2002 Bonds Indenture”). The Agency pledged Revenues to the payment of the 2002 Bonds, which are defined in the 2002 Bonds Indenture as all taxes allocated and paid to the Agency pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XIV 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, excluding the amounts 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 Redevelopment Law.

The Notes are issued and secured under an Indenture, dated as of February 1, 2009 (the “Indenture”) by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”) (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” herein).

The Agency has pledged to the repayment of the Notes, and has secured by a first lien on, all of the Subordinate Tax Revenues and certain funds and accounts held under the Indenture. Subordinate Tax Revenues are defined as Revenues released from the pledge and lien of the 2002 Bonds Indenture, excluding therefrom amounts payable pursuant to Tax Sharing Statutes (as defined herein). See “SOURCES OF PAYMENT FOR THE NOTES,” “THE AGENCY - Low and Moderate Income Housing,” “APPENDIX B – FISCAL CONSULTANT’S REPORT” and “NOTEHOLDERS’ RISKS” herein.

The Agency expects to pay the principal of the Notes at their maturity from proceeds of refunding bonds or notes which may be authorized and issued at or before such maturity as described herein. See “SOURCES OF PAYMENT FOR THE NOTES” and “NOTEHOLDERS’ RISKS – Failure to Issue Refunding Bonds or Notes.”

The Project Area. The Project Area was created on July 19, 1983. Originally, the Project Area was comprised of 87.6 net acres of commercial and industrial uses. The Project Area was amended in 1990 to add an additional 76.2 net acres of commercial and industrial uses. A second amendment occurred in 2004 to add an additional 5.3 acres of residential and commercial property. See “THE PROJECT AREA” herein.

The Notes are special obligations of the Agency and are payable, as to interest thereon and principal thereof, exclusively from the Subordinate Tax Revenues, and the Agency is not obligated to pay them except from the Subordinate Tax Revenues. All of the Notes are equally secured by a pledge of, and charge and lien upon, all of the Subordinate Tax Revenues, and the Subordinate Tax Revenues constitute a trust fund for the security and payment of the interest on and the principal of the Notes. The Notes are not a debt of the City of Placentia, the Placentia Public Financing Authority, the State of California or any of its political subdivisions, and neither said City, said Authority, said State nor any of its political subdivisions is liable therefor, nor in any event shall the Notes be payable out of any funds or properties other than those of the Agency. The Notes 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 Notes are liable personally on the Notes by reason of their issuance. The Agency has no taxing power.

Purpose

Proceeds from the sale of the Notes will be used to (i) finance redevelopment activities of the Agency within, or of benefit to, the Project Area, (ii) net fund capitalize interest on the Notes through February 1, 2012, and (iii) provide for the costs of issuing the Notes.

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Agency (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

Other Professional Services

U.S. Bank National Association serves as trustee (the “Trustee”) under the Indenture and as Trustee under the 2002 Bonds Indenture. The Trustee will act on behalf of the Noteholders for the purpose of receiving all moneys required to be paid to the Trustee, to allocate, use and apply the same, to hold, receive and disburse the Subordinate Tax Revenues and other funds held under the Indenture, and otherwise to hold all the offices and perform all the functions and duties provided in the Indenture to be held and performed by the Trustee.

Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, will act as Bond Counsel and Jones Hall, A Professional Law Corporation, San Francisco, California will act as Disclosure Counsel. Harrell & Company Advisors, LLC, Orange, California, Financial Advisor, advised the Agency as to the financial structure and certain other financial matters relating to the Notes. Certain matters will be passed upon for the Agency by Van Blarcom Leibold McClendon & Mann, Laguna Hills, California, Agency Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

HdL Coren & Cone, Diamond Bar, California (the “Fiscal Consultant”) prepared the “Fiscal Consultant’s Report” attached here as “APPENDIX B.”

The Agency’s financial statements for the fiscal year ended June 30, 2008, attached hereto as “APPENDIX D” have been audited by Vavrinek, Trine, Day & Co., LLP, Rancho Cucamonga, California. The Agency’s audited financial statements are public documents and are included within this Official Statement without the prior approval of the auditor. The auditor has not performed any post-audit of the financial condition of the Agency.

Offering of the Notes

Authority for Issuance. The Notes are to be issued and secured pursuant to the Indenture, as authorized by Resolution No. 2009-04 of the Agency adopted on January 20, 2009 and the Redevelopment Law.

Offering and Delivery of the Notes. The Notes are offered, when, as and if issued, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, as Bond Counsel to the Agency. The Notes are being sold to the Placentia Public Financing Authority, which will concurrently sell the Notes to the Underwriter. It is anticipated that the Notes, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about February 19, 2009.

Information Concerning this Official Statement

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

The summaries and references contained herein with respect to the Indenture, the Notes and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Notes are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the documents described herein may be obtained after delivery of the Notes from the Trustee at 633 W. Fifth Street, 24th Floor, Los Angeles, California 90071. The Agency may be contacted for additional information at 401 East Chapman Avenue, Placentia, California 92870.

THE NOTES

General Provisions

Interest is payable on the Notes at the rate per annum set forth on the cover page hereof. Interest with respect to the Notes will be computed on the basis of a year consisting of 360 days and twelve 30-day months.

The Notes shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the 15th day of the month next preceding the first Interest Payment Date, in which event they shall bear interest from their dated date; *provided, however*, that if, at the time of authentication of any Note, interest is then in default on the Outstanding Notes, such Notes shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Notes. Payment of interest on the Notes due on or before the maturity or prior redemption of such Notes shall be made to the person whose name appears on the registration books of the Trustee as the registered owner thereof, as of the close of business on the 15th day of the month next preceding the applicable Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such registered owner at his address as it appears on such books, or, upon written request received prior to the 15th day of the month next preceding an Interest Payment Date of an Owner of at least \$1,000,000 in aggregate principal amount of Notes, by wire transfer in immediately available funds to an account within the continental United States designated by such Owner. **While the Notes are held in the book-entry-only system of DTC, all such payments will be made to Cede & Co., as the registered owner of the Notes.** See “APPENDIX G – DTC AND THE BOOK-ENTRY-ONLY SYSTEM.”

Principal of the Notes shall be payable upon the surrender thereof at maturity or the earlier redemption thereof at the Principal Corporate Trust Office. Principal of and interest on the Notes shall be paid in lawful money of the United States of America.

Redemption

The Notes are subject to optional redemption prior to maturity at the option of the Agency on any Interest Payment Date, as a whole or in part from any source of available funds at a redemption price equal to the principal amount thereof to be redeemed, plus a premium (expressed as a percentage of the principal amount of Notes to be redeemed) together with accrued interest thereon to the date fixed for redemption as follows:

<u>Redemption Dates</u>	<u>Premium</u>
August 1, 2009 and February 1, 2010	1.0%
August 1, 2010	0.5%
February 1, 2011 and each Interest Payment Date thereafter	0.0%

In exercising its option to redeem, the Agency shall give the Trustee notice of its intention not less than sixty (60) days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee) in advance of the date of redemption.

General Redemption Provisions

Notice of Redemption, Rescission. Notice of redemption shall be mailed by first class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to (i) the respective Owners of Notes designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) to one or more Information Services designated in writing to the Trustee by the Agency, and (iii) the Securities Depositories. Each notice of redemption shall state the date of such notice, the Notes to be redeemed, the date of issue of such Notes, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) and, if less than all of the Notes are to be redeemed, the distinctive certificate numbers of the Notes to be redeemed and, in the case of Notes to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said redemption date there will become due and payable on each of such Notes the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Note to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Notes be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give notice pursuant to this provision of the Indenture to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice mailed to such Owner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for redemption.

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

Partial Redemption. For purposes of selecting Notes for redemption, the Notes shall be deemed to be composed of \$5,000 portions and any such portions may be separately redeemed. Upon surrender of any Note redeemed in part only, the Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new Note or Notes of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Note surrendered and of the same interest rate and the same maturity.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption shall have been duly given and funds available for the payment of such redemption price of the Notes so called for redemption shall have been duly provided, no interest shall accrue on such Notes from and after the redemption date specified in such notice.

Scheduled Debt Service on the Notes

The following is the scheduled annual Debt Service on the Notes.

<u>Bond Year Ending</u>	<u>Principal</u>	<u>Interest</u> ⁽¹⁾	<u>Annual Debt Service</u> ⁽¹⁾
February 1, 2010		\$ 504,331.25	\$ 504,331.25
February 1, 2011		530,875.00	530,875.00
February 1, 2012		530,875.00	530,875.00
February 1, 2013		530,875.00	530,875.00
February 1, 2014	<u>\$6,850,000.00</u>	<u>530,875.00</u>	<u>7,380,875.00</u>
Total	\$6,850,000.00	\$2,627,831.25	\$9,477,831.25

⁽¹⁾ Interest on the Notes will be paid from capitalized interest through February 1, 2012.

Issuance of Additional Debt

The Agency may not issue or incur debt senior to or on a parity with the Notes, except for the purpose of refunding the 2002 Bonds in a manner which results in a reduction in annual debt service on the 2002 Bonds.

The Agency has agreed under the Indenture that it will not enter into any Agency Indebtedness or make any expenditure payable from taxes allocated to the Agency under the Redevelopment Law the payments of which, together with payments theretofore made or to be made with respect to other Agency Indebtedness (including, but not limited to the Notes) previously entered into by the Agency, would exceed the then effective limit on the amount of taxes which can be allocated to the Agency pursuant to the Redevelopment Law and the Redevelopment Plan. The Agency has further agreed under the Indenture that it will not allow the aggregate amount of annual debt service remaining to be paid on all outstanding Agency Indebtedness to exceed 95 percent of the aggregate amount of Revenues which the Agency is permitted to receive under the Redevelopment Plan.

Subordinate Debt. If the Agency is in compliance with all covenants set forth in the Indenture, the Agency may, within the Plan Limit, for any purpose, issue or incur obligations having a lien on the Subordinate Tax Revenues which is subordinate to the pledge of the Subordinate Tax Revenues to the Notes.

ESTIMATED SOURCES AND USES OF FUNDS

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

Redevelopment Fund	\$5,003,649.25
Capitalized Interest Fund	1,539,475.75
Underwriter's Discount	119,875.00
Subordinate Expense Fund ⁽¹⁾	<u>187,000.00</u>
Total Use of Funds	<u>\$6,850,000.00</u>

⁽¹⁾ Expenses include fees and expenses of Bond Counsel, the Financial Advisor, Disclosure Counsel, Underwriter's Counsel and the Trustee, costs of printing the Official Statement, and other costs of issuance of the Notes.

Deposit to the Redevelopment Fund. The Agency anticipates using the proceeds deposited to the Redevelopment Fund to fund the cost of property acquisition for a site to be developed with public parking to serve a new Metrolink Station that is anticipated to open for service in 2012.

Deposit to the Capitalized Interest Fund. The proceeds deposited to the Capitalized Interest Fund, together with the earnings thereon, will be used to pay interest on the Notes through and including February 1, 2012.

SOURCES OF PAYMENT FOR THE NOTES

Tax Allocation Financing

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

Tax Increment Revenues

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

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

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to Taxing Agencies having the effect of reducing the property tax rate could reduce the amount of Subordinate Tax Revenues that would otherwise be available to pay the Agency’s obligations under the Indenture and thus reduce the amount of Subordinate Tax Revenues available to pay the principal of and interest on the Notes. Likewise, broadened property tax exemptions could have a similar effect. See “NOTEHOLDERS’ RISKS” and “APPENDIX B – FISCAL CONSULTANT’S REPORT” herein.

Pledge of Subordinate Tax Revenues

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

The Notes are special obligations of the Agency and are payable, as to interest thereon and principal thereof, exclusively from the Subordinate Tax Revenues, and the Agency is not obligated to pay them except from the Subordinate Tax Revenues. All of the Notes are equally secured by a pledge of, and charge and lien upon, all of the Subordinate Tax Revenues, and the Subordinate Tax Revenues constitute a trust fund for the security and payment of the interest on and the principal of the Notes. The Notes are not a debt of the City of Placentia, the Placentia Public Financing Authority, the State of California or any of its political subdivisions, and neither said City, said Authority, said State nor any of its political subdivisions is liable therefor, nor in any event shall the Notes be payable out of any funds or properties other than those of the Agency. The Notes 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 Notes are liable personally on the Notes by reason of their issuance. The Agency has no taxing power.

The Agency has irrevocably granted a pledge of, lien on, and security interest in the Subordinate Tax Revenues. Subordinate Tax Revenues are Revenues remaining after satisfaction of the pledge and lien thereon which secures the 2002 Bonds, as such pledge and lien shall be released in accordance with the provisions of the 2002 Bonds Indenture for the repayment of the Notes, excluding therefrom amounts payable pursuant to Tax Sharing Statutes, as described below (the "Subordinate Tax Revenues"). Revenues are defined in the 2002 Bonds Indenture and consist of the taxes allocated and paid to the Agency pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XIV 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, excluding the amounts 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 Redevelopment Law.

Pursuant to the 2002 Bonds Indenture, the Agency is required to promptly deposit all of the Revenues received in any Bond Year (each twelve consecutive months ending July 31) in the special fund (the "2002 Special Fund"), until such time during such Bond Year as the amounts on deposit in the 2002 Special Fund equal the aggregate amounts required to be transferred to the bond fund (the "2002 Bond Fund") in such Bond Year for the payment of debt service on the 2002 Bonds. The 2002 Bonds Indenture further provides for the release of Revenues for use as Subordinate Tax Revenues so long as (i) Surplus Tax Revenues remain in the 2002 Bond Fund after providing (or otherwise reserving) for necessary principal, interest and reserve account deposits thereunder during each Bond Year, (ii) the amounts on deposit in the reserve account for the 2002 Bonds equal the reserve account requirement for the 2002 Bonds, (iii) all Reserve Account Credit Facilities (as defined in the 2002 Bonds Indenture), if any, used to fund the reserve account for the 2002 Bonds are fully replenished and all interest on amounts advanced under each such Reserve Account Credit Facility have been paid to the provider thereof, and (iv) the Agency is not in default under the 2002 Bonds Indenture.

A description of the required transfers of amounts in the funds and accounts held under the Indenture is found in "APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Tax Sharing Agreements and Tax Sharing Statutes

Pursuant to former Section 33401(b) of the Redevelopment Law, a redevelopment agency could enter into an agreement to pay Tax Increment to any taxing agency that had territory located within a redevelopment project area in an amount which, in the agency's determination, was appropriate to alleviate any financial burden or detriment caused by the redevelopment project.

The Agency has a number of such agreements, referred to herein as "Tax Sharing Agreements." All payments due under the Tax Sharing Agreements are subordinated to the payment of the 2002 Bonds and the Notes by the terms of the Tax Sharing Agreements.

The Tax Sharing Statutes provide, among other things, that prior to incurring any loans, bonds, or other indebtedness, except loans or advances from the county or city, as applicable, the respective agency may subordinate to the loans, bonds or other indebtedness the amount required to be paid to an affected taxing entity by this section, provided that the affected taxing entity as approved these subordinations or the Agency has pursuant to Section 33607.5(e) of the Redevelopment Law requested subordination from the affected taxing entity and provided such taxing entity with substantial evidence that sufficient funds will be available to pay both the debt service and the statutory passthrough payments when due and the affected taxing entity does not act to disapprove the Agency's request within 45 days after receipt of the Agency's request. The Agency has not requested subordination of the payments from any of the taxing agencies.

Amounts payable pursuant to the Tax Sharing Statutes are subordinate to the 2002 Bonds but are not subordinate to the payment of the Notes, except for amounts payable to the City. There can be no assurance given that the Agency will be able to obtain subordinations of amounts payable under Tax Sharing Statutes with respect to any obligations issued to refund the Notes at or before maturity.

Descriptions of the Tax Sharing Agreements and the Tax Sharing Statutes are set forth in APPENDIX B – FISCAL CONSULTANT'S REPORT – Tax Sharing Agreements and Other Obligations.”

Proceeds of Refunding Obligations

It is not anticipated that sufficient moneys will be available in the Special Fund to pay the principal of the Notes at their maturity on February 1, 2014; however, based on projections of future Tax Increment Revenues and subject to certain risks and based on certain assumptions, the Agency projects sufficient Subordinate Tax Revenues should be available to allow the Agency to issue refunding bonds or refunding obligations in a sufficient amount to pay all of the principal of the Notes at or in advance of, their maturity on February 1, 2014. The Agency has based its projections on certain assumptions (see “THE PROJECT AREA - Projected Subordinate Tax Revenues and Debt Service Coverage” and “NOTEHOLDERS' RISKS” herein) and no assurance can be given that such projections shall be realized. Subject in all cases to the Redevelopment Law, the Agency has covenanted in the Indenture to use its best efforts to issue, on or prior to February 1, 2014, its bonds, notes or other obligations to be paid in whole or in part out of Tax Increment Revenues in an amount sufficient, together with other legally available funds of the Agency, to repay when due any Outstanding Notes or otherwise to make provision for maturing principal of the Notes on or before such date. See “NOTEHOLDERS' RISKS – Failure to Issue Refunding Bonds or Notes” for a discussion of the foregoing risks, and “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Take-Out Bonds; Right of First Refusal of Short-term Refinancing.”

So long as any Notes are Outstanding, the Agency shall not issue bonds, notes or other obligations to be paid in whole or in part out of the Revenues senior to or on a parity with the Notes, for any purpose other than to retire the Notes or to reduce annual debt service on the 2002 Bonds. All net proceeds of any such bonds, notes or other obligations to be paid in whole or in part out of the Revenues issued while Notes are Outstanding shall be used solely for the purpose of retiring Notes and/or to reduce annual debt service on the 2002 Bonds.

No Reserve Account

No Reserve Account has been established for the Notes.

Capitalized Interest

There will be an initial deposit by the Agency to the Capitalized Interest Fund from proceeds of the Notes. The amount deposited, together with investment earnings thereon, will be applied to pay interest on the Notes through and including February 1, 2012.

THE AGENCY

The Agency is a public body, corporate and politic, existing under and by virtue of the California Community Redevelopment Law, being Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State (the “Redevelopment Law”). The Agency was activated in 1982, and is governed by a five-member board which consists of all members of the City Council. The Mayor of the City is appointed as the Chairman of the Agency. The Agency’s members and term expiration dates are as follows:

<u>Board Member</u>	<u>Term Expires</u>
Greg Sowards, <i>Mayor and Chairman</i>	December 5, 2010
Joseph V. Aguirre, <i>Mayor Pro Tem and Vice Chairman</i>	December 5, 2010
Scott W. Nelson, <i>Council Member and Agency Member</i>	December 4, 2012
Constance Underhill, <i>Council Member and Agency Member</i>	December 4, 2012
Jeremy B. Yamaguchi, <i>Council Member and Agency Member</i>	December 4, 2012

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

Troy L. Butzlaff, ICMA-CM, *City Administrator and Executive Director*
Ken Domer, *Assistant City Administrator/Development Services*
Stephen D. Pischel, *Administrative Services Director*
Karen Ogawa, *Finance Director*
Patrick J. Melia, *City Clerk and Agency Secretary*
Chad P. Wanke, *City and Agency Treasurer*

Agency Powers

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

The Agency may exercise the right to issue or incur loans, advances or other indebtedness for authorized purposes and to expend their proceeds, and the right to acquire, sell, rehabilitate, develop, administer or lease property. The Agency may demolish buildings, clear land and cause to be constructed certain improvements, including but not limited to streets, sidewalks, sanitary sewers, park and recreational facilities, airport improvements and utilities, and can further prepare for use as a building site any real property which it owns or administers. The Agency may, from any funds made available to it for such purposes, and subject to certain conditions, pay for all or part of the value of land and the cost of buildings, facilities or other improvements to be publicly owned and operated. The Agency may not construct or develop buildings, with the exception of public buildings and housing, and must sell or lease cleared property which it acquires within a redevelopment project for redevelopment in conformity with a particular redevelopment plan, and may further specify a period within which such redevelopment must begin and be completed.

Redevelopment Plans

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

The City Council approved and adopted the Redevelopment Plan for the Placentia Redevelopment Project on July 19, 1983, pursuant to Ordinance No. 83-O-113. Ordinance No. 83-O-113 was subsequently superseded by Ordinance No. 90-O-115, adopted on June 26, 1990, and which added additional area to the Project Area (sometimes referred to herein as “Amendment No. 1”). The Redevelopment Plan was also amended on May 18, 2004 pursuant to Ordinance No. O-2004-03 to include additional area (sometimes referred to herein as “Amendment No. 2”).

The Redevelopment Plan was further amended on December 6, 1994 pursuant to Ordinance No. 94-O-144 to add limitations prescribed by AB 1290 (see “Plan Limitations” below), on February 3, 2004 pursuant to Ordinance No. O-2004-02 to eliminate the time limit to incur debt, and on August 19, 2008 pursuant to Ordinance No. O-2008-08 to extend the plan limits with respect to the original area of the Project Area by three years and with respect to the area added by Amendment No. 1 by one year, under the provisions of SB 1045 and SB 1096.

Plan Limitations

The Redevelopment Plan imposes certain limitations on the Tax Increment Revenues that the Agency may be allocated from the component areas of the Project Area. In 1993, the State Legislature adopted Assembly Bill 1290 (AB 1290), which imposed certain time limitations on (1) the allocation of Tax Increment Revenues to a redevelopment project, (2) the effectiveness of a redevelopment plan and (3) the incurrence of debt. Section 33333.6 of the Redevelopment Law initially provided that a redevelopment agency may not pay indebtedness or receive property taxes pursuant to Section 33670 of the Redevelopment Law after ten years from the termination of the effectiveness of a redevelopment plan (which was limited to the later of January 1, 2009 or 40 years after the adoption of such redevelopment plan). In 1998, the State Legislature adopted Assembly Bill 1342 (AB 1342), which allowed redevelopment agencies to extend plan limitations to such maximum terms without having to comply with the statutory plan amendment process if such agency’s existing plan limits were shorter. In 2002, the State Legislature adopted Senate Bill 211 (SB 211), allowing the elimination of the Agency’s time limitation on incurring debt subject to the Agency making payments to the Taxing Agencies pursuant to the Tax Sharing Statutes.

Other amendments to the required plan limitations were allowed by AB 1290 so long as, among other things, agencies made payments to the Taxing Agencies pursuant to the Tax Sharing Statutes. See “APPENDIX B – FISCAL CONSULTANT’S REPORT - Tax Sharing Agreements and Other Obligations – Statutory Pass-Through Payments.” The Agency’s amendments to the Redevelopment Plan to eliminate the limit on incurring debt has triggered required payments to the affected Taxing Agencies pursuant to the Tax Sharing Statutes with respect to the original project area and the area added by Amendment No. 1. In addition, the Agency makes payments to the Taxing Agencies with respect to the area added by Amendment No. 2, which was adopted after AB 1290. Such required payments (except for those payable

to the City) have not been subordinated in right of payment to the Notes. See “APPENDIX B – FISCAL CONSULTANT’S REPORT.”

In 2003, the State Legislature adopted Senate Bill 1045 (SB 1045) which provided that the governing body could adopt an ordinance to extend the limits on the termination of redevelopment plans approved prior to 1994 and the authority to collect Tax Increment Revenues by one additional year if the Agency was required to make a payment to ERAF in 2003/04. In 2004, the State Legislature adopted Senate Bill 1096 (SB 1096) which provided that the governing body could, with respect to redevelopment plans with less than 20 years remaining, adopt an ordinance to extend the limits on the termination of redevelopment plans and the authority to collect Tax Increment Revenues by one additional year for each ERAF payment if the Agency was required to make a payment to ERAF in 2004/05 and 2005/06 (see “NOTEHOLDERS’ RISKS – State of California Fiscal Issues” herein). The provisions of SB 1045 apply to all the component areas of the Project Area (except area added by Amendment No. 2 to which the 2003/04 ERAF payment was not applicable) and the provisions of SB 1096 apply only to the original component area of the Project Area.

The current limitations imposed by the Redevelopment Plan for its component areas are as follows:

<u>Component Area</u>	<u>Maximum Tax Increment Revenues</u>	<u>Plan Expiration Date</u>	<u>Last Date to Incur Debt</u>	<u>Last Date to Collect Tax Increment</u>	<u>Bonded Debt Limitations</u>
Original Area	\$305,000,000 combined	July 19, 2026	None	July 19, 2036	\$100,000,000 combined
Amendment No. 1	Original Area and Amendment No. 1	June 26, 2031	None	June 26, 2041	Original Area and Amendment No. 1
Amendment No. 2	None ⁽¹⁾	May 18, 2034	May 18, 2024	May 18, 2049	\$5,000,000

⁽¹⁾ As a post-1994 redevelopment project, this component is not required to have this limit.

The issuance of the Notes complies with all of the Plan Limits.

Low and Moderate Income Housing

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

Amounts required to be deposited in the Agency’s Low and Moderate Income Housing Fund are not pledged to repay the Notes.

The Agency has represented that it is currently in compliance with its 20% housing set aside requirements and that there are no past due amounts owing to the Agency’s Low and Moderate Income Housing Fund.

Agency Budgetary Process and Administration

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

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

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

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

Agency Accounting Records and Financial Statements

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

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

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

The Indenture requires the Agency to keep, or cause to be kept, proper books and accounts separate from all other records and accounts of the Agency and the City in which complete and correct entries are made of all transactions relating to the Project Area and the Subordinate Revenue Fund. The Indenture requires the Agency to file with the Trustee annually, within seven months after the close of each fiscal year, so long as any of the Notes are Outstanding, its audited financial statements relating to the Special Fund and all other accounts and funds established under the Indenture. The Agency covenants under the Indenture to furnish a copy of such statements upon reasonable request to any Noteholder.

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

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

GASB No. 34. The Governmental Accounting Standards Board (GASB) published its Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, comptrollers, and financial officers on requirements for financial reporting for all governmental agencies in the United States. Retroactive reporting is required four years after the effective date on the basic provisions for all major general infrastructure assets that were acquired or significantly reconstructed, or that received significant improvements, in fiscal years ending after June 30, 1980.

The Agency retained the firm of Vavrinek, Trine, Day & Co., LLP, Rancho Cucamonga, California, to examine the component unit financial statements of the Agency as of and for the fiscal year ended June 30, 2008, the most recent fiscal year for which audited financial statements have been prepared, which are included as "APPENDIX D." The firm's examination was made in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States and the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies* issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. The firm reported after their examination that the Agency's financial statements present fairly its financial position and results of operations in conformity with generally accepted accounting principles and that they noted no instances of non-compliance for the fiscal year ended June 30, 2008. The Agency's audited financial statements are public documents and are included within this Official Statement without the prior approval of the auditor. Accordingly, the auditor has not performed any post-audit of the financial condition of the Agency.

THE PROJECT AREA

Description of the Project Area

The Project Area consists of the area established at the formation of the Project Area (the “Original Area”), the territory added by the amendment of the Redevelopment Plan in 1990, (“Amendment No. 1 Area”) and the territory added by the amendment of the Redevelopment Plan in 2004 (“Amendment No. 2 Area”).

The Original Area consists of two non-contiguous parcels totaling approximately 88 net acres, located within an area generally bounded by the City limits on the south and east, by Orangethorpe Avenue on the north, and by Melrose Street on the west. The Amendment No. 1 Area consists of eight non-contiguous parcels totaling approximately 76 net acres located within an area generally bounded by Placentia Avenue on the west, by the Atchison, Topeka & Santa Fe Railroad right of way on the north, and property lines and other boundaries lying generally between Orangethorpe Avenue and Crowther Avenue on the south and property lines or other boundaries lying between Cameron Street and Porter Way to the east. The Amendment No. 2 Area consists of 5.3 net acres of residential and commercial property located near the intersection of Bradford Avenue and Chapman Avenue.

Overall, residential development comprises 12% of the assessed value of the Project Area, commercial development comprises 22% of the assessed value, industrial development accounts for an additional 48% of assessed value. Vacant land comprises 1% of assessed value and unsecured property accounts for 17% of assessed value.

New Development in the Project Area. KB Home Coastal began developing a 54 unit townhome complex in 2007. As of December 2008, KB Home had completed 43 units and sold 40 units. The remaining 11 units are under construction. Five of the 14 remaining units owned by KB Home Coastal are currently in escrow. Sales prices for the remaining homes currently range from \$360,000 to \$410,000. Twelve units were sold and reflected on the 2008/09 tax roll. The additional 28 units sold in 2008 are expected to add approximately \$5.9 million to the 2009/10 tax roll, and the remaining units are expected to add approximately \$2.8 million to the 2010/11 tax roll.

Proposed Public Improvements

Beginning in 2003, the Cities of Placentia, Brea, Fullerton, La Habra and Yorba Linda undertook a cooperative effort to define a vision for transit in North Orange County. The five cities received grant funding from the Orange County Transit Authority (OCTA) to explore opportunities for transit-oriented development around an emerging high-capacity transit system. In 2006, Placentia was selected by OCTA for the location of a new Metrolink Station serving the Metrolink 91 Line, which runs from Los Angeles Union Station to Downtown Riverside. The Metrolink station is located in the Project Area.

Over 530 daily passengers are expected to utilize the station when it opens, which is expected to occur in 2012. It will be the closest station to the California State University, Fullerton campus. The station will require approximately 500 parking spaces to accommodate passengers. The OCTA requires that the Agency have control of sufficient property to provide adequate parking for the station by June 30, 2009, in order to continue its design and planning efforts for the new station and to have the station operational by 2012. The Agency will use a portion of the proceeds of the Notes to assist in the acquisition cost of a site to provide the required parking. The Agency anticipates that a 500 space parking structure will be constructed to serve the new station. Environmental approvals have been obtained. Construction is anticipated to commence in 2011 and take approximately 12 months to complete.

The new Metrolink station will be integral to the Agency’s revitalization efforts for the Placita Santa Fe commercial area, located in the Project Area. The City has undertaken the Placentia-Westgate Specific Plan. The Specific Plan goals are to transform the 110 acres surrounding the Metrolink station into a vibrant transit-oriented district, revitalizing the City’s Placita Santa Fe commercial district. Key components of the Specific Plan include a mixed-use transit plaza, connecting to a commercial plaza on the other side of the rail line by pedestrian bridge. By facilitating connectivity between the Metrolink station, parking and Placita Santa Fe, the City can provide a “park once” concept that will allow access to both transit and commercial. The Agency also expects that current industrial uses adjacent to the station can be redeveloped to provide new retail uses and both affordable and market rate housing.

Major Taxpayers

The ten largest property taxpayers represent 30.2% of the 2008/09 total assessed value of the Project Area and 40.9% of the Project Area’s Incremental Value. See “NOTEHOLDERS’ RISKS – Factors Which May Affect Tax Increment Revenues - Concentration of Ownership” herein. A number of changes have occurred affecting the largest taxpayers since the 2008/09 tax roll was determined.

Conagra Foods Inc. ceased operations at the facility owned by Knott Family Company LLC in Placentia in December 2008. The Fiscal Consultant has reflected a reduction in future assessed value of \$9,506,325 beginning in 2009/10. Without Conagra Foods Inc.’s assessed value, and with the next largest property value added (General Rewinding Inc. at \$4,486,774), the ten largest taxpayers will represent 29% of total assessed value and 39% of incremental value. In addition, as of January 1, 2008, KB Home Coastal owned residential property valued at \$7,510,480. Due to sale of homes since that time, KB Home Coastal is no longer a top taxpayer and is not included in Table No. 1.

**TABLE NO. 1
VALUE OF THE TEN LARGEST TAXPAYERS AS A PERCENT OF 2008/09 VALUE**

Taxpayer	2008/09 Assessed Value	% Total Value	% Incremental Value
Realty Associates Fund VIII LP	\$19,380,000	6.1%	8.3%
Knott Family Company LLC	11,860,924	3.7	5.1
Carla Ann Petillo Trust	11,566,866	3.6	4.9
AG/BPG Placentia Inc.	9,616,819	3.0	4.1
Conagra Foods Inc.	9,506,325	3.0	4.1
AHT Residence Inn II LP	8,670,069	2.7	3.7
FPL LLC	7,498,776	2.4	3.2
MNC Brothers	6,495,319	2.0	2.8
Totea Associates	5,933,421	1.9	2.5
110 140 North Bradford Avenue LLC	<u>5,493,312</u>	<u>1.7</u>	<u>2.3</u>
Total	\$96,021,831	30.2%	40.9%

Source: Fiscal Consultant.

The following provides a description of the largest taxpayers.

Office Complex; Realty Associates Fund VIII. The Placentia Corporate Center is a 6 acre office park comprised of four office buildings totalling 104,000 square feet of leasable space. It is adjacent to the Fairfield Inn.

Manufacturing; Knott Family Company. This facility is 200,000 square feet, was built in 1984 and is sited on 11.6 acres. Prior to December 2008, the facility was used by Conagra Foods in the manufacture of jams and jellies. Conagra Foods ceased operations at this location and vacated the facility in December 2008. The Agency cannot predict what impact, if any, that the closure of the facility will have on the assessed value of the property owned by Knott Family Company LLC.

Industrial; Carla Ann Petillo Trust. This property consists of 66,000 square feet of industrial space on 7.7 acres. It is leased to a custom screen printing and distribution company and also houses a Federal Express home delivery facility.

Self Storage; AG/BPG Placentia Inc. This property consists of a 109,000 square foot self storage facility located on 3.3 acres. The facility was built in 1985.

Unsecured; Conagra Foods Inc. This value represents the unsecured property value associated with the Knott's Berry Farm facility described above. Conagra removed the manufacturing equipment from the facility in December 2008.

Hotel; AHT Residence Inn II. This 112 suite Residence Inn is located near the Orangethorpe Avenue interchange of the 57 Freeway.

Hotel; FPL LLC. The Fairfield Inn contains 131 newly-renovated guest rooms and is located near the Placentia Corporate Center.

Industrial; MNC Brothers. This 100,000 square foot facility is leased to Lincoln Imports, an importer of home decor.

Industrial; Totea Associates. This ownership includes five parcels totaling 4 acres and developed with multiple office/industrial buildings, and two additional parcels developed with three office/industrial buildings. Tenants include engineering firms, Sanre Corporation, Vita-Herb Nutraceuticals, and Consolidated Engineering Laboratories.

Commercial; 110 140 North Bradford Avenue LLC. This 2.3 acre site is developed with an 18,675 square foot strip commercial center.

Industrial; General Rewinding Inc. A wholesaler of conveyors and industrial and personal paper lifting equipment and accessories, located in two buildings totaling approximately 80,000 square foot building on 4.3 acres.

Assessment Appeals

Between July 2002 and December 2008, there have been 111 assessment appeals filed within the Project Area. With the exception of one pending appeal in 2002/03, all appeals filed for fiscal years 2003/04 through 2006/07 have been resolved. Of the 111 appeals filed, 38 have been allowed with a reduction in value and 25 have been denied. There are 48 appeals currently pending on properties within the Project Area. Based on the historical averages, the Fiscal Consultant estimates that 32 of the currently pending appeals will be allowed and that these successful appeals will result in an assessed value reduction of \$1,629,732. This reduction has been incorporated by the Fiscal Consultant in the projection as a reduction to the 2009/10 assessed value. Reductions in revenue for refunds resulting from these successful appeals have not been estimated by the Fiscal Consultant.

The Fiscal Consultant estimates are based upon the historical averages of successful appeals and amounts of value reductions. Actual appeals, reductions and refunds may vary from historical averages. Reductions in values estimated by the Fiscal Consultant are reflected on Tables 1 and 2 of the projections found in "APPENDIX B – FISCAL CONSULTANT'S REPORT."

Assessed Valuations and Tax Increment Revenues

**TABLE NO. 2
HISTORICAL ASSESSED VALUATIONS**

<u>Component</u>	<u>Base Value</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09 ⁽¹⁾</u>
Original	\$ 30,640,848	\$155,993,239	\$159,624,774	\$167,224,088	\$177,981,614	\$198,944,930	\$193,630,028
Amendment No. 1	51,283,702	82,538,977	91,026,718	89,044,099	94,799,015	103,177,687	110,331,320
Amendment No. 2	<u>776,049</u>	<u>-</u>	<u>-</u>	<u>781,542</u>	<u>7,208,054</u>	<u>13,786,734</u>	<u>13,685,546</u>
	<u>\$ 82,700,599</u>	<u>\$238,532,216</u>	<u>\$250,651,492</u>	<u>\$257,049,729</u>	<u>\$279,988,683</u>	<u>\$315,909,351</u>	<u>\$317,646,894</u>

⁽¹⁾ The Fiscal Consultant has reflected a reduction in assessed value of \$9,506,325 in Fiscal Year 2009/10 due to the removal of equipment owned by Conagra from the Knott production plant. See "Major Taxpayers" above.

Source: Orange County Auditor-Controller.

Tax Collections

The table below represents Tax Increment Revenues allocated to and paid to the Agency and the collection rates for taxes paid in the year levied.

**TABLE NO. 3
TAX COLLECTIONS**

	<u>Tax Levy</u>	<u>Collected From Levy</u>	<u>Collection %</u>	<u>Prior Year Collections</u>	<u>Total Collections</u>	<u>Total %</u>
2003/04	\$1,581,058	\$1,557,166	98.49%	\$ 24,163	\$1,581,330	100.02%
2004/05	1,689,770	1,668,721	98.75%	19,307	1,688,028	99.90%
2005/06	1,774,509	1,723,048	97.10%	81,802	1,804,849	101.71%
2006/07	1,999,360	1,947,605	97.41%	266,431	2,214,036	110.74%
2007/08	2,308,854	2,265,397	98.12%	154,111	2,419,508	104.79%

As of December 18, 2008, the Agency had been allocated and paid \$1,044,556 of secured property taxes, representing 101% of the first installment of the 2008/09 secured property tax levy. The Agency does not participate in the Orange County Teeter Plan.

Outstanding Indebtedness of the Project Area

The Agency had the following obligations with respect to the Project Area as of January 1, 2009:

Description	Original Issue	Amount Outstanding	Final Maturity
(1) Housing Tax Allocation Bonds, 2002 Series A	\$3,100,000	\$ 2,760,000	2032
(2) Tax Allocation Bonds, 2002 Series B	4,655,000	4,145,000	2032
(3) City Reimbursement Agreement		11,593,750	2028

- (1) The Agency has issued its Housing Set-Aside Tax Allocation Bonds, 2002 Series A (the “Housing Bonds”), having a lien on amounts otherwise required to be set aside in the Agency’s Low and Moderate Income Housing Fund. The Housing Bonds have no lien on Revenues.
- (2) The Agency has issued its Tax Allocation Bonds, 2002 Series B (the “2002 Bonds”), having a lien on Revenues senior to the lien of the Notes.
- (3) Pursuant to an Amended and Restated Reimbursement Agreement, the Agency has agreed to reimburse the City for approximately 87.52% of debt service payable in connection with the City’s 2003 Certificates of Participation. The contribution to the City is payable from, but has no lien on Tax Increment Revenues. The Agency payments are approximately \$875,000 per year through 2014, reducing to approximately \$438,000 through the remaining term of the agreement. In the Agency’s financial statements, the entire 2003 Certificates of Participation issue is recorded as an Agency obligation, with the City’s net share of 12.48% of payments recorded as a receivable.

Source: Agency Annual Financial Report.

Projected Subordinate Tax Revenues and Debt Service Coverage

Receipt of projected Subordinate Tax Revenues in the amounts and at the times projected by the Agency depends on the realization of certain assumptions relating to the Tax Increment Revenues. The projections of Tax Increment Revenues and the corresponding Subordinate Tax Revenues from the component areas of the Project Area shown in Appendix B and summarized on the following table are based on the assumptions described in Appendix B. The Agency believes the assumptions upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur (see “NOTEHOLDERS’ RISKS”). To the extent that the assumptions are not actually realized, the Agency’s ability to timely pay interest on the Notes or to refinance the Notes on or prior to their maturity may be adversely affected. Investors should read “APPENDIX B – FISCAL CONSULTANT’S REPORT” for a complete discussion of the Subordinate Tax Revenues and assumptions underlying the projections.

TABLE NO. 4
PROJECTED SUBORDINATE TAX REVENUES AND DEBT SERVICE COVERAGE
(in thousands)

Fiscal Year	Tax		County		2002	Statutory	Subordinate	2009	
Ending	Increment	Housing	SB 2557		Bonds	Tax	Tax	Notes	Coverage
<u>June 30</u>	<u>Revenue</u>	<u>Set-Aside</u>	<u>Charge</u>	<u>Revenue</u>	<u>Debt Service</u>	<u>Sharing</u> ⁽¹⁾	<u>Revenues</u>	<u>Debt Service</u> ⁽²⁾	<u>Ratio</u>
2009	\$2,369	\$(474)	\$(17)	\$1,878	\$(321)	\$(64)	\$1,493		
2010	2,378	(476)	(17)	1,886	(322)	(68)	1,496	\$504 ⁽³⁾	296%
2011	2,464	(493)	(17)	1,954	(322)	(78)	1,554	531 ⁽³⁾	292%
2012	2,523	(505)	(18)	2,001	(322)	(84)	1,595	531 ⁽³⁾	300%
2013	2,584	(517)	(18)	2,049	(322)	(90)	1,637	531	308%
2014	2,646	(529)	(19)	2,098	(321)	(97)	1,681	710	236%

⁽¹⁾ All payments due under the Tax Sharing Agreements are subordinate to the payment of any Agency indebtedness by their terms. While the payments due under the Tax Sharing Statutes are subordinate to the 2002 Bonds, they are not subordinate to the Notes (except with respect to amounts payable to the City) (see “APPENDIX B - FISCAL CONSULTANT’S REPORT – Tax Sharing Agreements and Other Obligations” herein).

⁽²⁾ Assumes the Notes are refunded on February 1, 2013 with 22-year, fully amortized current interest bonds for a term of 22 years and at an estimated average interest rate of 7%.

⁽³⁾ Debt Service on the Notes will be paid from capitalized interest through February 1, 2012.

Source: Financial Advisor.

The projected Subordinate Tax Revenues shown above are subject to several variables described herein (see “APPENDIX B - FISCAL CONSULTANT’S REPORT” herein). The Agency provides no assurance that the projected Subordinate Tax Revenues will be achieved (see “NOTEHOLDERS’ RISKS” herein).

NOTEHOLDERS' RISKS

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

Refinancing; Payments of Notes at Maturity

The Agency's ability to pay principal on the Notes is dependent on the Agency's ability to issue and sell refunding obligations prior to the maturity of the Notes. Pursuant to the Indenture, the Agency has covenanted to use its best efforts to issue obligations to refund the Notes prior to maturity. As further discussed below (See "NOTEHOLDERS' RISKS - Estimated Tax Increment Revenues"), the Agency has calculated that under certain assumptions it believes to be reasonable it will have sufficient capacity to issue long-term refunding obligations to payoff the Notes prior to maturity. Key assumptions in the Agency's analysis are that interest rates commensurate with the type of long term refunding obligations the Agency would be selling will be at or below 7% and that assessed values in the Project Area grow by at least 2% annually, on average.

A variety of factors could adversely affect the Agency's ability to issue long-term refunding obligations. Subordinate Tax Revenues could be reduced for any of the reasons discussed herein, including, but not limited to a loss of key taxpayers (see "Factors Which May Affect Tax Increment Revenues - Concentration of Ownership" herein), additional and/or permanent shifts of tax increment to the Education Revenue Augmentation Fund (see "State of California Fiscal Issues" herein), and inability to subordinate future payments to be made pursuant to the Tax Sharing Statutes to such refunding obligations. Additionally, the Agency's Subordinate Tax Revenue projections assume a minimal amount of growth associated with the KB Home Coastal project that is under construction (See "THE PROJECT AREA - Major Taxpayers") and an average growth rate of 2% per year. However, for Fiscal Year 2008/09, the Agency experienced only a 0.75% overall growth in incremental value in the Project Area compared to 2007/08 due to a one time assessment of certain property on the unsecured tax roll in 2007/08. See "Real Estate and General Economic Risks" herein. If assessed values were to remain at Fiscal Year 2008/09 levels as adjusted for certain factors such as the loss of assessed value due to relocation of the Conagra Foods operation, and increase in assessed value for the KB Home Coastal project completion and other transfers of ownership as reflected in the Fiscal Consultant's Report, the Agency could still issue long term refunding obligations to refund the Notes, but such an issue may impair its ability to pay certain subordinate obligations to the City. If economic and financial market conditions are such that interest rates for financings such as that contemplated by the Agency exceed 7% or tax increment has not increased as projected, the Agency would likely have to issue short term notes to refund the Notes until market conditions improve. Finally, unforeseen changes in the law pursuant to which the Notes have been issued may restrict the Agency's ability to sell refunding obligations.

THERE CAN BE NO ASSURANCE THAT ACTUAL RESULTS WILL NOT DIFFER MATERIALLY FROM THOSE CONTAINED IN THE AGENCY'S CALCULATION. IF THEY DIFFER, THE AGENCY MAY NOT BE ABLE TO ISSUE THE LONG-TERM REFUNDING OBLIGATIONS DESCRIBED ABOVE.

Failure to Issue Refunding Bonds or Notes

While the Agency has covenanted to use commercially reasonable efforts to effectuate the sale and delivery of bonds, notes or other obligations to be paid in whole or in part from Subordinate Tax Revenues in an amount sufficient, together with other legally available funds of the Agency, to repay when due any Outstanding Notes or otherwise to make provision for maturing principal of the Notes on or before such Maturity Date, a variety of events, some of which are listed in this section entitled

“NOTEHOLDERS’ RISKS,” could prevent access to the municipal securities market, prohibit the Agency from issuing such bonds, notes or other obligations, or make the issuance of such bonds, notes or other obligations prohibitively expensive. Also, additional authorization for the issuance of such bonds, notes or other obligations must be obtained by the Agency prior to the issuance thereof. No assurance can be given that such a financing will be available to the Agency on sufficiently favorable terms. In such event, available funds to pay the Notes may be limited to the borrowing capacity of the Agency and requisite action of the City Council to commence such a refinancing. See also “APPENDIX A – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Take-Out Bonds; Right of First Refusal of Short-term Refinancing.”

Factors Which May Affect Tax Increment Revenues

The ability of the Agency to issue and sell refunding obligations depends on the timely receipt of Subordinate Tax Revenues as projected herein (see “APPENDIX B – FISCAL CONSULTANT’S REPORT” herein). Projections of Subordinate Tax Revenues are based on the underlying assumptions relating to Tax Increment Revenues of the Project Area. A number of factors which may affect Tax Increment Revenues, and consequently, Subordinate Tax Revenues, are outlined below.

Reductions in Assessed Value. The projections of Tax Increment Revenues contained in this Official Statement are based on current assessed valuations within the component areas of the Project Area, a tax rate equal to \$1.00 per \$100 of assessed value applied to the taxable property in the component areas of the Project Area and certain projected increases in property values due to new development as well as inflation allowed under Article XIII A of the California Constitution. The Agency believes that the projections of Tax Increment Revenues and the assumptions upon which the projections are based are reasonable. However, any future decrease in the assessed valuation of the component areas of the Project Area (or any increase at a rate less than assumed), any general decline in the economic stability of the area, a relocation out of a component area of the Project Area by one or more major property owners, successful appeals by property owners for a reduction in a property’s assessed value, or other events that permit reassessment of property at lower values, either on a case by case basis or as a blanket reduction due to a general decline in property values (see “Proposition 8 Adjustments” below) and any property tax refunds which may result therefrom, the destruction of property caused by natural disasters or any delinquencies in the payment of property taxes and any potential acquisition of property by the Agency will reduce the Tax Increment Revenues allocated to, or received by, the Agency and correspondingly may have an adverse impact on the Subordinate Tax Revenues and ability of the Agency to issue and sell refunding obligations.

Article XIII A. Pursuant to the California voter initiative process, on June 6, 1978, California voters approved Proposition 13 which added Article XIII A to the California Constitution. This amendment imposed certain limitations on taxes that may be levied against real property to 1% of the full cash value of the property, adjusted annually for inflation at a rate not exceeding 2% annually. Full cash value is determined as of the 1975/76 assessment year, upon change in ownership (acquisition) or when newly constructed. Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Reduction in Inflationary Rate. The annual inflationary adjustment, while limited to 2%, is determined annually and may not exceed the percentage change in the California Consumer Price Index (CCPI). Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation five times.

Proposition 8 Adjustments. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to

damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide.

The Agency's ability to generate sufficient Subordinate Tax Revenues to pay debt service on the Notes will be dependent on the economic strength of the component areas of the Project Area. Since Proposition 8 adjustments are closely tied to the economics of an area, and primarily real estate development, factors which adversely affect real estate development may adversely affect Tax Increment Revenues. Such factors include general economic conditions, fluctuations in the real estate market, fluctuations in interest rates, unexpected increases in development costs and other factors. If further Proposition 8 adjustments are made by the County Assessor in future years because of declines in the fair market value of properties caused by the lack of real estate development in the area generally, Tax Increment Revenues and correspondingly, Subordinate Tax Revenues may be adversely affected and as a possible consequence, the Agency's ability to issue and sell refunding obligations may be adversely affected.

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

For a further discussion of Proposition 8 impacts to the Project Area, see "APPENDIX B – FISCAL CONSULTANT'S REPORT."

Assessment Appeals. Assessment appeals may be filed by property owners seeking a reduction in the assessed value of their property. After the property owner files an appeal, the County's Appeals Board will hear the appeal and make a determination as to whether or not there should be a reduction in assessed value for a particular property and the amount of the reduction, if any. To the extent that any reductions are made to the assessed valuation of such properties with appeals currently pending, or appeals subsequently filed, Tax Increment Revenues, and correspondingly, Subordinate Tax Revenues will be reduced. Such reductions may have an adverse affect on the Agency's ability to issue and sell refunding obligations. As of December 2008, 48 appeals are pending in the Project Area (see "THE PROJECT AREA – Assessment Appeals" herein).

Concentration of Ownership. The risk of reduction in assessed value as a result of the factors described above may generally increase where the assessed value within the Project Area is concentrated among a relatively few number of property owners. Ownership of property in the Project Area is highly concentrated, with the single largest taxpayer accounting for 8.3% of the 2008/09 incremental assessed valuation and the top ten taxpayers accounting for 41.7% of such incremental assessed valuation. See "THE PROJECT AREA – Major Taxpayers." Due to the closure of Conagra Foods facility in December 2008, the assessed value of the property of \$9.5 million will be eliminated from the 2009/10 tax roll (4.1% of incremental value). Additionally, the Agency can not predict what impact, if any, that the facility closure will have on the Project Area's second largest taxpayer, Knott Family Company LLC, which owns the real property that housed Conagra's manufacturing equipment. Significant reductions in the assessed values of the other principal taxpayers, could, by itself or in combination with other factors, have a material adverse effect on the Tax Increment Revenues payable to the Agency, and therefore, the Agency's ability to issue and sell refunding obligations.

Earthquake, Fire and Other Risks. Natural and man-made disasters and hazards, including, without limitation, earthquakes, fires, floods, mudslides and other calamities, may have the effect of reducing Tax Increment Revenues through reduction of aggregate assessed valuations within the boundaries of the Project Area. According to the Seismic Safety Element of the City's General Plan, the City is located in a

seismically active region and the Project Area could be impacted by a major earthquake originating from the numerous faults in the area. Potentially active faults in the immediate area include the Whittier Fault and the Norwalk Fault. Seismic hazards such as surface rupture are considered very low, however, ground shaking can occur.

The City has adopted an Emergency Plan. The plan includes a hazard analysis for earthquake, flood, landslide and fire risk and is required to comply with FEMA requirements for disaster relief funding.

Hazardous Substances. An additional environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of a hazardous substance that would limit the beneficial use of a property within the Project Area. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner (or operator) may be required to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Area be affected by a hazardous substance would be to reduce the marketability and value of the property, perhaps by an amount in excess of the costs of remedying the condition.

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

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

Voter Initiatives – State Constitutional Amendment. California's voter initiative process allows measures which qualify for the ballot to be approved or disapproved by voters in a State of California statewide election. Future voter initiatives could be enacted which adversely affect the Tax Increment Revenues and, therefore, the security for the Notes.

State of California Fiscal Issues

In connection with its approval of the budget for the 1992/93, 1993/94 and 1994/95 Fiscal Years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("ERAF"). Faced with a projected \$23.6 billion budget gap for Fiscal Year 2002/03, the State Legislature adopted AB 1768 requiring redevelopment agencies to pay into ERAF in Fiscal Year 2002/03 an aggregate amount of \$75 million. AB 1768 required the payment into ERAF in Fiscal Year 2002/03 only.

In 2003, the State Legislature adopted SB 1045 which required redevelopment agencies to make ERAF transfers in Fiscal Year 2003/04, based on a statewide aggregate transfer by redevelopment agencies of \$135 million. SB 1045 required the Agency to transfer approximately \$489,000 to ERAF in Fiscal Year 2003/04 and to make this transfer payment by May 10, 2004. In enacting SB 1045, the State Legislature also amended Section 33333.6 of the Redevelopment Law. Section 33333.2(c) and Section 33333.6(e) now provide that the City Council may adopt an ordinance to extend certain Plan limits required by AB 1290 or AB 1342, as applicable, by one additional year if an ERAF payment was made in 2003/04. The City Council has adopted an ordinance under the provisions of SB 1045, which applies to the Original Area and the Amendment No. 1 Area.

The 2004/05 State Budget included a \$1.3 billion shift of local government property taxes to the ERAF. The 2004/05 State Budget apportioned the \$1.3 billion among cities (\$350 million), counties (\$350 million), special districts (\$350 million) and redevelopment agencies (\$250 million) and limited the \$1.3 billion ERAF transfer to the two fiscal years 2004/05 and 2005/06. The Agency's share of this additional shift of property taxes was \$743,000 in 2004/05 and \$900,000 in 2005/06. As a trailer bill to the 2004/05 State Budget, the State Legislature adopted SB 1096, allowing redevelopment agencies to extend certain plan limitations one year for each ERAF payment in 2004/05 and 2005/06 if certain criteria are met. The City Council adopted an ordinance under the provisions of SB 1096, which applied only to the Original Area.

The 2006/07 and 2007/08 State budgets did not contain any ERAF transfers.

The 2008/09 State Budget included a \$350 million shift of redevelopment agencies property taxes to the ERAF. The Agency's share of this additional shift of property taxes is expected to be \$174,211. The Agency intends to fund its ERAF payments, due not later than May 10, 2009, by borrowing amounts due from the Agency's Low and Moderate Income Housing Fund pursuant to Section 33685 of the Redevelopment Law. Such amounts must be repaid in full within 10 years from May 10, 2009. Payment of the 2008/09 ERAF amount is subordinate to the 2002 Bonds and the Notes.

The Office of the Legislative Analyst report published November 10, 2008 concerning the Governor's special session proposals stated that "...the state's struggling economy signals a major reduction in expected revenues. Combined with rising state expenses, we project that the state will need \$27.8 billion in budget solutions over the next 20 months. The state's revenue collapse is so dramatic and the underlying economic factors are so weak that we forecast huge budget shortfalls through 2013/14 absent corrective action. From 2010/11 through 2013/14, we project annual shortfalls that are consistently in the range of \$22 billion." The Office of the Legislative Analyst report suggested that the ERAF shift be increased by \$50 million in future years and be made permanent.

On January 15, 2009, the Governor released a proposed budget for fiscal year 2009/10 that indicates a projected state budget deficit of \$14 billion by June 30, 2009, growing to \$44 billion by June 30, 2010 if the legislature does not act to reduce expenditures. Given the magnitude of the State's budget shortfall, additional ERAF shifts are likely to be contemplated. Certain redevelopment agencies in the State have filed a lawsuit to declare the ERAF shift unconstitutional and end the State's ability to require redevelopment agencies to transfer tax increment to counties for this purpose. The Agency can make no assurance regarding the outcome of such litigation.

No ERAF transfer is included in the Agency's Tax Increment Revenue projections. See "THE PROJECT AREA – Projected Subordinate Tax Revenues and Debt Service Coverage" above. Accordingly, Subordinate Tax Revenues available for payment of refunding obligations may, in the future, be substantially reduced and the Agency's ability to issue and sell refunding obligations may be impaired in the event of future ERAF transfers.

Information about the State budget and State spending is available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading “California Budget.” An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov.

Real Estate and General Economic Risks

As described above under the heading “Reductions in Assessed Value,” Tax Increment Revenues as presented herein as available for payment of any indebtedness of the Agency are based upon the latest actual amounts for the 2008/09 fiscal year as adjusted for known changes in property ownership occurring since the 2008/09 tax roll was equalized. Redevelopment of real property within the Project Area by the Agency, as well as private development in the Project Area, may be adversely affected by changes in general economic conditions, fluctuations in the real estate markets and interest rates, unexpected increases in development costs, changes in or new governmental policies including governmental policies to restrict or control certain kinds of development and by other similar factors. If development and redevelopment activities in the Project Area encounter significant obstacles of the kind described herein or other impediments, the economy of the Project Area could be adversely affected, causing reduced taxable valuation of property in the Project Area, a reduction of the Tax Increment Revenues and a consequent reduction in Subordinate Tax Revenues available to repay the Notes. If there is a decline in the general economy of the Project Area, the owner of property within the Project Area may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of Tax Increment Revenues received by the Agency from the Project Area.

Overall, residential development comprises 12% of the assessed value of the Project Area, commercial development comprises 22% of the assessed value, industrial development accounts for an additional 48% of secured assessed value. Vacant land comprises 1% of assessed value and unsecured property accounts for 17% of assessed value.

Estimated Tax Increment Revenues

The Agency believes that its estimates of future Tax Increment Revenues are reasonable, but to the extent the assessed valuation, the tax rates or the percentage of taxes collected are less than projected, the Subordinate Tax Revenues available to pay debt service on the Notes would be reduced. See “THE PROJECT AREA – Projected Subordinate Tax Revenues and Debt Service Coverage” herein. No representations are being made as to the future Tax Increment Revenues, or as to whether the projected Tax Increment Revenues as shown in “APPENDIX B – FISCAL CONSULTANT’S REPORT” or summarized in “THE PROJECT AREA – Projected Subordinate Tax Revenues and Debt Service Coverage” will be realized.

In estimating that the Subordinate Tax Revenues to be received by the Agency will be sufficient to pay debt service on the Notes, and on or before February 1, 2014, will be sufficient to issue and sell refunding obligations, the Agency has relied on the actual historical Tax Increment Revenues and made certain assumptions with regard to future assessed valuation in the Project Area. The Agency has also assumed the following with respect to its ability to issue and sell refunding obligations:

1. that, pursuant to the provisions of Sections 33607.5 and 33607.7 of the Redevelopment Law, future payments to be made pursuant to the Tax Sharing Statutes will be subordinate to any refunding obligations.
2. that any refunding obligations will be issued on a parity with its outstanding 2002 Bonds. The 2002 Bonds Indenture provides that additional bonds may be issued on a parity with the 2002 Bonds, if, assuming other conditions are met, Revenues to be received by the

Agency in the fiscal year that the parity debt is issued are at least equal to 125% of the maximum annual debt service on the 2002 Bonds and the parity debt being issued.

3. that a future ERAF shift, if adopted by the State legislature, will have a lien on Revenues subordinate to the lien of any refunding obligations.
4. that interest rates commensurate with the type of bonds the Agency will be selling will be at yields at or below 7%.

While the Agency believes these assumptions to be reasonable and has covenanted in the Indenture to use its best efforts to issue refunding bonds, there is no assurance these assumptions will be realized. To the extent that any or all of the assumptions are not realized, the Subordinate Tax Revenues available to pay debt service on the Notes will be reduced, and the Revenues available to secure refunding obligations will be reduced. Such reduced Revenues may be insufficient to provide for the payment of debt service on the Notes or impair the Agency's ability to issue and sell refunding obligations.

Notes are Subordinate Obligations

Payment of the principal and interest on the Notes is payable from Subordinate Tax Revenues. Subordinate Tax Revenues exclude the amount of Revenues pledged to pay debt service on and other obligations relating to the 2002 Bonds. Accordingly, amounts due for the 2002 Bonds must be satisfied and the reserve requirement for the 2002 Bonds must be maintained in each debt service year before any Revenues may be set aside under the 2002 Bonds Indenture for payment of the Notes. In addition, Subordinate Tax Revenues exclude an amount equal to payments due under the Tax Sharing Statutes.

Secondary Market

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

Loss of Tax Exemption

As discussed under the caption "LEGAL MATTERS – Tax Matters" herein, interest on the Notes could become includable in gross income for purposes of federal income taxation retroactive to the date the Notes were issued as a result of future acts or omissions of the Agency in violation of its covenants contained in the Indenture. Should such an event of taxability occur, the Notes are not subject to special redemption or any increase in interest rate and may remain outstanding until maturity.

Change in Law

In addition to the other limitations described herein, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the Agency. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce Subordinate Tax Revenues.

LEGAL MATTERS

Enforceability of Remedies

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

Approval of Legal Proceedings

The validity of the Notes and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Agency. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix F hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. The legal opinion of Bond Counsel will be subject to the effect of bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in accordance with general principles of equity.

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

Certain legal matters will be passed on for the Agency by Van Blarcom Leibold McClendon & Mann, Laguna Hills, California, acting as Agency General Counsel and by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. Fees payable to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Notes. Certain legal matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Agency ("Bond Counsel"), interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix F hereto.

To the extent the issue price of any maturity of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Notes is the first price at which a substantial amount of such maturity of the Notes is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Notes accrues daily over the term to maturity of

such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Beneficial Owners of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of Beneficial Owners who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The Agency has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Agency, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Agency has covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the Agency or the Beneficial Owners regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the Agency and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult,

obtaining an independent review of IRS positions with which the Agency legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the Agency or the Beneficial Owners to incur significant expense.

Absence of Litigation

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

CONCLUDING INFORMATION

No Ratings on the Notes

The Agency has not made, and does not contemplate making, application to any rating agency for a rating on the Notes.

The Financial Advisor

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

Continuing Disclosure

The Agency will covenant to provide annually certain financial information and operating data relating to the Project Area by not later than March 31 each year commencing March 31, 2009, to provide the audited Financial Statements of the Agency for the fiscal year ending June 30, 2009 and for each subsequent fiscal year when they are available (together, the “Annual Report”), and to provide notices of the occurrence of certain other enumerated events. The Annual Report to be filed by March 31, 2009 shall consist solely of a copy of this Official Statement. The Annual Report will be filed by the Trustee on behalf of the Agency with each Nationally Recognized Municipal Securities Information Repository certified by the Securities and Exchange Commission (the “Repositories”) and a State repository, if any. The notices of material events will be timely filed by the Agency with the Municipal Securities Rulemaking Board, the Repositories and a State repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events and certain other terms of the continuing disclosure obligation are summarized in “APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The Agency has never failed to comply timely with any undertaking to provide any required continuing disclosure.

Underwriting

Stone & Youngberg LLC (the “Underwriter”) is offering the Notes at the yield set forth on the cover page hereof. The initial reoffering yield may be changed from time to time and concessions from the reoffering yield may be allowed to dealers, banks and others. The Underwriter has purchased the Notes at a price equal to \$6,730,125 (98.25%), which amount represents the principal amount of the Notes (\$6,850,000), less an Underwriter’s discount of \$119,875. The Underwriter will pay certain of its expenses relating to the offering.

Additional Information

The summaries and references contained herein with respect to the Indenture, the Notes, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Notes are qualified in their entirety by reference to the form hereof included in the Indenture. Copies of the Indenture are available for inspection during the period of initial offering on the Notes at the offices of the Financial Advisor, Harrell & Company Advisors, LLC, 333 City Boulevard West, Suite 1430, Orange, California 92868, telephone (714) 939-1464. Copies of the Indenture may be obtained after delivery of the Notes from the Agency at 401 East Chapman Avenue, Placentia, California 92870.

References

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

Execution

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

PLACENTIA REDEVELOPMENT AGENCY

By: /s/ Troy L. Butzlaff
Executive Director

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following summary discussion of selected provisions of the Indenture is made subject to all of the provisions thereof. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Notes are referred to the complete text of the Indenture, copies of which are available upon request as described in this Official Statement.

DEFINITIONS

Unless the context otherwise requires, the terms defined in this section shall for all purposes of the Indenture and of the Notes and of any certificate, opinion, report, request or other document therein mentioned have the meanings specified in the Indenture.

“Agency” means the Placentia Redevelopment Agency, a public body, corporate and politic, duly organized and existing under and pursuant to the Law.

“Agency Indebtedness” means any obligation the payment of which is to be made in whole or in part (but if in part, only to the extent of that part) out of taxes allocated to the Agency pursuant to Section 33670 of the Law. For purposes of determining compliance with the covenant contained in the Indenture, as summarized herein under the caption “LIMIT ON INDEBTEDNESS,” the following assumptions shall apply:

(i) the principal and interest remaining to be paid on Agency Indebtedness shall include only such amounts as are scheduled to be paid by the Agency pursuant to the terms of the loan or other form of agreement under which such Agency Indebtedness was incurred. Agency Indebtedness without a stated maturity shall be deemed to mature on the later of the final maturity date of the Notes or the Senior Lien Bonds.

(ii) Amounts scheduled to be paid by the Agency shall include regularly scheduled payments of principal and interest, including, amounts payable pursuant to any mandatory redemption provision.

(iii) Agency Indebtedness bearing interest at a variable rate of interest shall be deemed to accrue interest at the lesser of the maximum rate specified or 12% per annum.

“Authorized Denominations” means \$5,000 principal amount or any integral multiple thereof and any other principal amount or integral multiple thereof as provided in a Supplemental Indenture.

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

A. Cash deposits (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in the next paragraph).

B. Direct obligations of the United States of America (including obligations issued or held in book entry, the principal of and interest on which are unconditionally guaranteed by the United States of America).

C. 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);

1. Export-Import Bank (Eximbank)
Direct obligations of fully guaranteed certificates of beneficial ownership
2. Farmers Home Administration (FHA)
Certificates of beneficial ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
Participation certificates
6. Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA – guaranteed mortgage-backed bonds
GNMA – guaranteed pass-through obligations
7. U.S. Maritime Administration
Guaranteed Title XI financing
8. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. Government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

D. 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):

1. Federal Home Loan Bank System
Senior debt obligations
2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates
Senior debt obligations
3. Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations
4. Student Loan Marketing Association (SLMA or "Sallie Mae")
Senior Debt obligations
5. Resolution Funding Corp. (REFCORP) obligations

E. Money market funds, including those for which the Trustee or any affiliate, provides management, advisory, administrative or other services registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P of "AAAm G," "AAAm," or "AAm" and by Moody's of "Aaa."

F. Certificates of deposit secured at all times by collateral described in (A) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Trustee on behalf of the Owners must have a perfected first security interest in the collateral.

G. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including those with the Trustee.

- H. Investment Agreements.

I. Commercial paper rated, at the time of purchase, “Prime - 1” by Moody’s and “A-1” or better by S&P.

J. Bonds or notes issued by any state or municipality having a rating by S&P of “AAA” and by Moody’s of “Aaa.”

K. Federal funds or banks acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime - 1” or “A3” or better by Moody’s and “A 1” or “A” or better by S&P.

L. Repurchase agreements providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from 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 Trustee in exchange for the securities at a specified date.

Repurchase agreements must satisfy the following criteria.

1. Repurchase Agreements must be between the Agency or Trustee, as applicable, and a dealer bank or securities firm
 - a. Primary dealers on the Federal Reserve reporting dealer list which are rated “A” or better by S&P and Moody’s, or
 - b. Banks rated “A” or above by S&P and Moody’s.
2. Each repurchase agreement contract must be in writing and must include the following:
 - a. Securities which are acceptable for transfer are:
 - (1) Direct U.S. governments, or
 - (2) Federal agencies backed by the full faith and credit of the U.S. government.
 - b. The term of each repurchase agreement may be up to 30 days
 - c. The collateral must be delivered to the Agency or Trustee, as applicable (if Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
 - d. Valuation of Collateral:
 - (1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest.
 - (a) The value of collateral must be equal to 104% of the amount of cash transferred by the Agency or Trustee, as applicable, to the dealer bank or security firm under the repurchase agreement, plus accrued interest.
3. Legal opinion which must be delivered to the Agency and Trustee to the effect that the repurchase agreement meets guidelines under state law for legal investment or public funds.

M. Any state-administered pool investment fund in which the issuer is statutorily permitted or required to invest; provided, that such investment is held in the name and to the credit of the Trustee.

N. Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended; provided that such shares are held in the name and to the credit of the Trustee.

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

“Book Entry Bonds” means Notes registered in the name of the Nominee of a Depository as the Owner thereof pursuant to the terms and provisions of the Indenture.

“Bond Year” means (i) with respect to the initial Bond Year, the period extending from the date the Notes are originally delivered to February 1, 2010, and (ii) thereafter, each twelve month period extending from the day immediately following February 1 in any calendar year to the February 1 in the next following calendar year, all dates inclusive.

“Capitalized Interest Fund” means the fund by that name established pursuant to the Indenture.

“Certificate of the Agency” means an instrument in writing signed by the Chairman, Vice-Chairman, Executive Director, or Treasurer of the Agency, or by any other officer of the Agency duly authorized by the Agency for that purpose.

“City” means the City of Placentia, California.

“Code” means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

“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;

(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.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate dated as February 19, 2009 and executed by the Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Agency and related to the authorization, issuance, sale and delivery of the Notes, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, fees and charges of the Trustee, legal fees and expenses of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals retained by or on behalf of the Agency, initial fees of counsel to the underwriter as

may be agreed by the Agency, and fees and charges for preparation, execution, transportation and safekeeping of the Notes.

“Depository” means the securities depository acting as Depository pursuant to the Indenture.

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

“Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness, or other evidences of indebtedness secured by the full faith and credit of the United States of America; and also any securities now or hereafter authorized both the interest on and principal of which are guaranteed directly by the full faith and credit of the United States of America, as and to the extent that such securities are eligible for the legal investment of Agency funds. The Trustee may rely upon any investment direction of the Agency as a certification that such investments are legal investments for Agency funds.

“First Supplement” means the First Supplemental Indenture of Trust, dated as of February 1, 2009, as amended, modified, supplemented or restated from time to time as permitted by the Senior Lien Indenture.

“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 in writing to the Trustee.

“Indenture” means the Indenture and all Supplemental Indentures.

“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 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, 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.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 55 Broad Street, 28th Floor, New York, New York 10004; Moody’s Investors Service, 5250-77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bond Department; and Standard and Poor’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; or to such other addresses and/or such other services providing information with respect to called bonds as the Agency may designate to the Trustee in writing.

“Interest Payment Date” means each February 1 or August 1 on which interest is due on the Notes, commencing August 1, 2009, as set forth in the Indenture.

“Initial Purchaser” means Oppenheimer Funds Inc A/C California Limited Term Muni Fund, as initial purchaser of the Notes on the date of original issuance thereof.

“Investment Agreement” means an investment agreement or guaranteed investment contract by and between the Trustee and a national or state chartered bank or savings and loan institution (including the Trustee) or other financial institution the long term debt obligations of which are rated “A” or higher by Standard & Poor’s Corporation or “A” or higher by Moody’s Investors Service, in each case without regard to negative modifiers, respecting the 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 1 of Division 24 of the Health and Safety Code of the State of California, as amended), and all laws amendatory thereof or supplemental thereto.

“Letter of Representations” means the letter of the Agency and the Trustee delivered to and accepted by the Depository on or prior to the issuance of Book Entry Bonds setting forth the basis on which the Depository serves as depository for such Book Entry Bonds, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute depository.

“Maturity Date” means February 1, 2014.

“Moody’s” means Moody’s Investors Service, or any rating agency which is a successor thereto.

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

“Notes” means the Placentia Redevelopment Agency Placentia Redevelopment Project 2009 Subordinate Tax Allocation Notes.

“Outstanding” when used as of any particular time with reference to Notes, means (subject to the provisions of the Indenture, as summarized herein under the caption “AMENDMENT OF THE INDENTURE – Disqualified Notes”) all Notes except

- (1) Notes theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Notes paid or deemed to have been paid within the meaning of the Indenture, as summarized herein under the caption “DEFEASANCE – Discharge of Indebtedness”; and
- (3) Notes in lieu of or in substitution for which other Notes shall have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture.

“Owner” means the registered owner of any Outstanding Note.

“Participants” shall mean those broker dealers, banks and other financial institutions from time to time for which the Depository holds Book Entry Bonds as securities depository.

“Plan Limit” means the limitation contained in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan.

“Principal Corporate Trust Office” means the corporate trust office of the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, provided, however, for transfer, registration, exchange, payment and surrender of Notes means care of the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota or such other office designated by the Trustee from time to time.

“Principal Payment Date” means any date on which principal on the Notes is scheduled to be paid pursuant to the Indenture.

“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 project area described in the Redevelopment Plan.

“Record Date” means the 15th day of the month next preceding each Interest Payment Date, whether or not such day is a business day.

“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 on July 19, 1983, as amended by the adoption of Ordinance No. 90-0-115, adopted by the City Council of the City on June 26, 1990 and as amended by the adoption of Ordinance No. O-2004-03, adopted by the City Council of the City on May 18, 2004, together with all further amendments thereto hereafter made in accordance with the Law and the Indenture.

“Revenues” shall have the meaning set forth in the Senior Lien Indenture. In the Senior Lien Indenture, “Revenues” means the portion of Tax Increment Revenues, excluding the Housing Set-Aside Amounts 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, to be deposited into the Special Fund.

“Securities Depositories” shall mean: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 277 4039 or 4190; or to such other addresses and/or such other securities depositories as the Agency may designate to the Trustee in writing.

“Senior Lien Indenture” means the Indenture of Trust, dated as of January 1, 2002, by and between the Agency and the Senior Trustee, as amended by the First Supplement and as it may from time to time be further amended or supplemented by all supplemental indentures executed pursuant to the provisions thereof.

“Senior Parity Debt” means the Senior Lien Bonds such other bonds as may be hereafter issued and outstanding under the Senior Lien Indenture, and to which the pledge of Subordinate Tax Revenues for the payment of the Notes is subordinate.

“Senior Trustee” means U.S. Bank, N.A., also known as U.S. Bank National Association, a national banking association organized and existing under the laws of the United States, and its successors and assigns, or any other corporation or association which may at any time be substituted in its place, as provided in the Senior Lien Indenture.

“S&P” means Standard & Poor’s Rating Group, or any rating agency which is a successor thereto.

“Subordinate Tax Revenues” means (i) prior to the discharge of the Senior Obligations in accordance with the Senior Lien Indenture, all of the Revenues deposited in the Special Fund established under the Senior Lien Indenture; provided that such Revenues are permitted to be treated as surplus under Senior Lien Indenture and the First Supplement, (ii) following the discharge of the Senior Obligations, all Revenues and (iii) all interest, profits and other income received from the investment of amounts held by the Trustee under the Indenture, and in each case

excluding amounts, if any, payable pursuant to Tax Sharing Statutes (other than the amounts which may be owed to the City under such Tax Sharing Statutes).

“Supplemental Indenture” means any indenture then in full force and effect which has been entered into 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 Tax Certificate dated the date of the original delivery of the Notes relating to the requirements of the Code, as each such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

“Tax Increment Revenues” shall have the meaning set forth in the Senior Lien Indenture. In the Senior Lien Indenture, “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 XIV 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.

“Tax Sharing Agreements” means the following agreements: (i) the Agreement by and between the Orange County Vector Control District and the Redevelopment Agency of the City of Placentia concerning Amendment No. 1 to the Placentia Redevelopment Project dated as of July 3, 1990, (ii) the Agreement by and among the County of Orange, the Orange County Flood Control District, and the Redevelopment Agency of the City of Placentia concerning Amendment No. 1 to the Placentia Redevelopment Project dated as of December 4, 1990, (iii) the Agreement by and between the Orange County Water District and the Redevelopment Agency of the City of Placentia concerning Amendment No. 1 to the Placentia Redevelopment Project dated as of December 5, 1990, (iv) the Agreement by and between the North Orange County Community College District and the Redevelopment Agency of the City of Placentia concerning Amendment No. 1 to the Placentia Redevelopment Project dated as of December 18, 1990, (v) the Agreement by and between the Orange County Superintendent of Schools and the Redevelopment Agency of the City of Placentia concerning Amendment No. 1 to the Placentia Redevelopment Project dated as of March 19, 1991, and (vi) the Agreement by and between the Placentia-Yorba Linda Unified School District and the Redevelopment Agency of the City of Placentia concerning Amendment No. 1 to the Placentia Redevelopment Project dated as of December 7, 1993.

“Tax Sharing Statutes” means Section 33607.5 and Section 33607.7 of the Law.

“Trustee” means such trustee at its principal corporate trust office in Los Angeles, California, as may be appointed by the Agency and acting as an independent trustee with the duties and powers provided in the Indenture, and its successors and assigns, or any other corporation or association which may at any time be substituted in its place, as provided in the Indenture, as summarized herein under the caption “THE TRUSTEE – Appointment of Trustee.”

“Written Request of the Agency” means an instrument in writing signed by the Chairman, Vice-Chairman, Executive Director or Treasurer of the Agency, or by any other officer of the Agency duly authorized by the Agency for that purpose.

NOTE PROVISIONS

Transfer and Registration of Notes. Any Note may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the Indenture, by the person in whose name it is registered, in person or by their duly authorized attorney, upon surrender of such Note for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed.

Whenever any Note or Notes shall be surrendered for transfer, the Agency shall execute and the Trustee shall authenticate and deliver a new Note or Notes for a like aggregate principal amount of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

The Trustee shall not be required to issue, register the transfer of or exchange any Note during the fifteen (15) days preceding any date established by the Trustee for selection of Notes for redemption or any Notes which have been selected for redemption.

Exchange of Notes. The Notes may be exchanged at the Principal Corporate Trust Office for a like aggregate principal amount of Notes of the same maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No such exchange shall be required to be made during the fifteen (15) days preceding any date established by the Trustee for selection of Notes for redemption or any Notes which have been selected for redemption.

Note Registration Books. The Trustee will keep at the Principal Corporate Trust Office sufficient books for the registration and transfer of the Notes, which shall at all times be open to inspection by the Agency during regular business hours with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Notes on said books as provided in the Indenture.

Mutilated, Destroyed, Stolen or Lost Notes. In case any Note shall become mutilated in respect of the body of such Note, or shall be believed by the Agency to have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Agency and the Trustee, and upon the surrender of such mutilated Note at the Principal Corporate Trust Office, or upon the receipt of evidence satisfactory to the Agency and the Trustee of such destruction, theft or loss, and upon receipt also of indemnity satisfactory to the Agency and the Trustee, and upon payment of all expenses incurred by the Agency and the Trustee in the premises, the Agency shall execute and the Trustee shall authenticate and deliver at said Principal Corporate Trust Office a new Note or Notes of the same maturity and for the same aggregate principal amount, of like tenor and date, with such notations as the Agency shall determine, in exchange and substitution for and upon cancellation of the mutilated Note, or in lieu of and in substitution for the Note so destroyed, stolen or lost.

If any such destroyed, stolen or lost Note shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the Agency upon receipt by the Trustee and the Agency of like proof, indemnity and payment of expenses.

Any such replacement Notes issued pursuant to this section shall be entitled to equal and proportionate benefits with all other Notes issued under the Indenture. The Agency and the Trustee shall not be required to treat both the original Note and any replacement Note as being Outstanding for the purpose of determining the principal amount of Notes which may be issued under the Indenture or for the purpose of determining any percentage of Notes Outstanding under the Indenture, but both the original and replacement Note shall be treated as one and the same.

Temporary Notes. Until definitive Notes shall be prepared, the Agency may cause to be executed and delivered in lieu of such definitive Notes and subject to the same provisions, limitations and conditions as are applicable in the case of definitive Notes, except that they may be in any denominations authorized by the Agency, one or more temporary typed, printed, lithographed or engraved Notes in fully registered form, as may be authorized by the Agency, substantially of the same tenor and, until exchange for definitive Notes, entitled and subject to the same benefits and provisions of the Indenture as definitive Notes. If the Agency issues temporary Notes it will execute and furnish definitive Notes without unnecessary delay and thereupon the temporary Notes may be surrendered to the Trustee at the Principal Corporate Trust Office, without expense to the Owner in exchange for such definitive Notes. All temporary Notes so surrendered shall be canceled by the Trustee and shall not be reissued.

Validity of Notes. The validity of the authorization and issuance of the Notes shall not be affected in any way by any proceedings taken by the Agency for the financing or refinancing of the Project, or by any contracts made by the Agency in connection therewith, and shall not be dependent upon the completion of the financing or refinancing of the Project or upon the performance by any person of their obligation with respect to the Project, and the recital contained in the Notes that the same are issued pursuant to the Law shall be conclusive evidence of their validity and of the regularity of their issuance.

Book Entry System. Prior to the issuance of Notes under the Indenture, the Agency may provide that such Notes shall be initially issued as Book Entry Bonds, and in such event, each maturity shall be in the form of a separate single fully registered Note (which may be typewritten). Upon initial issuance, the ownership of each such Note shall be registered in the bond register in the name of the Nominee, as nominee of the Depository.

With respect to Book Entry Bonds, the Agency and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such Book Entry Bonds. Without limiting the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in Book Entry Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the bond register, of any notice with respect to Book Entry Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in Book Entry Bonds to be redeemed in the event the Agency redeems such in part, or (iv) the payment of any Participant or any other person, other than an Owner as shown in the bond register, of any amount with respect to principal of, premium, if any, or interest on Book Entry Bonds. The Agency and the Trustee may treat and consider the person in whose name each Book Entry Bond is registered in the bond register as the absolute Owner of such Book Entry Bond for the purpose of payment of principal, premium and interest with respect to such Note, for the purpose of giving notices of redemption and other matters with respect to such Note, for the purpose of registering transfers with respect to such Note, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Notes only to or upon the order of the respective Owner, as shown in the bond register, or their respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Agency's obligations with respect to payment of principal of, premium, if any, and interest on the Notes to the extent of the sum or sums so paid. No person other than an Owner, as shown in the bond register, shall receive a Note evidencing the obligation of the Agency to make payments of principal, premium, if any, and interest pursuant to the Indenture. Upon delivery by the Depository to the Owner, Trustee and Agency of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions of the Indenture with respect to record dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

In order to qualify the Book Entry Bonds for the Depository's book entry system, the Agency and the Trustee (if required by the Depository) shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Agency or the Trustee any obligation whatsoever with respect to persons having interests in such Book Entry Bonds other than the Owners, as shown on the bond register. By executing a Letter of Representations, the Trustee shall agree to take all action necessary for all representations of the Trustee in such Letter of Representations to at all times be complied with. In addition to the execution and delivery of a Letter of Representations, the Agency and the Trustee, at the Agency's request, shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify Book Entry Bonds for the Depository's book entry program.

In the event (i) the Depository determines not to continue to act as securities depository for Book Entry Bonds, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the Agency will discontinue the book entry system with the Depository. If the Agency determines to replace the Depository with another qualified securities depository, the Agency shall prepare or direct the preparation of a new single, separate, fully registered Note for each of the maturities of such Book Entry Bonds, registered in the name of such successor or substitute qualified securities depository or its nominee. If the Agency fails to identify another qualified securities depository to replace the Depository, then the Notes shall no longer be restricted to being registered in such bond register in the name of the Nominee, but shall be registered in whatever name or names Owners transferring or exchanging such Notes shall designate, in accordance with provisions of the Indenture.

Notwithstanding any other provision of the Indenture to the contrary, so long as any Book Entry Bond is registered in the name of the Nominee, all payments with respect to principal of, premium, if any, and interest on such Note and all notices with respect to such Note shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

LIMIT ON INDEBTEDNESS

The Agency covenants with the Owners of all of the Notes at any time Outstanding that it will not enter into any Agency Indebtedness or make any expenditure payable from taxes allocated to the Agency under the Law the payments of which, together with payments theretofore made or to be made with respect to other Agency Indebtedness (including, but not limited to the Notes) previously entered into by the Agency, would exceed the then effective limit on the amount of taxes which can be allocated to the Agency pursuant to the Law and the Redevelopment Plan.

In furtherance of this covenant, the Agency agrees that it will not allow the aggregate amount of annual debt service remaining to be paid on all outstanding Agency Indebtedness to exceed 95 percent of the aggregate amount of Revenues which the Agency is permitted to receive under the Redevelopment Plan.

If the Agency is in compliance with all covenants set forth in the Indenture, the Agency may within the Plan Limit for any purpose issue or incur obligations having a lien on the Subordinate Tax Revenues which is subordinate to the pledge of the Subordinate Tax Revenues to the Notes.

SUBORDINATE TAX REVENUES; CREATION OF FUNDS

Pledge of Subordinate Tax Revenues. All the Subordinate Tax Revenues and all money in the Subordinate Revenue Fund, established under the Indenture, and in the funds or accounts so specified and provided for in the Indenture (except the Redevelopment Fund and the Rebate Fund), are, in the Indenture, irrevocably pledged to the punctual payment of the principal of, premium, if any, and interest on the Notes, and the Subordinate Tax Revenues and such other money shall not be used for any other purpose while any of the Notes remain Outstanding; subject to the provisions of the Indenture permitting application thereof for the purposes and on the terms and conditions set forth in the Indenture. This pledge shall constitute a first and exclusive lien on the Subordinate Tax Revenues and such other money for the payment of the Notes in accordance with the terms thereof.

All payments due under the Tax Sharing Agreements are subordinated to the payment of the Notes by the terms of the Tax Sharing Agreements. Amounts payable pursuant to the Tax Sharing Statutes have not been subordinated to the payment of the Notes, except for amounts payable to the City.

Subordinate Revenue Fund; Subordinate Debt Service Fund; Receipt and Deposit of Subordinate Tax Revenues. There is, in the Indenture, established a special fund to be known as the “Placentia Redevelopment Agency, Placentia Redevelopment Project, Subordinate Tax Revenue Account of the Special Fund” (herein the “Subordinate Revenue Fund”) which shall be held by the Agency. The Agency shall promptly deposit all of the Subordinate Tax Revenues received in any Bond Year in the Subordinate Revenue Fund, until such time during such Bond Year as the amounts on deposit in the Subordinate Revenue Fund equal the aggregate amounts required to be transferred to the Trustee for deposit into the Subordinate Debt Service Fund in such Bond Year pursuant to this section, excluding capitalized interest to be transferred pursuant to the Indenture. So long as any Notes remain Outstanding under the Indenture, the Agency shall not have any beneficial interest in or right to the moneys on deposit in the Subordinate Revenue Fund, except as may be provided in the Indenture.

There is, in the Indenture, established a special fund to be known as the “Placentia Redevelopment Agency, Placentia Redevelopment Project, Subordinate Tax Allocation Notes Debt Service Fund” (herein the “Subordinate Debt Service Fund”) which shall be held by the Trustee. On or before five (5) days preceding each Interest Payment Date, the Agency shall transfer from the Subordinate Revenue Fund to the Trustee for deposit in the Subordinate Debt Service Fund an amount equal to the amount required to be transferred by the Trustee from the Subordinate Debt Service Fund to the Interest Account and the Principal Account; provided, that the Agency shall not be obligated to transfer to the Trustee in any Bond Year an amount of Subordinate Tax Revenues which, together with other available amounts then in the Subordinate Debt Service Fund, including capitalized interest to be transferred pursuant to the Indenture, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account and the Principal Account in such Bond Year, pursuant to the Indenture, as summarized herein under the caption “SUBORDINATE TAX REVENUES; CREATION OF FUNDS – Establishment and Maintenance of Accounts for Use of Moneys in the Subordinate Debt Service Fund.” There shall not be deposited with the Trustee any taxes eligible for allocation to the Agency for deposit in the Subordinate Debt Service Fund in an amount in

excess of that amount which, together with all money then on deposit with the Trustee in the Subordinate Debt Service Fund and the accounts therein, shall be sufficient to discharge all Outstanding Notes as provided in the Indenture, as summarized herein under the caption “DEFEASANCE – Discharge of Indebtedness.”

All such Subordinate Tax Revenues deposited in the Subordinate Revenue Fund shall 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.

Establishment of the Redevelopment Fund, Subordinate Expense Fund and the Capitalized Interest Fund. In addition to the Subordinate Revenue Fund and the Subordinate Debt Service Fund, there are to be created a special trust fund to be held by the Agency called the “Placentia Redevelopment Agency, Placentia Redevelopment Project Redevelopment Fund” (the “Redevelopment Fund”) and a special trust fund to be held by the Trustee called the “Placentia Redevelopment Agency, Placentia Redevelopment Project Subordinate Expense Fund” (the “Subordinate Expense Fund”). The Redevelopment Fund may be consolidated with any other similar fund or account established for the purposes described in the Indenture, as summarized herein under the caption “SUBORDINATE TAX REVENUES; CREATION OF FUNDS – Redevelopment Fund”; provided, that proceeds of Notes deposited in such fund shall be separately accounted for to the extent appropriate or as required by any Tax Certificate.

The Trustee shall establish, maintain and hold in trust the “Capitalized Interest Fund.” So long as any moneys remain in the Capitalized Interest Fund, on or before five (5) days preceding each Interest Payment Date, the Trustee shall transfer amounts from the Capitalized Interest Fund to the Subordinate Debt Service Fund and from there to the Interest Account in the amounts needed, together with available Subordinate Tax Revenues, to pay the interest coming due and payable on such Interest Payment Date on the Notes. The proceeds deposited to the Capitalized Interest Fund, together with the earnings thereon, will be used to pay interest on the Notes through and including February 1, 2012.

So long as any of the Notes authorized under the Indenture, or any interest thereon, remain unpaid, the moneys in the foregoing funds shall be used for no purpose other than those required or permitted by the Indenture and the Law.

Redevelopment Fund. Moneys in the Redevelopment Fund shall be used and disbursed in the manner provided by law for the purpose of aiding in financing or refinancing the 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 or refinancing. Any balance of money remaining in the Redevelopment Fund after the date of completion of the financing or refinancing of the Project shall be deposited in the Subordinate Revenue Fund; provided, however, if such balance is in excess of \$25,000, such money remaining in the Redevelopment Fund after the date of completion of the financing or refinancing of the Project shall be deposited in the Subordinate Debt Service Fund to be applied on the next Interest Payment Date to the redemption of the Notes. The Agency warrants under the Indenture that each withdrawal from the Redevelopment Fund shall be made in the manner provided by law for the purpose of aiding in financing or refinancing the Project or for making reimbursements to the Agency for such costs theretofore paid by the Agency.

Subordinate Expense Fund. All moneys in the Subordinate Expense Fund shall be withdrawn and applied by the Agency to pay Costs of Issuance for the Notes, upon submission of one or more Requisitions of the Agency filed with the Trustee. Each such Requisition shall be sequentially numbered, shall state the person to whom payment shall be made, the amount to be paid, the purpose for which such obligation was incurred, and that such payment is a proper charge against said account of said fund. All moneys remaining in the Subordinate Expense Fund on the date six months after the Closing Date shall be transferred to the Agency and deposited by the Agency in the Redevelopment Fund established pursuant to the Indenture, as summarized herein under the caption “SUBORDINATE TAX REVENUES; CREATION OF FUNDS – Establishment the Redevelopment Fund, Subordinate Expense Fund and the Capitalized Interest Fund,” and pending such transfer and application, the moneys in such Fund may be invested as permitted by the Indenture, as summarized herein under the caption “SUBORDINATE TAX REVENUES; CREATION OF FUNDS – Investment of Moneys in Funds and Accounts.”

Establishment and Maintenance of Accounts for Use of Moneys in the Subordinate Debt Service Fund.

All moneys in the Subordinate Debt Service Fund shall be set aside by the Trustee in each Bond Year when and as received in the following respective special accounts within the Subordinate Debt Service Fund (each of which is, in the Indenture, created and each of which the Agency, in the Indenture, covenants and agrees to cause to be maintained with the Trustee), in the following order of priority (except as otherwise provided in subsection (2) below):

(1) *Interest Account.* The Trustee shall set aside from the Subordinate Debt Service 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 Notes on the Interest Payment Dates in such Bond Year. 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 Notes on the Interest Payment Dates in such Bond Year. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Notes as it shall become due and payable (including accrued interest on any Notes purchased or redeemed prior to maturity).

(2) *Principal Account.* The Trustee shall set aside from the Subordinate Debt Service Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate principal amount becoming due and payable on all Outstanding Notes on the Principal Payment Date in such Bond Year.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Notes, as applicable, as they shall become due and payable, whether at maturity or redemption.

No deposit need be made into the Principal Account if the amount contained therein is at least equal to the aggregate principal amount of all Outstanding Notes becoming due and payable on the Principal Payment Date in such Bond Year.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Notes as they shall become due and payable.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Notes maturing by their terms on such Principal Payment Date.

(3) *Surplus.* If during any Bond Year (i) Subordinate Tax Revenues remain in the Subordinate Debt Service Fund after providing (or otherwise reserving) for all deposits required by paragraphs (1) through (2) above during such Bond Year, and (ii) the Agency is not in default under the Indenture, then the Trustee shall transfer any amount remaining on deposit in the Subordinate Debt Service Fund to the Agency to be used for any lawful purpose of the Agency.

Investment of Moneys in Funds and Accounts. Upon the written direction of the Agency, received by the Trustee at least two (2) business days prior to such investment, moneys in the Subordinate Debt Service Fund, the Interest Account, the Principal Account, the Subordinate Expense Fund, the Capitalized Interest Fund and the Rebate Fund shall be invested by the Trustee in Authorized Investments. In the absence of such instructions the Trustee shall invest in the investments described in paragraph (E) of the definition of Authorized Investments, except as otherwise provided in this section. The obligations in which moneys in the Subordinate Debt Service Fund, the Capitalized Interest Fund, the Interest Account, and the Principal Account are so invested shall mature prior to the date on which such moneys are estimated to be required to be paid out under the Indenture. Any interest, income or profits from the deposits or investments of all funds (except the Subordinate Revenue Fund, Redevelopment Fund, Subordinate Expense Fund, Capitalized Interest Fund and Rebate Fund) and accounts shall be deposited in the Subordinate Debt Service Fund. All earnings on amounts in the Subordinate Revenue Fund, Subordinate Expense Fund, Redevelopment Fund, Capitalized Interest Fund and Rebate Fund shall remain in such funds. For purposes of determining the amount on deposit in any fund or account held under the Indenture, all Authorized Investments credited to such fund or account shall be valued at the cost thereof (excluding accrued interest and brokerage commissions, if any). Except as otherwise provided in this section, Authorized Investments

representing an investment of moneys attributable to any fund or account and all investment profits or losses thereon shall be deemed at all times to be a part of said fund or account. Amounts deposited in the Subordinate Revenue Fund and the Redevelopment Fund may be invested in any investment permitted by law for Agency funds.

The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of investments under the Indenture. The Trustee may commingle moneys in any of the funds or accounts created under the Indenture for purposes of investment. The Trustee may conclusively rely on the instructions of the Agency that the Authorized Investment is a legal investment under the laws of the State of California for such purposes. Absent negligence, bad faith or willful misconduct by the Trustee, the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this section.

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

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

COVENANTS OF THE AGENCY

Punctual Payment. The Agency will punctually pay the interest on and principal of and redemption premiums, if any, to become due with respect to the Notes, in strict conformity with the terms of the Notes and of the Indenture and will faithfully satisfy, observe and perform all conditions, covenants and requirements of the Notes and of the Indenture.

Against Encumbrances. The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Subordinate Tax Revenues, except as provided in the Indenture, and will not issue any obligation or security superior to or on a parity with the Notes payable in whole or in part from the Subordinate Tax Revenues.

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 Notes 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 Notes 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 Subordinate Tax Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Notes; 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 Subordinate Revenue Fund. Such books of record

and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less than ten percent (10%) of the aggregate principal amount of the Notes then Outstanding or their representatives authorized in writing.

The Agency will prepare and file with the Trustee annually as soon as practicable, but in any event not later than two hundred ten (210) days after the close of each Fiscal Year, so long as any Notes 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 Trustee annually as soon as practicable, but in any event not later than two hundred ten (210) 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 Owner upon request. The Trustee is, in the Indenture, authorized to furnish and the Agency will furnish to the Trustee such reasonable number of copies of such audited financial statement and such summary statement as may be required by the Trustee for distribution (at the expense of the Agency) to investment bankers, security dealers and others interested in the Notes. The Trustee shall have no duty or responsibility to review such financial statements or summary statements.

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

Payment of Taxes and Other Charges. Subject to the provisions of the Indenture, as summarized herein under the caption "COVENANTS OF THE AGENCY – Taxation of Leased Property," 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 Project. The Agency will commence the financing of the Project to be aided with the proceeds of the Notes 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 Project as soon as possible.

Taxation of Leased Property. Whenever any property in the Project is redeveloped by the Agency 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, 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 thirty (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 Tax Revenues.

Disposition of Property in Project Area. Except as provided below, 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 ten percent (10%) of the assessed valuation of property 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 ten percent (10%) of the assessed valuation of property in the Project Area, it shall cause to be filed with the Trustee a Consultant's Report on the effect of such proposed disposition. If the Consultant's Report concludes that the Tax Revenues will not be materially reduced by such proposed disposition, the Agency may proceed with such proposed disposition. If the Consultant's Report concludes that Subordinate Tax Revenues will be materially reduced by such proposed disposition, the Agency shall not proceed with such proposed disposition unless, as a condition precedent to such proposed disposition, the Agency shall require that such new owner or owners either:

(1) Pay to the Agency, so long as any of the Notes are Outstanding, an amount equal to the amount that would have been received by the Agency and deposited with the Trustee as Subordinate Tax Revenues if such property were assessed and taxed in the same manner as privately owned non exempt property, which payment shall be made within thirty (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 and certified to the Agency and Trustee by an Independent Redevelopment Consultant to be receivable from taxes on such property from the date of such payment to the last maturity date of all Outstanding Notes, less a reasonable discount value.

All such payments to the Agency in lieu of taxes shall be treated for all purposes as Tax Revenues.

Amendment of Redevelopment Plan. If the Agency proposes to amend the Redevelopment Plan, it shall cause to be filed with the Trustee a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that Subordinate Tax Revenues will not be materially reduced by such proposed amendment, the Agency may adopt such amendment. If the Consultant's Report concludes that Subordinate Tax Revenues will be materially reduced by such proposed amendment, the Agency shall not adopt such proposed amendment.

Tax Revenues. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Orange County. The Agency shall, in addition, comply with all requirements of the Law relating to the deposit of tax revenues allocated to the Agency from the Project Area in the Low and Moderate Income Housing Fund, established by the Agency pursuant to Section 33334.3 of the Law.

Investment Agreement. The Agency covenants that it will not modify or amend any Investment Agreement without first obtaining an opinion of nationally recognized bond counsel to the effect that the proposed modification or amendment will not constitute a violation of the Indenture, as summarized herein under the caption "SUBORDINATE TAX REVENUES; CREATION OF FUNDS – Investment of Moneys in Funds and Accounts" or cause interest on the Notes to be included in gross income for federal income tax purposes.

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

Tax Covenants; Rebate Fund.

(a) In addition to the accounts created pursuant to the Indenture, as summarized herein under the caption "SUBORDINATE TAX REVENUES; CREATION OF FUNDS," the Trustee shall establish and maintain with respect to the Notes issued under the Indenture a fund separate from any other fund or account established and maintained under the Indenture designated as the "Series 2009 Note Rebate Fund" hereinafter in this section referred to as the "Rebate Fund." Upon the written direction of the Agency, there shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as

defined in the Tax Certificate), for payment to the United States of America. Notwithstanding the provisions of the Indenture, as summarized herein under the captions “SUBORDINATE TAX REVENUES; CREATION OF FUNDS – Pledge of Subordinate Tax Revenues,” “– Subordinate Revenue Fund; Subordinate Debt Service Fund; Receipt and Deposit of Subordinate Tax Revenues” and “– Investment of Moneys in Funds and Accounts” and under the caption “DEFEASANCE – Discharge of Indebtedness” relating to the pledge of Subordinate Tax Revenues, the allocation of money in the Subordinate Revenue Fund, the investments of money in any fund or account and the defeasance of Outstanding Notes, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this section and by the Tax Certificate (which is incorporated in the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the Written Request of the Agency, and shall have no liability or responsibility to enforce compliance by the Agency with the terms of the Tax Certificate or any of the covenants of the Agency in this section.

(b) The Agency shall not use or permit the use of any proceeds of Notes 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 the Notes to be “arbitrage bonds” within the meaning of Section 148 of the Code of “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(d) of the Code to the extent applicable to the Notes. In the event that at any time the Agency is of the opinion that for purposes of this paragraph (b) it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Agency shall so instruct the Trustee under the Indenture in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

The Agency shall not use or permit the use of any proceeds of the Notes 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 Notes to be treated as an obligation not described in Section 103(a) of the Code.

(c) Notwithstanding any provisions of this section, if the Agency shall provide to the Trustee an opinion of nationally recognized bond counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest with respect to the Notes, the Trustee and the Agency may conclusively rely on such opinion in complying with the requirements of this section, and, notwithstanding the terms of the Indenture, as summarized herein under the caption “AMENDMENT OF THE INDENTURE,” the covenants under the Indenture shall be deemed to be modified to that extent.

Agreements with Other Taxing Agencies. So long as the Notes are Outstanding, the Agency shall not enter into any agreement or amend any existing agreement with any other taxing agency (i) entered into pursuant to Section 33401 of the Law or (ii) which operates as a waiver of the Agency’s right to receive Tax Increment Revenues under the Redevelopment Plan, unless the Agency’s obligations under such agreement are made expressly subordinate and junior to the Agency’s obligations under the Indenture and the Notes.

Continuing Disclosure. The Agency, in the Indenture, covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an event of default under the Indenture; provided, however, that the Trustee may (and, at the written direction of any underwriter or the Owners of at least 25% aggregate principal amount of Notes, shall but only to the extent indemnified to its satisfaction from and against any liability or expense) or any Owner or beneficial owner of the Notes may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Issuance of Take Out Bonds; Right of First Refusal of Short-term Refinancing. Subject in all cases to the Law, the Indenture, as summarized herein under the caption “SUBORDINATE TAX REVENUES; CREATION OF FUNDS – Pledge of Subordinate Tax Revenues” and as permitted by law, the Agency shall use its best efforts to issue, on or prior to the Maturity Date, its bonds, notes or other obligations to be paid in whole or in part out of taxes allocated to the Agency pursuant to Section 33670 of the Law in an amount sufficient, together with other legally

available funds of the Agency, to repay when due any Outstanding Notes or otherwise to make provision for maturing principal of the Notes on or before such Maturity Date.

In the event the Agency shall determine to issue, on or prior to the Maturity Date, short-term notes or similar short-term obligations with a maturity of 5 years or less (the "Short Term Refinancing") to be paid in whole or in part out of taxes allocated to the Agency pursuant to Section 33670 of the Law to repay the Outstanding Notes on or before such Maturity Date, the Agency shall, subject to the Law and other applicable provisions of law, cause the underwriter or underwriters of such Short Term Refinancing (the "Underwriter") to provide to the Initial Purchaser, on a best efforts basis, with an offering memorandum for such Short Term Refinancing at least three business days in advance of the proposed pricing date. On or before 9:00 a.m. (Pacific Standard Time) on the pricing date, the Agency shall cause the Underwriter to notify the Initial Purchaser of the then current market interest rate for the Short Term Refinancing as determined by the Underwriter in its sole and reasonable judgment, which rate must be acceptable to Bond Counsel, the Financial Advisor, if any, and the Agency. The Initial Purchaser shall have 30 minutes from receipt (telephonic, electronic, facsimile or written) of the proposed rate from the Underwriter to accept such rate and purchase a par amount of the Short Term Refinancing equal in amount to the principal amount of the Notes owned by the Initial Purchaser (the "Right of First Refusal"). In the event that the par amount of the Short Term Refinancing is less than or greater than the par amount of the Notes, the Initial Purchaser's participation shall be proportionate based on the par amount of the Notes originally issued and the par amount owned by the Initial Purchaser. If the Initial Purchaser fails to respond within 30 minutes or elects not to purchase the Short Term Refinancing at the price quoted by the Underwriter, the Right of First Refusal shall terminate with respect to the Initial Purchaser. Such right of first refusal shall not run to subsequent purchasers of the Notes and shall not be assignable by Initial Purchaser.

Limitation on the Issuance of Senior Parity Debt and Notes. If and for so long as any Notes are Outstanding, the Agency shall not issue bonds, notes or other obligations to be paid in whole or in part out of taxes allocated to the Agency pursuant to Section 33670 of the Law for any purpose other than to retire the Notes or to reduce annual debt service on the Senior Lien Bonds. All net proceeds of any such bonds, notes or other obligations to be paid in whole or in part out of taxes allocated to the Agency pursuant to Section 33670 of the Law issued while Notes are Outstanding shall be used solely for the purpose of retiring Notes and/or or to reduce annual debt service on the Senior Lien Bonds. Notwithstanding any other provision of this section, the Agency may issue bonds, notes or other obligations to be paid in whole or in part out of taxes allocated to the Agency pursuant to Section 33670 of the Law, the net proceeds of which are in excess of the amount required to redeem in full the principal of and interest on all Notes then Outstanding, and use such excess proceeds for the purposes set forth in the respective trust indenture; provided the Notes are redeemed in full from the proceeds of such bonds, notes or other obligations.

THE TRUSTEE

Appointment of Trustee. U.S. Bank National Association, a national banking association organized and existing under and by virtue of the laws of the United States, is appointed Trustee by the Agency for the purpose of receiving all moneys required to be deposited with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture. The Agency agrees that it will maintain a Trustee having a corporate trust office in the State, with a combined capital and surplus, or a member of a bank holding company system the lead bank of which shall have a combined capital and surplus, of at least \$50,000,000, and subject to supervision or examination by Federal or State authority, so long as the Notes are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is authorized to pay the principal of and interest and redemption premium (if any) on the Notes when duly presented for payment at maturity, or on redemption prior to maturity, and to cancel all Notes upon payment thereof. The Trustee shall keep accurate records of all funds and accounts administered by it and of all Notes paid and discharged.

Acceptance of Trusts. The Trustee, in the Indenture, accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(b) Whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action under the Indenture, the Trustee (unless other evidence is specifically prescribed under the Indenture) may, in the absence of bad faith on its part, rely upon a Certificate of the Agency.

(c) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(d) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order bond or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(e) The Trustee, prior to the occurrence of an Event of Default under the Indenture and after the curing or waiving of all such Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no covenants of or against the Trustee shall be implied in the Indenture. In case an Event of Default under the Indenture has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by the Indenture, and shall use the same degree of care and skill in the exercise of such rights and powers as a prudent person would exercise or use under the circumstances in the conduct of their own affairs.

(f) The Trustee may execute any of the trusts or powers under the Indenture and perform the duties required of it under the Indenture either directly or by or through attorneys or agents, shall not be liable for the acts or omissions of such attorneys or agents appointed with due care, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Indenture. The Trustee may conclusively rely on an opinion of counsel as full and complete authorization and protection for any action taken, suffered or omitted by it under the Indenture.

(g) The Trustee shall not be responsible for any recital in the Indenture or in the Notes, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Notes issued under the Indenture or intended to be secured and makes no representation as to the validity or sufficiency of the Notes or the Indenture. The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Agency under the Indenture. The Trustee shall not be responsible for the application by the Agency of the proceeds of the Notes.

(h) The Trustee may become the Owner or pledgee of Notes secured, under the Indenture, with the same rights it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Agency with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in the capacity with respect to, any committee formed to protect the rights of Owners of Notes, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Notes then Outstanding.

(i) The Trustee may rely and shall be protected in acting or refraining from acting, in good faith and without negligence, upon any notice, resolution, opinion, report, direction, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and to have been signed or presented by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to the Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Note, shall be conclusive and binding upon all future Owners of the same Note and upon Notes issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Note or to take any action at their request unless the ownership of Note by such person shall be reflected on the Registration Books.

(j) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(k) The Trustee shall not be required to take notice or to be deemed to have notice of any Event of Default under the Indenture except failure by the Agency to make any of the payments to the Trustee required to be made by the Agency pursuant to the Indenture, unless the Trustee shall be specifically notified in writing of such default by the Agency, by the Owners of at least 25% in aggregate principal amount of the Notes then Outstanding and all notice or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Corporate Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default under the Indenture except as aforesaid.

(l) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right fully to inspect all books, papers and records of the Agency pertaining to the Notes, and to make copies of any of such books, papers and records which are not privileged by statute or by law.

(m) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises of the Indenture.

(n) Notwithstanding anything elsewhere in the Indenture with respect to the execution of any Notes, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Agency to the execution of any Notes, the withdrawal of any cash or the taking of any other action by the Trustee.

(o) All moneys received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(p) Whether or not expressly provided therein, every provision of the Indenture relating to the conduct or affecting the liability of the Trustee shall be subject to the provisions of this section.

(q) No implied covenants or obligations shall be read into the Indenture against the Trustee.

(r) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Notes.

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

Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered under the Indenture and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default under the Indenture, but only upon any Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Note upon the amounts held under the Indenture for the foregoing fees, charges and expenses incurred by it. Any amounts advanced by the Trustee under the Indenture shall be reimbursed, together with interest thereon at the maximum rate allowed by law.

Notice to Note Owners of Default. If an Event of Default under the Indenture occurs with respect to any Notes of which the Trustee has been given or is deemed to have notice, as provided in the Indenture, as summarized herein in paragraph (k) under the caption "THE TRUSTEE – Acceptance of Trusts," then the Trustee shall, within 30 days of the receipt of such notice, give written notice thereof by first class mail to the Owner of each such Note,

unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Agency to make any payment when due, the Trustee may elect not to give such notice to the Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Note Owners not to give such notice.

Intervention by Trustee. In any judicial proceeding to which the Agency is a party that, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Notes under the Indenture, the Trustee may intervene on behalf of such Note Owners, and subject to the Indenture, as summarized herein in paragraph (c) under the caption “THE TRUSTEE – Acceptance of Trusts,” shall do so if requested in writing by the Owners of at least 25% in aggregate principal amount of such Notes then Outstanding.

Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee and signed by the Owners of a majority in aggregate principal amount of the Outstanding Notes. The Agency may also remove the Trustee at any time, except during the existence of an Event of Default. The Trustee may be removed at any time for any breach of the Trustee’s duties set forth in the Indenture.

Resignation by Trustee. The Trustee and any successor Trustee may at any time give prior written notice of its intention to resign as Trustee under the Indenture, such notice to be given to the Agency by registered or certified mail. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Agency shall cause notice thereof to be given by first class mail, postage prepaid, to the Note Owners at their respective addresses set forth on the Registration Books.

Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to the Indenture, as summarized herein under the captions “THE TRUSTEE – Removal of Trustee” or “Resignation by Trustee,” respectively, the Agency shall promptly appoint a successor Trustee. In the event the Agency shall for any reason whatsoever fail to appoint a successor Trustee within 30 days following the delivery to the Trustee of the instrument described in the Indenture, as summarized herein under the caption “THE TRUSTEE – Removal of Trustee” or within 30 days following the receipt of notice by the Agency pursuant to Indenture, as summarized herein under the caption “THE TRUSTEE – Resignation by Trustee,” the Trustee may, at the expense of the Agency, apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of the Indenture, as summarized herein under the caption “THE TRUSTEE – Appointment of Trustee.” Any such successor Trustee appointed by such court shall become the successor Trustee under the Indenture notwithstanding any action by the Agency purporting to appoint a successor Trustee following the expiration of such 30 day period.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in the Indenture, as summarized herein under the caption “THE TRUSTEE – Appointment of Trustee,” shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretion, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything in the Indenture to the contrary notwithstanding.

Concerning any Successor Trustee. Every successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to its predecessor and also to the Agency an instrument in writing accepting such appointment under the Indenture and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Written Request of the Agency, or of the Trustee’s successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor under the Indenture; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee under the Indenture to its successor. Should any instrument in writing from the Agency be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers

and duties, in the Indenture, vested or intended to be vested in the predecessor Trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Agency.

Limited Liability of Trustee. No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability under the Indenture. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Owners of at least 25% in aggregate principal amount of Notes Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under the Indenture or exercising any power conferred upon the Trustee under the Indenture. The Agency, in the Indenture, agrees to indemnify and hold harmless the Trustee for any cost, expense, claim, loss or liability incurred by the Trustee, including, without limitation, fees and expenses of its attorneys, not relating to its own negligence or willful misconduct. The obligations of the Agency under this section shall survive the resignation or removal of the Trustee under the Indenture.

AMENDMENT OF THE INDENTURE

Amendment by Consent of Owners. The Indenture and the rights and obligations of the Agency and of the Owners may be amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Notes then Outstanding, exclusive of Notes disqualified as provided in the Indenture, as summarized herein under the caption "AMENDMENT OF THE INDENTURE – Disqualified Notes," 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 Note, without the express written consent of the Owner of such Note, or (2) permit the creation by the Agency of any mortgage, pledge or lien upon the Subordinate Tax Revenues superior to or on a parity with the pledge and lien created in the Indenture for the benefit of the Notes, except as expressly permitted by the Indenture, or (3) reduce the percentage of Notes 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 Owners may also be amended at any time by a Supplemental Indenture which shall become binding upon execution, without the consent of any Owners, 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 in the Indenture contained, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved under the Indenture to or conferred upon the Agency;
- (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 Owners;
- (c) To modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Notes;
- (d) To maintain the exclusion of interest on the Notes from gross income for federal income tax purposes;
- (e) For any other purpose that does not materially adversely affect the interests of the Owners.

Disqualified Notes. Notes owned or held by or for the account of the Agency or the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Notes in the Indenture provided for, and shall not be entitled to consent to, or take any other action in the Indenture provided for.

Endorsement or Replacement of Notes After Amendment. After the effective date of any action taken with respect to amendment as provided in the Indenture, the Agency may determine that the Notes may bear a notation, by endorsement in form approved by the Agency, as to such action, and in that case upon demand of the Owner of any Note Outstanding at such effective date and presentation of their Note for the purpose at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action shall be made on such Note. If the Agency shall so determine, new Notes so modified as, in the opinion of the Agency, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Note Outstanding at such effective date such new Notes shall be exchanged at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner, for Notes then Outstanding, upon surrender of such Outstanding Notes.

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

Opinion of Counsel. The Trustee may conclusively accept an opinion of counsel to the Agency that an amendment of the Indenture is in conformity with the provisions of this article.

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Events of Default and Acceleration of Maturities. If one or more of the following events (herein called “Events of Default”) shall happen, that is to say:

(a) If default shall be made in the due and punctual payment of the principal of or redemption premium, if any, on any Note 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 Note 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 agreements, conditions or covenants on its part in the Indenture or in the Notes contained, and such default shall have continued for a period of 60 days after the Agency shall have been given notice in writing of such default by the Trustee; provided, however, that such default shall not constitute an Event of Default under the Indenture if the Agency shall commence to cure such default within said 60 day period and thereafter diligently and in good faith proceed to cure such default within a reasonable period of time; 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;

then, and in each and every such case during the continuance of such event of default, the Trustee may, and upon the written request of the Owners of not less than twenty five percent (25%) in aggregate principal amount of the Notes at the time Outstanding, shall, by notice in writing to the Agency, declare the principal of all of the Notes 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 Notes contained to the contrary notwithstanding.

This provision, however, is subject to the condition that if, at any time after the principal of the Notes 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 Notes matured prior to such declaration and all matured installments of interest (if any) upon all the Notes, with

interest at the rate of ten percent (10%) per annum on such overdue installments of principal and interest, and the fees and expenses of the Trustee, including attorneys fees, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Notes due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of at least twenty five percent (25%) in aggregate principal amount of the Notes then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all of the Notes, rescind and annul such declaration and its consequences. 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, as summarized above under the caption “Events of Default and Acceleration of Maturities,” and all Subordinate Tax 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, if any, in carrying out the provisions of this article, including reasonable compensation to its agents, attorneys and counsel;

Second, upon presentation of the Notes, 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 Notes for interest and principal, with interest on the overdue interest and principal at the rate of ten percent (10%) per annum, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Notes, 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.

Other Remedies of Owners. Any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(a) By mandamus or other suit or proceeding at law or in equity to enforce their rights against the Agency and any of the members, officers and employees of the Agency, and to compel the Agency or any such members, officers or employees to perform and carry out their duties under the Law and their agreements with the Owners as provided in the Indenture;

(b) By suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Owners; or

(c) Upon the happening of an Event of Default, by a suit in equity to require the Agency and its members, officers and employees to account as the trustee of an express trust.

Non Waiver. Nothing in this article or in any other provision of the Indenture, or in the Notes, shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay the interest on and principal of the Notes to the respective Owners of the Notes at the respective dates of maturity, as provided in the Indenture, out of the Subordinate Tax Revenues pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Notes and in the Indenture.

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

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

Actions by Trustee as Attorney-in Fact. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners, and the Trustee is appointed (and the successive respective Owners of the Notes issued under the Indenture, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney in fact; provided, however, the Trustee shall have no duty or obligation to enforce any right or remedy unless it has been indemnified by the Owners from any liability or expense including without limitation fees and expenses of its attorneys.

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

Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Notes then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitation on Owners' Right to Sue. No Owner of any Note shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Law or any other applicable law with respect to such Note, unless (1) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of not less than twenty five percent (25%) in aggregate principal amount of the Notes then Outstanding shall have made written request upon the Trustee to exercise the powers granted under the Indenture or to institute such suit, action or proceeding in its own name; (3) such Owner or said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (5) the Trustee shall not have received contrary directions from the Owners of a majority in aggregate principal amount of the Notes then Outstanding.

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

DEFEASANCE

Discharge of Indebtedness. If the Agency shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Notes the interest due thereon and the principal thereof, at the times and in the manner stipulated therein and in the Indenture, then the Owners of such Notes shall cease to be entitled to the pledge of Subordinate Tax Revenues, and all covenants, agreements and other obligations of the Agency to the Owners of

such Notes 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 pay over or deliver to the Agency all money or securities held by them pursuant to the Indenture which are not required for the payment of the interest due on and the principal of such Notes other than the moneys, if any, in the Rebate Fund.

Notes 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 or redemption date thereof 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 first paragraph of this section.

Any Outstanding Notes 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 Federal Securities (including any Federal Securities 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 to pay when due the interest due and to become due on such Notes on and prior to the maturity date thereof, and the principal of such Notes (the sufficiency of such amounts to be appropriately verified) 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 Owners of such Notes that the deposit required by (1) above has been made with the Trustee and that such Notes are deemed to have been paid in accordance with this section and stating the maturity date upon which money is to be available for the payment of the principal of such Notes.

Neither Federal Securities nor money deposited with the Trustee pursuant to this section nor interest or principal payments on any such Federal 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 Notes; provided that any cash received from such interest or principal payments on such Federal 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 Federal Securities maturing at times and in amounts sufficient to pay when due the interest on and principal of such Notes on and prior to such maturity date thereof, and interest earned from such reinvestments shall be deposited in the Subordinate Revenue Fund. For the purposes of this section, Federal Securities shall mean and include only such securities as are not subject to redemption prior to their maturity.

Unclaimed Moneys. Anything in the Indenture to the contrary notwithstanding to the extent permitted by law and subject to the escheat laws of the State, any money held by the Trustee in trust for the payment and discharge of any of the Notes which remain unclaimed for two (2) years after the date when such Notes have become due and payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the said date when such Notes or interest thereon 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 Owners shall look only to the Agency for the payment of such Notes; 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 Owners of such Notes 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 thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the Agency.

MISCELLANEOUS

Liability of Agency Limited to Subordinate Tax Revenues. Notwithstanding anything in the Indenture contained, the Agency shall not be required to advance any money derived from any source of income other than the Subordinate Tax Revenues for the payment of the interest on or the principal of the Notes or for the performance of any covenants contained in the Indenture, other than the covenants contained in the Indenture, as summarized herein under the caption “COVENANTS OF THE AGENCY – Tax Covenants; Rebate Fund.” The Agency may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose. The Agency’s obligation to pay the Rebate Requirement to the United States of America pursuant to the

Indenture, as summarized herein under the caption “COVENANTS OF THE AGENCY – Tax Covenants; Rebate Fund,” shall be considered the general obligation of the Agency and shall be payable from any available funds of the Agency.

The Notes are special obligations of the Agency and are payable, as to interest thereon and principal thereof, exclusively from the Subordinate Tax Revenues, and the Agency is not obligated to pay them except from the Subordinate Tax Revenues. All of the Notes are equally secured by a pledge of, and charge and lien upon, all of the Subordinate Tax Revenues, and the Subordinate Tax Revenues constitute a trust fund for the security and payment of the interest on and the principal of the Notes. The Notes are not a debt of the City of Placentia, the Placentia Public Financing Authority, the State of California or any of its political subdivisions, and neither said City, said Authority, said State nor any of its political subdivisions is liable therefor, nor in any event shall the Notes be payable out of any funds or properties other than those of the Agency. The Notes 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 Notes are liable personally on the Notes by reason of their issuance.

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

Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the Agency or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions, with respect to the management, administration and control of the affairs of the Agency, that are presently vested in the Agency or such member, officer or employee, and all the agreements, covenants and provisions contained in the Indenture by or on behalf of the Agency or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any request, consent, declaration or other instrument which the Indenture may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

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

Except as otherwise expressly provided in the Indenture, the amount of Notes transferable by delivery held by any person executing such request, declaration or other instrument or writing as a Owner, and the numbers thereof, and the date of their holding such Notes, may be proved by a certificate, which need not be acknowledged or verified, satisfactory to the Trustee, executed by a trust company, bank or other depository wherever situated, showing that at the date therein mentioned such person had on deposit with such depository the Notes described in such certificate. Continued ownership after the date of deposit stated in such certificate may be proved by the presentation of such certificate if the certificate contains a statement by the depository that the Notes therein referred to will not be surrendered without the surrender of the certificate to the depository, except with the consent of the Trustee. The Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable. The ownership of registered Notes and the amount, maturity, number and date of holding the same shall be proved by the registry books provided for in the Indenture.

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

Waiver of Personal Liability. No member, officer or employee of the Agency shall be individually or personally liable for the payment of the interest on or principal of the Notes; but nothing contained in the Indenture shall relieve any member, officer or employee of the Agency from the performance of any official duty provided by law.

Acquisition of Notes by Agency. All Notes acquired by the Agency, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Business Days. When any action is provided for in the Indenture to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day other than a day which is not a Saturday, a Sunday, or a day on which banks located in the city where the principal corporate trust office of the Trustee is located are required or authorized to remain closed (a “business day”), such action may be performed on the next ensuing business day with the same effect as though performed on the appointed day or within the specified period.

Governing Law. The Indenture shall be governed and construed in accordance with the laws of the State of California.

APPENDIX B
FISCAL CONSULTANT'S REPORT

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Appendix B

REDEVELOPMENT AGENCY OF THE CITY PLACENTIA PLACENTIA REDEVELOPMENT PROJECT

2009 Subordinate Tax Allocation Notes

PROJECTED TAXABLE VALUES AND ANTICIPATED TAX INCREMENT REVENUES

January 23, 2009

I. Introduction

The Redevelopment Agency of the City of Placentia (the Agency) is proposing to issue its 2009 Subordinate Tax Allocation Notes (the Notes). The Notes will be secured with a pledge of and lien on the tax increment revenues derived from the Placentia Redevelopment Project (the Project Area). The Notes are subordinate to the Agency's outstanding Tax Allocation Bonds 2002 Series B (the 2002 Bonds).

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

In this report, Tax Increment Revenues, including Unitary Tax Revenue (see Section IV H, Allocation of State Assessed Unitary Taxes) are referred to as Gross Revenues. For purposes of this report, Tax Revenues are defined as Gross Revenues less the Housing Set-Aside Requirement (see Section V, Low and Moderate Income Housing Set-Aside), the SB 2557 County Administrative fees and collection charges (see Section IV G., County Collection Charges), debt service on the 2002 Bonds and tax sharing payments (see Section VII, Tax Sharing Agreements and Other Obligations) with a lien superior to the Notes.

The purpose of this fiscal consultant report (the Report) is to examine Orange County tax allocation practices, assessment appeals, assessed values for the current fiscal year and other pertinent circumstances and to project for ten fiscal years the amount of Tax Revenues anticipated to be received by the Agency from the Project Area. As a result of our research, we project that the Tax Revenues that will be pledged to the payment of debt service on the Notes will be as shown in Table A below:

**Table A
Projected Tax Revenues**

Fiscal Year	Incremental Taxable Value	Gross Revenue	Tax Revenues
2008-09	\$234,946	\$2,369	\$1,493
2009-10	235,865	2,378	1,496
2010-11	244,418	2,464	1,554
2011-12	250,339	2,523	1,595
2012-13	256,379	2,584	1,637
2013-14	262,539	2,646	1,681
2014-15	268,823	2,709	1,717
2015-16	275,232	2,773	1,760
2016-17	281,769	2,839	1,803
2017-18	288,437	2,906	1,843

The taxable values of property and the resulting Gross Tax Revenues and Tax Revenues summarized above are reflected on Table 1 attached to this report. Tax Revenues reflect the Agency's revenues after provision for fees, Housing Set-Aside, debt service on the 2002 Bonds and tax sharing payments with a lien superior to the Notes. These projections are based on assumptions determined by our review of the taxable value history of the Project Area and the property tax assessment and property tax apportionment procedures of Orange County (the County). Future year assessed values, Gross Tax Revenues and Tax Revenues are projections based upon the assumptions described in this Report, and are not guaranteed as to accuracy, and this Report is not to be construed as a representation of such by HdL Coren & Cone.

II. The Project Area

The Project Area consists of the area included in the Redevelopment Plan (the Plan) adopted by Ordinance No. 83-0-113 (the Original Area) on July 19, 1983, and the territory added by adoption of Ordinance No. 90-O115, adopted June 26, 1990 (the Amendment No. 1). Ordinance No. 90-O-115 approved the Plan for the Amendment No. 1 to the Placentia Redevelopment Project which superseded, by amendment, the Plan adopted by Ordinance No. 83-O-113. The Plan was subsequently amended to include additional territory by Ordinance No. O-2004-03 on May 18, 2004 (Amendment No. 2).

The Original Area consist of two non-contiguous parcels totaling approximately 87.60 acres (excluding Streets), located within an area generally bounded by the City limits on the south and east, by Orangethorpe Avenue on the north, and by Melrose Street on the west. Amendment No. 1 consist of eight non-contiguous parcels totaling approximately 76.22 acres (excluding streets), located within an area generally bounded by Placentia Avenue on the west, by the Atchison, Topeka & Santa Fe Railroad right of way on the north, and property lines and other boundaries lying generally between Orangethorpe Avenue and Crowther Avenue on the south and property lines or other boundaries lying between Cameron Street and Porter Way to the east. Amendment No. 2 consist of two non-contiguous

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

areas totaling approximately 5.25 acres, located on the north side of Chapman Avenue adjacent to Kraemer Park on the north and west and just east of Bradford Avenue. The second area is east of Bradford Avenue and by the Atchison, Topeka & Santa Fe Railroad right of way on the north.

A. Land Use

The following Table B represents the breakdown of land use in the Project Area by assessed value for Fiscal Year 2008-09. Unsecured values are assigned to secured parcels already accounted for in the other land use categories and do not, therefore, have numbers of parcels listed. Land use categories are taken from the Orange County land use designations provided in conjunction with the tax roll data and do not necessarily correspond to the zoning or general plan land use designations of the City of Placentia.

**Table B
Project Area Land Use**

Category	Parcel Count	2007-08 Net Taxable Value	%
Residential	91	\$ 38,757,633	12.2%
Commercial	89	68,663,667	21.6%
Industrial	118	153,467,432	48.3%
Recreational	2	86,955	0.0%
Vacant land	14	3,956,537	1.2%
Exempt	34	0	0.0%
Other	1	381,416	0.1%
Subtotal	349	265,313,640	83.5%
Unsecured		52,333,254	16.5%
Total Net Taxable Value		\$317,646,894	100.0%

Source: Orange County Assessor 2008-09 Combined Tax Rolls

B. Redevelopment Plan Limits

In accordance with the Law, redevelopment plans adopted after October 1, 1976 but prior to January 1, 1994 are required to include a time limit on the establishment of indebtedness to be repaid with tax increment and a limit on the amount of tax increment revenue that may be divided and allocated to a project area. In addition, if the plan authorizes the issuance of tax allocation bonds, a limit on the amount of bonded indebtedness that may be outstanding at one time must be included. The amendment must include provisions to limit the number of tax increment dollars that could be allocated to the agency pursuant to the plan, to establish a time limit to create debt to be repaid with tax increment, and to limit the commencement of eminent domain.

Chapter 942, Statutes of 1993, established further limits on redevelopment plans. Chapter 942 restricted the life span of redevelopment plans adopted prior to 1994. The time limit for establishing indebtedness was limited to 20 years from the adoption of the redevelopment plan or January 1, 2004, whichever is later. The life of the existing redevelopment plans was limited to 40 years from the date

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

of adoption or January 1, 2009, whichever is later. Finally, a redevelopment agency was restricted from paying indebtedness with tax increment beyond 10 years after its redevelopment plan expires except to fund deferred Housing Set Aside requirements and to repay indebtedness incurred prior to January 1, 1994.

On December 6, 1994 the Agency adopted Ordinance No. 94-O-144 that amended the Plan to conform to the requirements of Chapter 942.

Chapter 741, Statutes of 2001, was adopted under SB 211 and amends several sections of the Law that control time limitations for redevelopment project areas. Limitations, that under prior legislation could not be amended or had different amendment procedures, in accordance with this section, may be modified through project area amendments as set forth in this section of the Law (see Section VI, Legislation). On February 3, 2004, the City adopted Ordinance No. O-2004-02 to eliminate the deadline to incur debt secured by tax increment from the Original Area and Amendment No. 1.

Pursuant to Senate Bill 1045 (see Section VI) as codified by Section 33333.2(c) of the Redevelopment Law the City Council may extend the limit on a redevelopment plan's period of effectiveness by one year. This extension has the additional effect of extending for one year the period within which the Agency may repay indebtedness. On August 19, 2008, pursuant to Ordinance No. O-2008-08, the City Council adopted the ordinance making such an extension for the Original Area and Amendment No. 1. This extension is reflected in the limits shown in Table C below. Amendment No. 2 is not eligible for this extension since this component of the Project Area did not generate Tax Increment revenue until 2005-06.

Pursuant to Senate Bill 1096 (see Section VI), the Agency may extend the term of effectiveness for certain redevelopment plans and the periods within which the Agency can repay indebtedness by up to two additional years. This two year extension of the time limits is predicated upon the payment by the Agency of its ERAF obligations for Fiscal Years 2005 and 2006 (See Section VI). The ERAF obligations for 2005 and for 2006 have been paid by the Agency in a timely manner. For project areas that have less than 10 years of plan effectiveness remaining after June 30, 2005 a two year extension is authorized. For project areas that have more than 10 years and less than 20 years of plan effectiveness remaining after June 30, 2005 a two year extension is authorized if the City Council can make certain findings. For those project areas with more than 20 years of plan effectiveness remaining after June 30, 2005, no extension of time is authorized. The City Council adopted Ordinance No. O-2008-08 on August 19, 2008, extending the Original Area time limits. Amendment No. 1 and Amendment No. 2 are not eligible for any extension of their time limits pursuant to Section 33333.2(d) of the Redevelopment Law.

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

**Table C
Summary of Redevelopment Plan Limits**

Project Area	Plan Expiration	Last Date to Incur New Debt	Last Date to Repay Debt with Tax Increment	Tax Increment Limit ¹	Limit on Total Tax Increment Bond Debt
Original Area	7/19/2026	Eliminated	7/16/2036	\$305,000,000	\$100,000,000
Amendment No. 1	6/26/2031	Eliminated	6/26/2041		
Amendment No. 2	5/18/2034	5/18/2024	5/18/2049	None	\$5,000,000

¹ Limits on allocation of tax increment revenue are only for revenues allocated after December 17, 1986.

To date the Agency has received a total of \$24,590,148 in tax increment from the Project Area, excluding the Amendment No. 2, which does not have a limit on tax increment that the Agency is entitled to receive. Based on the projected tax increment revenues estimated to be received by the Agency, the Agency will not exceed limit on tax increment funds within the term of the Notes.

III. Project Area Assessed Values

A. Assessed Values

Taxable values are prepared and reported by the County Auditor-Controller each fiscal year and represent the aggregation of all locally assessed properties which are part of the Project Area. The assessments are assigned to Tax Rate Areas (TRA) which are coterminous to the boundaries of the Project Area.

The historic reported taxable values for the Project Area were reviewed in order to ascertain the rate of taxable property valuation growth over the most recent six fiscal years beginning with 2003-04 (see attached Table 3 of the tax increment projections for each component of the Project Area). The table below shows the growth in the aggregate incremental value.

	Incremental Value	% Change
2003-04	\$155,617,926	
2004-05	167,737,202	7.79
2005-06	174,135,439	3.81
2006-07	197,074,393	13.17
2007-08	233,208,752	18.34
2008-09	234,946,295	0.75

Conagra Foods Inc. ceased operations at the facility owned by Knott Family Company LLC in Placentia in December 2008. This will result in a loss of unsecured value in the amount of \$9,506,325 by fiscal year 2009-10. The Agency cannot predict what impact, if any, that the closure of the facility will have on the assessed value of the property owned by Knott Family Company LLC. In addition, the 2008-09 unsecured roll reflects one-time adjustments related to prior years value for unsecured property related to Customline Inc. This will result in an additional loss of unsecured value for \$2,158,623. For the purposes of the projections, the unsecured roll was reduced by \$11,664,948 in Fiscal Year 2009-10.

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

In 1978, California voters passed Proposition 8. This constitutional amendment allows a temporary reduction in assessed value when a property suffers a "decline in value." A decline in value occurs when the current market value of a property is less than the current assessed value as of the lien date. Under the terms of Proposition 8, it is the Assessor's obligation to assess all properties at the lesser of current market value or at the property's base value as adjusted for inflation and for any changes that have occurred to the property since it was last purchased. In response to the current down-turn in real estate values state-wide, the Orange County Assessor reviewed the values of many of the parcel values within the County.

Properties that have their values reduced to the current market value are annually reviewed by the Assessor to determine the new market value of the property. The value that is enrolled each year is the lesser of the current market value or the property's adjusted base value. Adjusting the property's value to the current market value may entail a further decrease in value or an increase in value that is not limited by constitutional restriction on annual value increases. Once the property has once again reached its adjusted base value, it may be increased in value only by the rate of inflation to a maximum annual rate of two percent as required by the constitution.

B. Top Ten Taxable Property Owners

A review of the top ten taxable property owners in the Project Area for fiscal year 2008-09 was conducted. Within the Project Area the top ten taxable property owners total \$96,021,831 reflecting 30.23% of the total taxable value and 40.87% of the incremental value. The top taxpayer, Realty Associated Fund VIII Limited Partnership, owns four parcels of industrial land that represents 6.10% of the Project Area's taxable value. The second largest property owner is Knott Family Company LLC which holds one secured parcel equaling 3.73% of taxable value of the Project Area. Conagra Foods Inc. ceased operations at the facility owned by Knott Family Company LLC in Placentia in December 2008. The Agency cannot predict what impact, if any, that the closure of the facility will have on the assessed value of the property owned by Knott Family Company LLC. The projection reflects the loss of unsecured value in the amount of \$9,506,325 in fiscal year 2009-10. Without Conagra Foods Inc.'s assessed value, and with the next largest property value added, the ten largest taxpayers will represent 29% of total assessed value and 39% of incremental value. A listing of the top ten property owners for the Project Area, and the number of parcels attributed to each owner, is presented on the Table D.

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

**Table D
Project Area Top Ten Property Owners**

		Assessed	% Total	% Incremental
		<u>Value</u>	<u>Value</u>	<u>Value</u>
	<i>Project Area Total & Incremental Values</i>		<u>\$317,646,894</u>	<u>\$234,946,295</u>
1	Realty Associates Fund VIII LP	\$19,380,000	6.10%	8.25%
2	Knott Family Company LLC	11,860,924	3.73%	5.05%
3	Carla Ann Petillo Trust	11,566,866	3.64%	4.92%
4	AG/BPG Placentia Inc.	9,616,819	3.03%	4.09%
5	Conagra Foods Inc.	9,506,325	2.99%	4.05%
6	AHT Residence Inn II LP	8,670,069	2.73%	3.69%
7	FPL LLC	7,498,776	2.36%	3.19%
8	MNC Brothers	6,495,319	2.04%	2.76%
9	Totea Associates	5,933,421	1.87%	2.53%
10	110 140 North Bradford Avenue LLC	<u>5,493,312</u>	<u>1.73%</u>	<u>2.34%</u>
	Totals	\$96,021,831	30.23%	40.87%

IV. Tax Allocation and Disbursement

A. Property Taxes

The taxable values of property are established each year on the January 1 property tax lien date. Real property reflects the reported assessed values for secured and unsecured land, improvements and fixtures. Pursuant to Article XIII A of the State Constitution the value of locally assessed real property may only be increased up to two percent annually to reflect inflation. In most cases real property values are permitted to increase to full market value as a result of a change of ownership or new construction. Utility property assessed by the State Board of Equalization (the "SBOE") may be revalued annually and such assessments are not subject to the inflation limitations of Article XIII A. The taxable value of personal property is also established on the lien date and is not adjusted by the annual inflationary factor applied to locally assessed real property.

Secured property includes land, improvements, fixtures and personal property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value improvements, fixtures, inventory and personal property for which a tax levied cannot become a lien against the taxed unsecured property, but may become a lien on certain other secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate.

B. Supplemental Assessments

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of increase in a

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against Real Property.

Since 1984-85 revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. Typically, the receipt of Supplemental Tax Revenues by taxing entities follows the change of ownership by a year or more. During the 2006-07 fiscal year the Agency received \$240,356 of tax revenue derived from Supplemental Assessments for previous fiscal years within the Project Area. During the 2007-08 fiscal year the Agency received \$76,024 of tax revenue derived from Supplemental Assessments for previous fiscal years within the Project Area. These amounts are exclusive of refund and impound deductions withheld by the County. We are unable to accurately project the amounts of supplemental revenue the Agency may receive from one year to another and therefore we have not included revenues resulting from Supplemental Assessments in our projections.

C. Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the general levy rate of \$1.00 per \$100 of taxable values and the override tax rate, which is that portion of the tax rate that exceeds the general levy rate in order to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition XIII. A Constitutional amendment approved in June 1983 allows the levy of override tax rates to repay indebtedness with voter approval. A subsequent amendment of the Constitution prohibits the allocation of override tax revenues to redevelopment agencies for repayment of indebtedness approved by the voters after December 31, 1988. The override tax rates typically decline each year as a result of (1) increasing property values (which would reduce the override tax rate needed to be levied to meet debt service) and (2) the eventual retirement of debt over time.

A Tax Rate Area consists of a geographic area where the taxes on all property are levied by the same taxing entities at the same rate. There are 12 tax rate areas in the Project Area. All 12 tax rate areas have a total tax rate of \$1.04902 per \$100 of taxable property value. In all tax rate areas in the Project Area only the voter approved tax rate for Metropolitan Water District was approved prior to 1989 and generated tax increment revenue for redevelopment purposes.

General Levy	1.0000
Metropolitan Water District	<u>0.0043</u>
Total	1.0043

The override tax rate levied by the Metropolitan Water District is authorized by a contract for purchase of water from the California Water Project and will not reach its termination date until 2035. Therefore, we have held the tax rate constant at \$1.0043 through 2034-35 of our projections. The tax rate for unsecured property is the previous year's secured tax rate which was \$1.0045 per \$100 of unsecured assessed value.

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

D. Allocation of Taxes

Taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. The County disburses Tax Increment Revenue to all redevelopment agencies throughout the fiscal year with approximately 45 percent of secured revenues apportioned by the end of December. Unsecured revenues are disbursed in September, January and June of each fiscal year.

E. Annual Tax Receipts to Tax Levy

A review was made of the receivable and allocated tax revenues for the Project Area for fiscal years 2003-04 through 2007-08. The collection rates for the Project Area were comparable to the collection rates for other taxing entities within the County for each year. Table E below shows the collection rates for the Project Area during these fiscal years. Collection rates are a comparison of current year revenues to the adjusted tax roll assessed values at the end of each fiscal year. Prior year collections included supplemental revenues, escaped assessment revenues from prior years and penalties. Collection rates have not been factored into the projection.

**Table E
Collection Rates for Prior Years**

	<u>Tax Levy</u>	<u>Collected from Levy</u>	<u>Collection %</u>	<u>Prior Year Collections</u>	<u>Total Collections</u>	<u>Total %</u>
2003-04	\$1,581,058	\$1,557,166	98.49%	\$24,163	\$1,581,330	100.02%
2004-05	1,689,770	1,668,721	98.75%	19,307	1,688,028	99.90%
2005-06	1,774,509	1,723,048	97.10%	81,802	1,804,849	101.71%
2006-07	1,999,360	1,947,605	97.41%	266,431	2,214,036	110.74%
2007-08	2,308,854	2,265,397	98.12%	154,111	2,419,508	104.79%

F. Assessment Appeals

Within the Project Area there have been 111 assessment appeals filed since 2002-03. Of the 111 appeals filed, 38 have been allowed with a reduction in value and 25 have been denied. There are 48 appeals currently pending on 44 properties within the Project Area. Based on the historical averages, we estimate that 32 of the currently pending appeals will be allowed and that these successful appeals will result in an assessed value reduction of \$1,629,732. This reduction has been incorporated in the projection as a reduction to the 2009-10 assessed value. Reductions in revenue for refunds resulting from these successful appeals have not been estimated.

Our estimates are based upon the historical averages of successful appeals and amounts of value reductions. Actual appeals, reductions and refunds may vary from historical averages. Our estimated reductions in values are reflected on Tables 1 and 2 of the projections.

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

G. County Collection Charges

Chapter 466 allows counties to recover charges for property tax administration in an amount equal to their 1989-90 property tax administration costs, adjusted annually. The County billed the Agency a total of \$16,461 for the 2007-08 fiscal year. This amount was withheld from tax revenue allocations by the Auditor-Controller to each of the project areas. For purposes of our projection, we have assumed that the County will continue to charge the Agency for property tax administration and that such charge will represent approximately 0.70% of general levy tax increment (see Tables 1 and 2).

H. Allocation of State Assessed Unitary Taxes

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

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of the project area and thus, reduced the base year of project areas by the amount of utility value that existed originally in the base year. The County Auditor-Controller allocated \$930 in unitary revenue to the Agency for the Project Area during the 2007-08 fiscal year. These revenue amounts tend to remain fairly constant but are subject to adjustments by the SBE for inflation growth, declines in value due to assessment appeals by utility companies and others taxed under this system and increases in value resulting from development of new facilities. Because we cannot reasonably project changes in this revenue stream, we have assumed that the unitary tax revenue will remain constant in future years.

V. Low and Moderate Income Housing Set-Aside

Sections 33334.2 and 33334.3 of the Law require redevelopment agencies to set aside 20 percent of all tax increment revenues from project areas adopted after December 31, 1976 into a low and moderate income housing fund (the Housing Set-Aside Requirement). Section 33334.6 of the Law makes this requirement applicable to those redevelopment projects adopted prior to December 31, 1976. An agency may only reduce the Housing Set-Aside Requirement if the agency annually determines, consistent with the housing element of the general plan of the Agency's legislative body that: (1) no need exists in the community to improve or increase the supply of low and moderate income housing; (2) some stated percentage less than 20 percent of the tax increment is sufficient to meet the housing need. In order to make findings (1) or (2), the Agency's finding must be consistent with the housing element of the community's general plan, including its share of the regional housing needs of very low income households and persons and families of low or moderate income. No such findings have been

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

made by the Agency and, thus, 20 percent of gross revenue has been projected as being set aside from the Project Area.

VI. Legislation

SB 211 was signed into law as Chapter 741, Statutes of 2001. This legislation has two main impacts on the limits contained in an agency's redevelopment plan. First, the City Council may amend the redevelopment plan to eliminate the time limit to establish indebtedness in project areas adopted prior to January 1, 1994 by ordinance. If the plan is so amended, existing tax sharing agreements will continue and certain statutory tax sharing for entities without tax sharing agreements will be required beginning in the fiscal year following the year the eliminated limit would have taken effect. Second, an agency may extend the time limit for plan effectiveness and repayment of debt for up to ten years if it can make certain specified findings. These changes could potentially impact time limits in the Project Area by eliminating or extending these limits. The Agency extended the time limit on incurrence of new indebtedness for the Original Area and Amendment No. 1 by Ordinance O-2004-02 (see Table C).

In order to address State Budget deficits, the Legislature required payments from redevelopment agencies for the 1992-93, 1993-94, 1994-95, 2002-03, 2003-04, 2004-05 and 2005-06 fiscal years into a countywide Education Revenue Augmentation Fund (the ERAF). The Agency could have used any funds legally available and not legally obligated for other uses, including reserve funds, bond proceeds, earned income, and proceeds of land sales, but not moneys in the Low and Moderate Income Housing Fund (the Housing Fund) to satisfy this obligation. An agency could have reduced its payment due to existing indebtedness, contractual obligations and 90 percent of administrative costs (collectively, Existing Obligations). If an agency could not make the required payment due to Existing Obligations, it could have borrowed up to 50 percent of its annual contribution to the Housing Fund (which must be repaid within ten years), or the agency was required to obtain a loan from the city/county in order to pay the difference between what the agency pays and the total amount due.

For agencies that did not borrow to meet any shortfall of the required payment, the county auditor-controller was required to deduct any amount due from the city/county's allocation of property taxes. The obligation applied to the Agency and not to specific project areas. According to the Agency, it has no outstanding ERAF obligations. In addition to the payments from redevelopment agencies periodic State budget solutions have involved the shifting of property tax revenues from cities, counties and special districts to the ERAF.

As part of the State's 2003-04 budget legislation, SB 1045, redevelopment agencies were authorized to use a simplified methodology to amend the individual redevelopment plans to extend by one year the effectiveness of the plan and the time during which the Agency may repay debt with tax increment revenues. In addition, the amount of this payment and the ERAF payments made in prior years may be deducted from the amount of cumulative tax increment revenues applied to tax increment limits. The City Council may adopt such an extension amendment for Project Area. By approving such an amendment of the eligible redevelopment plans, the City Council may extend by one year the effective life of the Project Area and extended the period within which the Agency may repay indebtedness from tax increment revenues by a similar one year period. The City Council has adopted Ordinance No. O-2008-08 on August 19, 2008 making such an extension for both the Original Area and the Amendment

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

No. 1. This extension is reflected in the limits shown in Section II B, Table D. Amendment No. 2 was not eligible for this extension.

After the State's budget for 2004-05 was approved by the legislature and signed by the Governor, Senate Bill 1096 was adopted. Under SB 1096, redevelopment plans with less than ten years of effectiveness remaining from June 30, 2005, could be extended by one year for each of two years that an ERAF payment is made. For redevelopment plans with 10 to 20 years of effectiveness remaining after June 30, 2005, the plans may be extended by one year for each year that an ERAF payment is made if the City Council finds that the Agency is in compliance with specified state housing requirements. These requirements are: 1) that the Agency is setting aside 20 percent of gross tax increment revenue; 2) housing implementation plans are in place; 3) replacement housing and inclusionary housing requirements are being met; and, 4) no excess surplus exists.

If a redevelopment plan has more than 20 years of effectiveness remaining after June 30, 2005, it may not be extended. All of the Project Area components have less than 20 years remaining before the limits of their redevelopment plans expire. The Agency adopted Ordinance No. O-2008-08 on August 19, 2008 extending the Plan for the Original Area by two additional years. Amendment No. 1 and Amendment No. 2 are not eligible for extension.

In Fiscal Year 2008-09, the Legislature enacted AB 1389 to require a \$350 million shift for 2008-09 from redevelopment agencies to ERAF. AB 1389 does not require a repayment of this amount, nor any extensions of redevelopment plan limits. The Low and Moderate Housing Requirement will not apply to the amount paid for the ERAF. The amount the Agency is required to pay is \$173,378. The payment may come from any available Agency revenues. An agency may borrow up to 50 percent from its current year Housing Set-Aside Requirement for purposes of making the ERAF payment. The ERAF payment is subordinate to debt existing at the date of enactment of AB 1389. An agency that cannot make the payment due to existing indebtedness may borrow from their legislative body. Failure to make the ERAF payment will result in penalties that effectively stop new activities of the agency.

The Agency cannot predict whether the State Legislature will enact any other legislation requiring additional or increased future shifts of tax increment revenues to the State and/or to schools, whether through an arrangement similar to ERAF or by other arrangements, and, if so, the effect on future Tax Revenues.

Legislation, AB 1389, enacted with the 2008-09 state budget requires redevelopment agencies to report their statutory payments made pursuant to Section 33607.5 and 33607.7 of the Law to their county auditors. Redevelopment agencies are to report to their county auditors the amount of the statutory payments owed and paid to each taxing entity in each project area for fiscal years 2003-04 through 2007-08. This information was to have been initially provided by October 1, 2008 and then reported annually by October 1st for the next six years. This information is to be consolidated by the counties and reported to the State Controller. The State Controller is then responsible for disseminating the information to the Legislative Analyst, the State Department of Finance, the State Board of Education, and the Board of Governors of the California Community Colleges. The information is to include a listing of those redevelopment agencies whose calculations are determined by the counties to not be in concurrence with the requirements of AB 1290.

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

In the event of a dispute over the data, the redevelopment agency has 15 days to revise and resubmit its report, submit a statement of dispute identifying the issues, amend the report, or submit the report to the State Controller with the county's analysis. The legislation allows the State Controller to revoke a county finding of concurrence and direct an agency to resubmit a report to the county if the Controller finds significant errors in the report. When the State Controller submits its report to the Legislative Analyst and the Department of Finance it is required to summarize the statements of dispute including whether the Controller or other state entity has provided instructions as to how these disputes should be resolved. Ultimately, for agencies with unresolved disputes, the State Controller with the concurrence of the State Director of Finance, may waive the penalties and interest charges for late payments (see Penalties and Interest below) for 12 months for agencies that filed a statement of dispute that, in the opinion of the Controller, is likely to be resolved in a manner consistent with an agency's position.

After February 1, 2009, an agency listed on the most recent State Controller's report for which the county has not issued a finding of concurrence or that has outstanding statutory payments to a local educational agency, will be subject to penalties and interest charges. The penalties, would prevent the agency from adding new project areas or expanding existing areas, issuing new bonds or other obligations including refunding, encumbering or expending any funds derived from any source except to pay existing loans, contractual obligations, tax-sharing agreements or housing set-aside deposits. Administrative costs would be limited 75 percent of the average monthly amount spent on administration in the previous fiscal year. A local educational agency is defined as a school district, college district or county office of education.

Such identified redevelopment agencies would also incur interest costs on any statutory payment that is not paid by 60 days after the close of the fiscal year in which the pass-through payment was required. The interest rate would be 150 percent of the current Pooled Money Investment Account earnings annual yield beginning 60 days after the close of the fiscal year for which the Statutory Payment was due. The State Controller, with the concurrence of the State Director of Finance may waive the penalties and interest for up to 12 months for agencies identified by as not in concurrence when a dispute by an agency that is likely to be sustained, when the agency has paid the local educational agencies or had the county withhold a disputed amount, or if the agency would sustain a fiscal hardship if it made the payments in the amount estimated by the county auditor.

Since AB 1389 was enacted on September 30th, one day before the first deadline, it is taking redevelopment agencies, counties and the State Controller longer to review the calculations than specified in the legislation. The Orange County Auditor-Controller has concurred with the Agency's calculations and the Agency has made the required payments prior to the February 1, 2009 deadline and, according to the Agency, is in compliance with the requirements of AB 1389.

VII. Tax Sharing Agreements and Other Obligations

A. 33676 Tax Increment Reductions

Pursuant to Section 33676 of the California Health and Safety Code as it existed prior to 1994, any tax receiving entity may elect, and every school shall elect, to receive: 1) increases in the rate of tax imposed for the benefit of the taxing entity that occur after a redevelopment project area is adopted; and 2) the portion of the property tax increment which is based upon

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

inflationary increases. Revenues received under this Section of the Law are not considered tax increment allocable to the Agency and hence are not subject to housing set aside requirements or pass through agreements with other taxing entities. Section 33676 tax increment reductions effectively increase the base year value for those taxing entities electing to receive this revenue which is paid directly by the County. Only Amendment No. 1 was adopted during the period that this section of the Redevelopment Law was effective. At the time, none of the taxing entities elected to receive base year adjustment payments.

A decision by the Superior Court in Orange County (see Section VIII A below) determined that due to the particular wording of the law, school districts were still entitled to adopt the resolution electing to receive their inflationary shares. The Placentia Yorba Linda Unified School District, the North Orange County Community College District and the County Superintendent of Schools have entered into tax sharing agreements (see below) and are, therefore, not eligible to receive base year adjustment payments.

B. Tax Sharing Obligations

Pursuant to Section 33401(b) of the Law prior to 1994, redevelopment agencies could enter into agreements to pay tax increment revenues to any taxing agency with territory located within a redevelopment project area in an amount which in the agency's determination was appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements, known as pass-through agreements or tax-sharing agreements, normally provide for a pass-through of tax increment revenue directly to the affected taxing agency. The agreements entered into by the Agency are described in this section.

ORIGINAL AREA AND AMENDMENT NO. 1

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 No. 1, 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

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

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 amounts 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. The Notes do not include a portion of the proceeds for the County or the District.

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 the District's Capital Facilities Fund 6.25% of the first \$1,000,000 of annual Tax Increment and 10% of Tax Increment in excess of \$1,000,000. Tax Increment is defined as general levy 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, which is assumed to have been paid.

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

Statutory Pass-Through Payments – The extension of the Agency's ability to incur debt pursuant to SB 211 triggers statutory tax-sharing payments to all affected taxing entities that do not otherwise have tax-sharing agreements. The general levy share of all agencies without tax-sharing agreements is 29.53%. These payments begin with the 2004-05 fiscal year for the Original Area and 2011-12 fiscal year for Amendment No. 1 at a rate of 25% of the tax increment growth net of the Housing Set-Aside Requirement above the value of the Project Area in 2003-04 for the Original Area and 2010-11 for Amendment No. 1. An additional payment begins in 2014-15 for the Original Area and 2021-22 fiscal year for the Amendment No. 1 at a rate of 21% of the tax increment growth net of the Housing Set-Aside Requirement with a base year of 2003-14 for the Original Area and 2020-11 for the Amendment No. 1.

AMENDMENT NO 1. 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

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

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 OCVCD 100% of the OCVCD'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 OCSOS'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.

AMENDMENT NO 2. ONLY

Statutory Pass-Through Payments – Amendment No. 2 was adopted after January 1, 1994 and the Agency is obligated to make statutory tax sharing payments pursuant to Section 33607.5 of the Redevelopment Law. The statutory tax sharing occurs in three tiers. The first tier of tax sharing begins in the first fiscal year that Amendment No. 2 receives tax revenue and is 25% of Gross Revenue net of the Housing Set-Aside Requirement. This amount is paid on a prorated basis to all taxing agencies within the project area including the City if it makes the election to receive its share. This first tier of statutory tax sharing continues for as long as Amendment No. 2 may receive tax revenue for the repayment of indebtedness.

Beginning in the eleventh fiscal year after the project area receives tax revenue (fiscal year 2015-16) of the project's life and using the project area assessed value of fiscal year 2014-15 as an adjusted base value for calculation of the second tier of incremental value, 21% of the revenue derived from the incremental difference between the current year assessed value and

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

the adjusted base value less 20% for housing set-aside is passed through to the taxing agencies, except the City, in addition to the initial pass through amount. The City may not elect to receive its prorated share of the second tier of statutory tax sharing.

Beginning in the thirty-first fiscal year after the project area receives tax revenue (fiscal year 2035-36) of the project's life and using the project area assessed value of fiscal year 2034-35 as a second adjusted base value for calculation of the third tier of incremental value, 14% of the revenue derived from the incremental difference between the current year assessed value and the second adjusted base value less 20% for housing set-aside is passed through to the taxing agencies, except the City, in addition to the first and second tier pass through amounts. The City may not elect to receive its prorated share of the third tier of statutory tax sharing.

VIII. Court Decisions

Santa Ana Decision

The State Court of Appeals upheld a Superior Court decision which held the Santa Ana School District had the right to receive payments from the Orange County Redevelopment Agency pursuant to a resolution adopted by the School District in 1999 under former Section 33676(a) of the Law (Santa Ana Unified School District v. Orange County Redevelopment Agency; App. 4 Dist. 2001 108 Cal. Rptr.2d 770, 90 Cal. App 4th 404, review denied). Former Section 33676(a) (2) provided that, unless a negotiated tax sharing agreement had been entered into, upon passage of a resolution prior to adoption of a redevelopment plan, affected taxing agencies and every school and community college district could elect to be allocated increases in the assessed value of taxable property in the project area based on inflation growth (the Base Year Inflation Adjustment). Former Section 33676(a)(2) was repealed as part of major revisions made to the Law pursuant to the Reform Act of 1993 (AB 1290). The changes to the Law contained in AB1290 were effective as of January 1, 1994. The Court of Appeals affirmed the lower court ruling that due to an amendment to former Section 33676(a) that was adopted in 1984 and became effective on January 1, 1985, school and community college districts were to automatically receive the 2% Property Tax Increase even without adopting the appropriate resolution prior to the adoption of a redevelopment plan.

IX. Development Activities

Real property represents assessed valuations for land and improvements. New Real Property developments taking place in the Project Area consist of residential and commercial developments. The new development assumptions incorporated into this report include new construction, which is presently under way or anticipated to be completed in the near future, and property transfer activities. The impacts of these new developments are included in the Projections of Incremental Taxable Value and Tax Increment Revenue and shown in detail on Tables 4 (New Development).

Residential Development – The Clementine is located within Amendment No. 2, east of Bradford Avenue and adjacent to the Atchison, Topeka & Santa Fe Railroad right of way on the north and is being developed by KB Homes. This development consists of 54 town homes offering four floor plans approximately 1,443 to 1,807 square feet with two to three bedrooms and 2 ½ to 3 ½ bathrooms and

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

two car attached garage. Forty-three units including the models are completed and construction is underway on the remaining eleven town homes. The first town homes became available for occupancy in November 2007. Prices are currently at \$389,990 for Plan 1 (2 bedrooms/2 ½ bath), \$399,990 for Plan 2 (3 bedrooms/3 ½ bath), \$409,990 for Plan 3 (3 bedroom/3 ½ bath), and \$360,000 for Plan 4 (2 bedroom/2 ½ baths). Twelve units were sold in 2007 and are reflected on the 2008-09 tax roll. Twenty-eight units were sold in 2008 and will be reflected on the 2009-10 tax roll. Since the beginning of the year, there are five units are in escrow and nine units are available. This development is anticipated to be complete and owner occupied in May 2009. For the purpose of the projections, it is anticipated that \$5,904,962 of value will be added to the 2009-10 tax roll and \$2,802,728 will be added to the 2010-11 tax roll.

Sales and Transfer Occurring After the Lien Date – A review of recent transfers of ownership has been conducted and transfers were found to have occurred after the January 1, 2008 lien date for the current fiscal year. As a result, the sales values on these transfers of ownership are expected to be reflected in the tax rolls for 2009-10. Within the Project Area, in addition to the twenty-eight transfers related to the Clementine project, five transfers of ownership were found. These transfers of ownership that occurred from January 1, 2008 through November 24, 2008 are expected to add \$2,843,035 in new value to the 2009-10 tax roll for the Project Area.

Based on data provided by DataQuick, there is one parcel in the Project Area in foreclosure. Information relating to the outstanding obligation is unknown. The assessed valuation of the property is currently \$377,000.

IX. Trended Taxable Value Growth

Growth in real property land and improvement values have been limited to an assumed rate of growth of real property taxable values of two percent annually as allowed under Article XIII A of the State Constitution. A two percent growth rate has been assumed because it is the maximum inflationary growth rate permitted by law and this rate of growth has been achieved in all but four years since 1981. The years in which less than two percent growth was realized were 1983-84 (1.0%), 1995-96 (1.19%), 1996-97 (1.11%) and 1999-00 (1.85%) and 2004-05 (1.867%). If in future years the growth of taxable value in the Project Area is less than two percent, the resultant Tax Increment Revenues would be reduced.

As a result of the recent nationwide increase in defaults on residential mortgages there has been concern expressed in the financial market over the possible impact that these defaults may have on redevelopment agency revenues in general. Reliable information on foreclosure activity is difficult to find and what information that is available is not readily applicable to discrete areas within cities and redevelopment project areas. Much of the information available is segregated by county or ZIP code. The information within the following table is based on information available for the City of Placentia from the RealtyTrac U.S. Foreclosure Market Report through August 2008.

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

**Table F
Foreclosure Data for City of Placentia by ZIP Code**

As of:	Notices of Default Filed	Notices of Trustee Sale Filed	Real Estate Owned by Lender	Total City Parcels	Total City Residential Parcels
Jan. 2005	3	1	0	14,051	12,435
Jul. 2005	1	0	0	14,158	12,545
Jan. 2006	3	1	1		
Jul. 2006	4	0	1	14,179	12,566
Jan. 2007	5	2	1		
Jul. 2007	19	2	0	14,224	12,600
Jan. 2008	37	7	6		
Feb. 2008	31	4	6		
Mar. 2008	41	11	7		
Apr. 2008	54	15	17		
May 2008	25	8	17		
Jun. 2008	21	14	16		
Jul. 2008	17	14	24	14,291	12,667
Aug. 2008	49	24	31		
Sep. 2008	21	12	17		
Oct. 2008	9	9	9		
Nov. 2008	11	28	3		

According to RealtyTrac, the Notices of Default are based on the number of properties where a publicly recorded notice that a property owner has missed scheduled loan payments for a loan secured by a property. Notices of Trustee Sale are based on the number of properties where a document has been filed announcing the public sale of a property to recover a debt owed by the owner of the property. These notices are mailed to the parties affected by the sale of the property, are advertised in local publications and are recorded as public records. Real Estate Owned by Lender reflects the number of properties that are now owned by the lender as the result of a foreclosure. Each of these steps is the precursor to the next step in the foreclosure process. Generally the foreclosure process may be halted by the property owner by paying the amount that is in default on the loan and bringing the loan current. The numbers of Notices of Default, Notices of Trustee Sales and Real Estate Owned by Lender are the numbers for the months listed. The numbers reflect activity in the months shown and are not cumulative.

We are unable to determine how many of the parcels represented in Table F may be located within the Project Area but for the three fiscal years in question, the Project Area contained less than 3% of the total parcels within the City and less than 0.7% of the total residential parcels within the City. Based on this information it seems unlikely that foreclosures within the Project Area will have a significant impact on Project Area assessed values and revenues.

According to transfer of ownership reported by DataQuick during January 1, 2008 through August 8, 2008, there is one parcel within the Project Area that appears to have foreclosure activity. The one parcel has yet to be sold.

**Redevelopment Agency of the City of Placentia
Fiscal Consultant's Report
January 23, 2009**

HdL Coren & Cone makes no representation that taxable values will actually grow at two percent. Future values will also be affected by changes of ownership and new construction not reflected in our projections. In addition, the values of property previously reduced in value due to assessment appeals based on reduced market values could increase more than two percent when real estate values increase more than two percent (see Section IV A above). Seismic activity and environmental conditions such as hazardous substances that are not anticipated in this report might also impact property taxes and Tax Increment Revenue. Anticipated revenues could be adjusted as a result of unidentified assessment appeal refunds, other Assessor corrections discussed previously, or unanticipated increases or decreases in property tax values. Estimated valuations from developments included in this analysis are based upon our understanding of the general practices of the Orange County Assessor and Auditor-Controller's Office. General assessment practices are subject to policy changes, legislative changes, and the individual appraiser's judgment. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

Bond Services/Tax Allocation Notes/Placentia08

**Placentia Redevelopment Agency
Placentia Redevelopment Project**

Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)



Table 1-Combined

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Taxable Values (1)										
Real Property (2)	283,893	287,503	296,056	301,977	308,017	314,177	320,460	326,870	333,407	340,075
Personal Property (3)	<u>33,753</u>	<u>31,063</u>								
Total Projected Value	317,647	318,566	327,119	333,040	339,079	345,240	351,523	357,933	364,470	371,138
Taxable Value over Base	82,701	234,946	235,865	244,418	250,339	256,379	262,539	268,823	275,232	281,769
Gross Tax Increment Revenue (4)	2,360	2,369	2,455	2,514	2,575	2,637	2,700	2,764	2,830	2,897
Unitary Tax Revenue	<u>9,30</u>	<u>9</u>								
Gross Revenues	2,369	2,378	2,464	2,523	2,584	2,646	2,709	2,773	2,839	2,906
LESS:										
SB 2557 Admin. Fee (5)	(17)	(17)	(17)	(18)	(18)	(19)	(19)	(19)	(20)	(20)
Housing Set Aside Requirement (6)	(474)	(476)	(493)	(505)	(517)	(529)	(542)	(555)	(568)	(581)
Tax Revenues Pledged to the 2002 Bonds	1,879	1,886	1,954	2,001	2,049	2,098	2,148	2,199	2,251	2,305
2002 Bonds Debt Service	(321)	(322)	(322)	(322)	(322)	(321)	(325)	(323)	(321)	(323)
Statutory Tax Sharing Payments										
All Taxing Entities Tier 1 (7)	(64)	(68)	(78)	(84)	(90)	(97)	(103)	(110)	(116)	(123)
All Taxing Entities Tier 2 (7)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3)</u>	<u>(7)</u>	<u>(11)</u>	<u>(15)</u>
Tax Revenues Pledged to the Notes	1,493	1,496	1,554	1,595	1,637	1,681	1,717	1,760	1,803	1,843
Subordinate Pass-Through										
County General (8)	(28)	(26)	(28)	(30)	(32)	(34)	(37)	(39)	(41)	(44)
County Flood Control District (8)	(14)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(22)
Harbor, Beaches & Parks District (8)	(3)	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(5)	(5)
OC Vector Control District (9)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
OC Water District (10)	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
OC Dept of Education (11)	(4)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(5)	(5)
No Orange County CCD (12)	(16)	(16)	(17)	(17)	(18)	(18)	(19)	(19)	(20)	(21)
Placentia-Yorba Linda USD (13)	(139)	(136)	(140)	(145)	(149)	(153)	(158)	(163)	(168)	(172)
Net Available Revenues	1,287	1,295	1,344	1,377	1,410	1,445	1,473	1,506	1,540	1,570

Placentia Redevelopment Agency Placentia Redevelopment Project

Notes to the Projection of Incremental Taxable Value & Tax Increment Revenue

23-Jan-09

- (1) Taxable values as reported by Orange County.
- (2) Real property consists of land and improvements. Increased for New Development and Transfer Sales (see Table 4 - Combined) and 2% annually for inflation. In 2008-09, values were reduced by \$1,629,731 for 32 pending appeals, by \$7,273,350 for the Conagra Foods Inc. closure on December 31, 2008 and \$1,700,956 for prior year unsecured billing related to Customline Inc.
- (3) Personal property is held constant at 2008-09 level. In 2009-10, values were reduced by \$2,232,975 for the removal of equipment related to Conagra Foods Inc. and by \$457,667 for for prior year unsecured billings related to Customline Inc.
- (4) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project tax rate and adjusted for any indebtedness approved by voters after 1988. The future tax rates are assumed to remain constant at the rate of \$1.0043 per \$100 of taxable value.
- (5) County Administration fee is estimated at 0.70% of Gross Revenue.
- (6) Housing Set Aside calculated at 20% of Gross Revenue.
- (7) Within the Amendment No. 2, all Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside. After year 30, Taxing Entities also receive 14% of tax revenue on incremental value above the year 30 value net of housing set aside. Within the Original Area and Amendment No. 1 the limitation on incurrence of indebtedness was extended and/or eliminated. Pursuant to Section 33607.7 of the Law, this amendment obligates the Agency to begin making statutory tax sharing payments to any taxing entities with whom they have not entered into tax sharing agreements. Using the assessed values for the fiscal year within which the original time limit was exceeded as an adjusted base year value, taxing entities receive their proportional share of 25% of the revenue derived from the difference between the current year assessed value and the adjusted base year value less 20% for housing set-aside. Beginning in the 11th year after the statutory payments begin and using the assessed values for year 10 as a second adjusted base year value, taxing entities receive their share of 21% of the revenue derived from the difference between the second adjusted base year value and the current year value less 20% for housing set-aside. A third tier of statutory tax sharing identified in the Law is not initiated before the expiration of the Project Areas. The City of Indio is a taxing entity and as such may elect to receive its proportional share of the tier 1 tax sharing payments. It may not receive a share of the tier 2 or 3 payments.
- (8) Within the Original Area and Amendment No. 1, Orange County General Fund receives 65% of it's share (5.81%), the Orange County Flood Control District receives 100% of it's share (1.86%) and the Harbor, Beaches and Park receives 30% of it's share (1.44%) of general levy tax increment in excess of \$1,500,000. The amount due is subordinate to the Bonds.
- (9) Within Amendment No. 1, Orange County Vector Control receives it's share (0.11%) of general levy tax increment. The amount due is subordinate to the Bonds.
- (10) Within Amendment No. 1, Orange County Water District receives 50% of it's share (0.81%) of general levy tax increment. The amount due is subordinate to the Bonds.
- (11) Within Amendment No. 1, Orange County Superintendent receives 40% of it's share (1.72%) of general levy tax increment. The amount due is subordinate to the Bonds.
- (12) Within Amendment No. 1, North Orange County Community College District receives 40% of it's share (6.58%) of general levy tax increment. The amount due is subordinate to the Bonds.
- (13) Within the Original Area and Amendment No. 1, Placentia Yorba Linda Unified School District receives 6.5% of the first \$1 million and 10% of the tax Increment in excess of \$1 million. Tax increment revenues is net of Housing Set-Aside and SB 2557 Admin Fees. The amount due is subordinate to the Bonds.

**Placentia Redevelopment Agency
Placentia Redevelopment Project**

PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE

(000s Omitted)

23-Jan-09

Table 2-Combined

		Taxable Value		Gross Tax Revenue	SB 2557 Charge	Housing Set-Aside	Tax Revenues Pledged to the 2002 Bonds	2002 Bonds Debt Service	Statutory Tax Sharing			Tax Revenues	Subordinate Pass Throughs	Net Available Revenues
		Total Taxable Value	Over Base (1)						Tier 1	Tier 2	Tier 3			
1	2008-09	317,647	222,037	2,369	(17)	(474)	1,879	(321)	(64)	0	0	1,493	(206)	1,287
2	2009-10	318,566	217,754	2,378	(17)	(476)	1,886	(322)	(68)	0	0	1,496	(201)	1,295
3	2010-11	327,119	223,127	2,464	(17)	(493)	1,954	(322)	(78)	0	0	1,554	(209)	1,344
4	2011-12	333,040	228,607	2,523	(18)	(505)	2,001	(322)	(84)	0	0	1,595	(218)	1,377
5	2012-13	339,079	234,196	2,584	(18)	(517)	2,049	(322)	(90)	0	0	1,637	(227)	1,410
6	2013-14	345,240	239,897	2,646	(19)	(529)	2,098	(321)	(97)	0	0	1,681	(235)	1,445
7	2014-15	351,523	245,712	2,709	(19)	(542)	2,148	(325)	(103)	(3)	0	1,717	(244)	1,473
8	2015-16	357,933	251,644	2,773	(19)	(555)	2,199	(323)	(110)	(7)	0	1,760	(254)	1,506
9	2016-17	364,470	257,694	2,839	(20)	(568)	2,251	(321)	(116)	(11)	0	1,803	(263)	1,540
10	2017-18	371,138	263,865	2,906	(20)	(581)	2,305	(323)	(123)	(15)	0	1,843	(273)	1,570
11	2018-19	377,940	270,160	2,974	(21)	(595)	2,359	(320)	(130)	(19)	0	1,889	(282)	1,607
12	2019-20	384,877	276,580	3,044	(21)	(609)	2,414	(322)	(137)	(24)	0	1,931	(292)	1,639
13	2020-21	391,953	283,129	3,115	(22)	(623)	2,470	(323)	(145)	(28)	0	1,975	(302)	1,672
14	2021-22	399,171	289,809	3,188	(22)	(638)	2,528	(323)	(152)	(34)	0	2,018	(313)	1,705
15	2022-23	406,533	296,622	3,262	(23)	(652)	2,586	(323)	(160)	(41)	0	2,063	(323)	1,739
16	2023-24	414,043	303,572	3,337	(23)	(667)	2,646	(323)	(167)	(47)	0	2,109	(334)	1,775
17	2024-25	421,702	310,661	3,414	(24)	(683)	2,707	(321)	(175)	(54)	0	2,157	(345)	1,812
18	2025-26	429,515	317,891	3,492	(24)	(698)	2,769	(325)	(183)	(61)	0	2,201	(356)	1,845
19	2026-27	437,484	325,266	3,572	(25)	(714)	2,833	(322)	(91)	(22)	0	2,398	(368)	2,030
20	2027-28	445,613	332,789	3,654	(26)	(731)	2,898	(324)	(95)	(25)	0	2,454	(379)	2,075
21	2028-29	453,904	340,462	3,737	(26)	(747)	2,964	(325)	(99)	(28)	0	2,512	(391)	2,121
22	2029-30	462,360	348,288	3,822	(27)	(764)	3,031	(320)	(102)	(31)	0	2,578	(403)	2,174
23	2030-31	470,986	356,271	3,909	(27)	(782)	3,100	(324)	(106)	(34)	0	2,635	(416)	2,219
24	2031-32	479,785	364,414	3,997	(28)	(799)	3,170	(323)	(66)	(16)	0	2,766	(428)	2,337
25	2032-33	488,759	372,720	4,087	(29)	(817)	3,241	0	(67)	(17)	0	3,157	(441)	2,716
26	2033-34	497,913	381,191	4,179	(29)	(836)	3,314	0	(68)	(18)	0	3,227	(454)	2,773
27	2034-35	507,250	389,832	4,273	(30)	(855)	3,389	0	(70)	(20)	0	3,299	(468)	2,831
28	2035-36 (2)	516,774	398,646	4,369	(31)	(874)	3,464	0	(71)	(21)	(1)	3,372	(481)	2,890
29	2036-37	219,679	131,468	1,684	(12)	(337)	1,335	0	(73)	(22)	(2)	1,239	(234)	1,005
30	2037-38	223,827	134,877	1,793	(12)	(359)	1,422	0	(74)	(23)	(2)	1,322	(241)	1,082
				95,096	(665)	(19,019)	75,412	(7,739)	(3,167)	(623)	(5)	63,879	(9,584)	54,295

(1) Base year value is a combination of base year values for the different Project Areas. The base year value is reduced at such time as a Project Area(s) expire or exceed their tax increment limits.

(2) Final Year for Agency to receive tax increment from the Original Area of the Placentia Redevelopment Project.

Placentia Redevelopment Agency
Placentia Redevelopment Project
HISTORICAL VALUES (1)

23-Jan-09

Table 3 - Combined

	Base Year	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	Revised Base Year 2005-06	2005-06	2006-07	Revised Base Year 2007-08	2007-08	2008-09
Secured (2)													
Land	24,247,597	62,408,092	73,442,474	71,218,437	73,311,597	76,373,895	82,375,452	24,730,292	90,144,881	103,719,442	24,477,770	125,454,836	128,018,009
Impts	30,887,300	90,480,756	100,312,235	103,473,084	109,691,125	111,630,260	115,630,935	31,229,905	119,247,730	124,233,428	30,496,320	134,495,574	139,096,329
Pers Prop	4,869,677	1,306,849	692,867	841,012	754,632	715,539	776,487	4,871,139	803,945	833,006	4,867,506	274,021	262,048
Exemptions	(47,648)	(407,951)	(455,882)	(424,432)	(1,077,822)	(483,783)	(492,814)	(108,161)	(502,669)	(512,721)	(108,161)	(1,827,055)	(1,866,292)
Total Secured	59,956,926	153,787,746	173,991,694	175,108,101	182,679,532	188,235,911	198,290,060	60,723,175	209,693,887	228,273,155	59,733,435	258,397,376	265,510,094
Unsecured													
Land	97,662	232,642	2,117,381	234,050	235,948	239,927	341,433	102,562	400,605	449,053	102,562	2,551,530	384,037
Impts	9,039,840	14,420,021	15,865,114	16,149,992	16,166,644	18,328,863	17,257,213	9,044,740	16,234,768	18,163,694	9,044,740	18,867,305	18,280,753
Pers Prop	13,839,109	32,309,532	33,082,368	29,999,043	31,417,476	31,801,103	34,871,865	13,839,109	31,013,111	33,233,129	13,839,109	36,270,656	33,647,027
Exemptions	(19,247)	(224,339)	(249,192)	(225,750)	(161,066)	(73,588)	(109,079)	(19,247)	(292,642)	(130,348)	(19,247)	(177,516)	(175,017)
Total Unsecured	22,957,364	46,737,856	50,815,671	46,157,335	47,659,002	50,296,305	52,361,432	22,967,164	47,355,842	51,715,528	22,967,164	57,511,975	52,136,800
GRAND TOTAL	82,914,290	200,525,602	224,807,365	221,265,436	230,338,534	238,532,216	250,651,492	83,690,339	257,049,729	279,988,683	82,700,599	315,909,351	317,646,894
Incremental Increase		117,611,312	141,893,075	138,351,146	147,424,244	155,617,926	167,737,202		174,135,439	197,074,393		233,208,752	234,946,295
Percentage Increase/(Decrease)			20.65%	-2.50%	6.56%	5.56%	7.79%		3.81%	13.17%		18.34%	0.75%

(1) Source: County of Orange

(2) Secured values include state assessed non-unitary utility property.

**Placentia Redevelopment Agency
Placentia Redevelopment Project
New Development**

23-Jan-09

Table 4-Combined

|000's omitted

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing</u>	<u>Total Value Added</u>	<u>Start</u>	<u>Complete</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
KB Home - Clementine	42	386,147	16,218,170	7,510,480	8,708			5,905	2,803	0	0	0	0
Transfer Sales (Jan. 1 -Aug 8, 2008)	5	0	<u>4,702,500</u>	<u>1,859,465</u>	<u>2,843</u>			<u>2,843</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Real Property:			20,920,670	9,369,945	11,551			8,748	2,803	0	0	0	0

**Placentia Redevelopment Agency
Placentia Redevelopment Project
TOP TEN TAXABLE PROPERTY OWNERS (1)**

23-Jan-09

Table 5 - Combined

Owner	Secured			Unsecured			Total		Use	% of Incremental Value
	Value	Parcels	% of AV	Value	Parcels	% of AV	Value	% of Total Value		
1 Realty Associates Fund VIII Limited Partnership	\$ 19,380,000	4	7.30%	\$ -	-	0.00%	\$ 19,380,000	6.10%	Industrial Placentia Corporate Center <i>Original Area</i>	8.25%
2 Knott Family Company LLC	11,860,924	1	4.47%	-	-	0.00%	11,860,924	3.73%	Commercial Knotts Berry Farm Foods <i>Original Area</i>	5.05%
3 Carla Ann Petillo Trust	11,566,866	2	4.36%	-	-	0.00%	11,566,866	3.64%	Industrial and Customline Screen Printing and Distribution Inc. Fed Express Home Delivery Facility <i>Amendment No. 1</i>	4.92%
4 AG/BPG Placentia Inc.	9,616,819	1	3.62%	-	-	0.00%	9,616,819	3.03%	Miscellaneous Storage Solutions - Storage Facility <i>Original Area</i>	4.09%
5 Conagra Foods Inc.			0.00%	9,506,325	2	18.23%	9,506,325	2.99%	Unsecured Knotts Berry Farm Foods <i>Original Area</i>	4.05%
6 AHT Residence Inn II Limited Partnership	8,670,069	1	3.27%			0.00%	8,670,069	2.73%	Residential Marriott Residence Inn <i>Original Area</i>	3.69%
7 FPL LLC	7,219,822	1	2.72%	278,954	3	0.54%	7,498,776	2.36%	Miscellaneous Fairfield Inn <i>Original Area</i>	3.19%
8 MNC Brothers	6,495,319	2	2.45%	-	-	0.00%	6,495,319	2.04%	Industrial, Miscellaneous Lincoln Imports Imperial Silk <i>Original Area</i>	2.76%
9 Totea Associates	5,933,421	7	2.23%	-	-	0.00%	5,933,421	1.87%	Industrial, Miscellaneous Industrial Park - Office and Warehouse Facilities <i>Original Area</i>	2.53%
10 110 140 North Bradford Avenue LLC	<u>5,493,312</u>	<u>1</u>	<u>2.07%</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>	<u>5,493,312</u>	<u>1.73%</u>	Commercial Shopping Center <i>Amendment No. 1</i>	2.34%
Total	\$ 86,236,552	20	32.48%	\$ 9,785,279	5	18.77%	\$ 96,021,831	30.23%		
Project Area Assessed Valuation Totals:	<u>\$ 265,510,094</u>			<u>\$ 52,136,800</u>			<u>\$ 317,646,894</u>			
Project Area Incremental Value Totals:	<u>\$ 205,776,659</u>		41.91%	<u>\$ 29,169,636</u>		33.55%	<u>\$ 234,946,295</u>	40.87%		

(1) 2008-09 top property owners current as of November 24, 2008.

(2) Pending Appeals

**Placentia Redevelopment Agency
Placentia Redevelopment Project - Original Area**

Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)

23-Jan-09

Table 1 - Original Area

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Taxable Values (1)										
Real Property (2)	172,635	168,756	172,131	175,574	179,085	182,667	186,320	190,047	193,848	197,725
Personal Property (3)	<u>20,995</u>	<u>18,762</u>								
Total Projected Value	193,630	187,518	190,893	194,336	197,847	201,429	205,082	208,808	212,609	216,486
Taxable Value over Base	30,641	162,989	156,877	160,252	163,695	167,206	170,788	174,441	178,168	181,969
Gross Tax Increment Revenue (4)	1,637	1,576	1,609	1,644	1,679	1,715	1,752	1,789	1,828	1,866
Unitary Tax Revenue	<u>9</u>									
Gross Revenues	1,646	1,584	1,618	1,653	1,688	1,724	1,761	1,798	1,836	1,875
LESS:										
SB 2557 Admin. Fee (5)	(12)	(11)	(11)	(12)	(12)	(12)	(12)	(13)	(13)	(13)
Housing Set Aside Requirement (6)	(329)	(317)	(324)	(331)	(338)	(345)	(352)	(360)	(367)	(375)
SB 211 Statutory Tax Sharing (7)										
Tier 1	(38)	(32)	(35)	(39)	(42)	(46)	(50)	(53)	(57)	(61)
Tier 2	0	0	0	0	0	0	(3)	(6)	(9)	(13)
Tax Revenues	1,267	1,224	1,248	1,272	1,296	1,321	1,343	1,366	1,389	1,413
Subordinate Pass-Through										
County General (8)	(5)	(3)	(4)	(6)	(7)	(8)	(10)	(11)	(13)	(14)
County Flood Control District (8)	(3)	(1)	(2)	(3)	(3)	(4)	(5)	(6)	(6)	(7)
Harbor, Beaches & Parks District (8)	(1)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(2)
Placentia-Yorba Linda USD (9)	(92)	(88)	(90)	(93)	(96)	(99)	(102)	(104)	(107)	(111)
Net Available Revenues	<u>1,166</u>	<u>1,132</u>	<u>1,151</u>	<u>1,170</u>	<u>1,189</u>	<u>1,209</u>	<u>1,226</u>	<u>1,244</u>	<u>1,262</u>	<u>1,280</u>

- (1) Taxable values as reported by Orange County.
- (2) Real property consists of land and improvements. Increased for Transfer Sales (see Table 4 - Original Area) and 2% annually for inflation. In 2009-10, values were reduced by \$565,019 for four pending appeals and by \$7,273,350 for the Conagra Foods Inc. closure on December 31, 2009.
- (3) Personal property is held constant at 2008-09 level. In 2009-10, values were reduced by \$2,232,975 for the removal of equipment related to Conagra Foods Inc.
- (4) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project tax rate and adjusted for any indebtedness approved by voters after 1988. The future tax rates are assumed to remain constant at the rate of \$1.0043 per \$100 of taxable value.
- (5) County Administration fee is estimated at 0.70% of Gross Revenue.
- (6) Housing Set Aside calculated at 20% of Gross Revenue.
- (7) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency has eliminated the Plan's time limit for incurrence of new debt. By the elimination of this limit, the Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (January 1, 2004). Using the assessed values for 2003-04 as a base year and beginning in 2004-05, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of tax increment revenue net of housing set aside and is subordinate to the Bonds. Statutory payments continue only through the fiscal year containing the termination date of plan effectiveness (2025-26). Taxing entities that have entered into agreements do not participate in the tax sharing.
- (8) Orange County General Fund receives 65% of it's share (5.93%), the Orange County Flood Control District receives 100% of it's share (1.90%) and the Harbor, Beaches and Park receives 30% of it's share (1.47%) of general levy tax increment in excess of \$1,500,000.
- (9) Placentia Yorba Linda Unified School District receives 6.5% of the first \$1 million and 10% of the tax increment in excess of \$1 million. Tax increment revenues is net of Housing Set-Aside and SB 2557 Admin Fees.

**Placentia Redevelopment Agency
Placentia Redevelopment Project - Original Area**

PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE

(000s Omitted)

23-Jan-09

Table 2 Original Area

		Taxable Value		Gross Tax Revenue	SB 2557 Charge	Housing Set-Aside	Statutory Tax Sharing			Tax Revenues	Subordinate Pass-Throughs Agreements	Net Available Revenues
		Total Taxable Value	Over Base				Tier 1	Tier 2	Tier 3			
1	2008-09	193,630	162,989	1,646	(12)	(329)	(38)	0	0	1,267	(101)	1,166
2	2009-10	187,518	156,877	1,584	(11)	(317)	(32)	0	0	1,224	(92)	1,132
3	2010-11	190,893	160,252	1,618	(11)	(324)	(35)	0	0	1,248	(97)	1,151
4	2011-12	194,336	163,695	1,653	(12)	(331)	(39)	0	0	1,272	(102)	1,170
5	2012-13	197,847	167,206	1,688	(12)	(338)	(42)	0	0	1,296	(107)	1,189
6	2013-14	201,429	170,788	1,724	(12)	(345)	(46)	0	0	1,321	(112)	1,209
7	2014-15	205,082	174,441	1,761	(12)	(352)	(50)	(3)	0	1,343	(117)	1,226
8	2015-16	208,808	178,168	1,798	(13)	(360)	(53)	(6)	0	1,366	(122)	1,244
9	2016-17	212,609	181,969	1,836	(13)	(367)	(57)	(9)	0	1,389	(128)	1,262
10	2017-18	216,486	185,846	1,875	(13)	(375)	(61)	(13)	0	1,413	(133)	1,280
11	2018-19	220,441	189,800	1,915	(13)	(383)	(65)	(16)	0	1,437	(139)	1,298
12	2019-20	224,474	193,834	1,955	(14)	(391)	(69)	(20)	0	1,462	(145)	1,317
13	2020-21	228,589	197,948	1,997	(14)	(399)	(73)	(23)	0	1,487	(150)	1,337
14	2021-22	232,785	202,144	2,039	(14)	(408)	(78)	(27)	0	1,513	(156)	1,356
15	2022-23	237,066	206,425	2,082	(15)	(416)	(82)	(30)	0	1,539	(162)	1,376
16	2023-24	241,432	210,791	2,126	(15)	(425)	(86)	(34)	0	1,565	(169)	1,397
17	2024-25	245,885	215,244	2,170	(15)	(434)	(91)	(38)	0	1,592	(175)	1,418
18	2025-26	250,428	219,787	2,216	(16)	(443)	(95)	(42)	0	1,620	(181)	1,439
19	2026-27	255,061	224,420	2,263	(16)	(453)	0	0	0	1,794	(188)	1,606
20	2027-28	259,787	229,146	2,310	(16)	(462)	0	0	0	1,832	(194)	1,637
21	2028-29	264,607	233,967	2,358	(17)	(472)	0	0	0	1,870	(201)	1,669
22	2029-30	269,524	238,884	2,408	(17)	(482)	0	0	0	1,909	(208)	1,701
23	2030-31	274,540	243,899	2,458	(17)	(492)	0	0	0	1,949	(215)	1,734
24	2031-32	279,655	249,014	2,510	(18)	(502)	0	0	0	1,990	(223)	1,768
25	2032-33	284,873	254,232	2,562	(18)	(512)	0	0	0	2,032	(230)	1,802
26	2033-34	290,195	259,554	2,615	(18)	(523)	0	0	0	2,074	(237)	1,837
27	2034-35	295,624	264,983	2,670	(19)	(534)	0	0	0	2,117	(245)	1,872
28	2035-36	301,161	270,520	2,726	(19)	(545)	0	0	0	2,161	(253)	1,908
29	2036-37	0	0	0	0	0	0	0	0	0	0	0
30	2037-38	0	0	0	0	0	0	0	0	0	0	0
				58,563	(411)	(11,713)	(1,094)	(261)	0	45,085	(4,585)	40,500

Placentia Redevelopment Agency
Placentia Redevelopment Project - Original Area
HISTORICAL VALUES (1)

23-Jan-09

Table 3 - Original Area

	Base Year	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Revised Base Year 2007-08	2007-08	2008-09
Secured (2)												
Land	8,187,963	35,122,818	40,718,481	40,968,962	42,127,450	43,694,669	46,881,424	52,246,635	57,752,781	8,067,327	66,213,466	68,910,225
Impts	10,071,801	61,487,915	68,458,033	70,084,999	75,174,138	76,583,914	79,572,444	80,709,530	84,001,813	9,649,679	92,311,297	93,083,952
Pers Prop	4,570,400	1,007,284	397,928	736,276	684,329	633,636	764,407	793,182	822,886	4,570,400	267,740	256,162
Exemptions	0	(350,921)	(397,712)	(365,099)	(413,779)	(422,054)	(429,933)	(438,531)	(447,301)	0	(1,760,327)	(1,798,230)
Total Secured	22,830,164	97,267,096	109,176,730	111,425,138	117,572,138	120,490,165	126,788,342	133,310,816	142,130,179	22,287,406	157,032,176	160,452,109
Unsecured												
Land	2,587	232,642	2,117,381	234,050	235,948	239,927	179,092	188,802	188,289	2,587	2,301,976	164,928
Impts	4,802,250	12,217,609	12,896,892	13,451,073	14,100,331	16,131,156	14,514,862	13,621,213	14,612,370	4,802,250	16,524,728	12,274,394
Pers Prop	3,548,605	21,921,875	22,457,431	20,251,647	22,555,693	19,182,028	18,224,594	20,196,524	21,138,709	3,548,605	23,241,966	20,894,174
Exemptions	0	(201,084)	(229,271)	(207,074)	(135,176)	(50,037)	(82,116)	(93,267)	(87,933)	0	(155,916)	(155,577)
Total Unsecured	8,353,442	34,171,042	37,242,433	33,729,696	36,756,796	35,503,074	32,836,432	33,913,272	35,851,435	8,353,442	41,912,754	33,177,919
GRAND TOTAL	31,183,606	131,438,138	146,419,163	145,154,834	154,328,934	155,993,239	159,624,774	167,224,088	177,981,614	30,640,848	198,944,930	193,630,028
Incremental Increase		100,254,532	115,235,557	113,971,228	123,145,328	124,809,633	128,441,168	136,040,482	146,798,008		168,304,082	162,989,180
Percentage Increase/(Decrease)			14.94%	-1.10%	8.05%	1.35%	2.91%	5.92%	7.91%		14.65%	-3.16%

(1) Source: County of Orange

(2) Secured values include state assessed non-unitary utility property.

**Placentia Redevelopment Agency
Placentia Redevelopment Project - Original Area
New Development**

23-Jan-09

Table 4 - Original Area

000's omitted													
<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing</u>	<u>Total Value Added</u>	<u>Start</u>	<u>Complete</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Transfer Sales (Jan. 1 -Nov 24, 2008)	1		<u>1,142,500</u>	<u>479,312</u>	<u>663</u>			<u>663</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Real Property:			1,142,500	479,312	663			663	0	0	0	0	0

Placentia Redevelopment Agency
Placentia Redevelopment Project - Amendment No. 1



Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

Table 1 - Amendment No. 1

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Taxable Values (1)										
Real Property (2)	97,574	99,862	101,859	103,896	105,974	108,093	110,255	112,460	114,710	117,004
Personal Property (3)	<u>12,757</u>	<u>12,300</u>								
Total Projected Value	110,331	112,161	114,158	116,196	118,273	120,393	122,555	124,760	127,009	129,303
Taxable Value over Base	51,284	59,048	60,877	62,875	64,912	66,990	69,109	71,271	73,476	75,725
Gross Tax Increment Revenue (4)	593	611	631	652	673	694	716	738	761	784
Unitary Tax Revenue	<u>1</u>									
Gross Revenues	594	612	632	652	673	695	716	738	761	784
LESS:										
SB 2557 Admin. Fee (5)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Housing Set Aside Requirement (6)	(119)	(122)	(126)	(130)	(135)	(139)	(143)	(148)	(152)	(157)
SB 211 Statutory Tax Sharing (7)										
Tier 1	0	0	0	(2)	(3)	(5)	(7)	(9)	(11)	(13)
Tier 2	0	0	0	0	0	0	0	0	0	0
Tax Revenues	471	485	501	516	530	546	561	577	593	609
Subordinate Pass-Through										
County General (8)	(22)	(23)	(24)	(25)	(25)	(26)	(27)	(28)	(29)	(29)
County Flood Control District (8)	(11)	(11)	(12)	(12)	(12)	(13)	(13)	(14)	(14)	(15)
Harbor, Beaches & Parks District (8)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
OC Vector Control District (9)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
OC Water District (10)	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
OC Dept of Education (11)	(4)	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(5)	(5)
No Orange County CCD (12)	(16)	(16)	(17)	(17)	(18)	(18)	(19)	(19)	(20)	(21)
Placentia-Yorba Linda USD (13)	(47)	(48)	(50)	(52)	(53)	(55)	(57)	(58)	(60)	(62)
Net Available Revenues	365	377	389	400	411	422	434	446	458	470

- (1) Taxable values as reported by Orange County.
- (2) Real property consists of land and improvements. Increased for Transfer Sales (see Table 4 - Amendment No. 1) and 2% annually for inflation. In 2009-10, values were reduced by \$229,237 for two pending appeals and by \$1,700,956 for prior year unsecured billings related to Customline Inc.
- (3) Personal property is held constant at 2008-09 level. In 2009-10, values were reduced by \$457,667 for prior year unsecured billings related to Customline Inc.
- (4) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project tax rate and adjusted for any indebtedness approved by voters after 1988. The future tax rates are assumed to remain constant at the rate of \$1.0043 per \$100 of taxable value.
- (5) County Administration fee is estimated at 0.70% of Gross Revenue.
- (6) Housing Set Aside calculated at 20% of Gross Revenue.
- (7) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency has eliminated the Plan's time limit for incurrence of new debt. By the elimination of this limit, the Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (July 26, 2010). Using the assessed values for 2010-11 as a base year and beginning in 2011-12, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of tax increment revenue net of housing set aside and is subordinate to the Bonds. Statutory payments continue only through the fiscal year containing the termination date of plan effectiveness (2022-23). Taxing entities that have entered into agreements do not participate in the tax sharing.
- (8) Orange County General Fund receives 65% of it's share (5.81%), the Orange County Flood Control District receives 100% of it's share (1.86%) and the Harbor, Beaches and Park receives 30% of it's share (1.44%) of general levy tax increment in excess of \$1,500,000.
- (9) Orange County Vector Control receives it's share (0.11%) of general levy tax increment.
- (10) Orange County Water District receives 50% of it's share (0.81%) of general levy tax increment.
- (11) Orange County Superintendent receives 40% of it's share (1.72%) of general levy tax increment.
- (12) North Orange County Community College District receives 40% of it's share (6.58%) of general levy tax increment.
- (13) Placentia Yorba Linda Unified School District receives 6.5% of the first \$1 million and 10% of the tax Increment in excess of \$1 million. Tax increment revenues is net of Housing Set-Aside and SB 2557 Admin Fees.

Placentia Redevelopment Agency
Placentia Redevelopment Project - Amendment No. 1

PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE
(000s Omitted)

23-Jan-09

Table 2 - Amendment No. 1

		Taxable Value		Gross Tax Revenue	SB 2557 Charge	Housing Set-Aside	Statutory Tax Sharing			Tax Revenues	Subordinate Pass-Throughs Agreements	Net Available Revenues
		Total Taxable Value	Over Base 51,284				Tier 1	Tier 2	Tier 3			
1	2008-09	110,331	59,048	594	(4)	(119)	0	0	0	471	(105)	365
2	2009-10	112,161	60,877	612	(4)	(122)	0	0	0	485	(109)	377
3	2010-11	114,158	62,875	632	(4)	(126)	0	0	0	501	(112)	389
4	2011-12	116,196	64,912	652	(5)	(130)	(2)	0	0	516	(116)	400
5	2012-13	118,273	66,990	673	(5)	(135)	(3)	0	0	530	(120)	411
6	2013-14	120,393	69,109	695	(5)	(139)	(5)	0	0	546	(123)	422
7	2014-15	122,555	71,271	716	(5)	(143)	(7)	0	0	561	(127)	434
8	2015-16	124,760	73,476	738	(5)	(148)	(9)	0	0	577	(131)	446
9	2016-17	127,009	75,725	761	(5)	(152)	(11)	0	0	593	(135)	458
10	2017-18	129,303	78,020	784	(5)	(157)	(13)	0	0	609	(139)	470
11	2018-19	131,643	80,360	808	(6)	(162)	(15)	0	0	626	(143)	482
12	2019-20	134,030	82,747	832	(6)	(166)	(17)	0	0	643	(148)	495
13	2020-21	136,465	85,181	856	(6)	(171)	(19)	0	0	660	(152)	508
14	2021-22	138,948	87,665	881	(6)	(176)	(21)	(2)	0	676	(156)	520
15	2022-23	141,481	90,197	906	(6)	(181)	(23)	(4)	0	692	(161)	531
16	2023-24	144,065	92,781	932	(6)	(186)	(25)	(5)	0	709	(166)	543
17	2024-25	146,700	95,416	959	(7)	(192)	(28)	(7)	0	726	(170)	555
18	2025-26	149,388	98,104	986	(7)	(197)	(30)	(9)	0	743	(175)	568
19	2026-27	152,130	100,846	1,013	(7)	(203)	(32)	(11)	0	760	(180)	580
20	2027-28	154,926	103,643	1,041	(7)	(208)	(34)	(13)	0	778	(185)	593
21	2028-29	157,779	106,495	1,070	(7)	(214)	(37)	(15)	0	797	(190)	607
22	2029-30	160,689	109,405	1,099	(8)	(220)	(39)	(17)	0	815	(195)	620
23	2030-31	163,656	112,373	1,129	(8)	(226)	(42)	(19)	0	834	(200)	634
24	2031-32	166,684	115,400	1,159	(8)	(232)	0	0	0	920	(206)	714
25	2032-33	169,771	118,488	1,191	(8)	(238)	0	0	0	944	(211)	733
26	2033-34	172,921	121,637	1,222	(8)	(244)	0	0	0	969	(217)	752
27	2034-35	176,133	124,849	1,254	(9)	(251)	0	0	0	995	(223)	772
28	2035-36	179,410	128,126	1,287	(9)	(257)	0	0	0	1,021	(229)	792
29	2036-37	182,752	131,468	1,321	(9)	(264)	0	0	0	1,048	(234)	813
30	2037-38	186,161	134,877	1,422	(10)	(284)	0	0	0	1,128	(241)	887
				28,227	(196)	(5,645)	(412)	(103)	0	21,870	(4,999)	16,871

Placentia Redevelopment Agency
Placentia Redevelopment Project - Amendment No. 1
HISTORICAL VALUES (1)

23-Jan-09

Table 3 - Amendment No. 1

	Base Year 0	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	Revised Base Year 2007-08	2007-08	2008-09
Secured (2)												
Land	16,059,634	27,285,274	32,723,993	30,249,475	31,184,147	32,679,226	35,494,028	37,420,579	39,070,782	15,927,748	46,657,415	49,818,984
Impts	20,815,499	28,992,841	31,854,202	33,388,085	34,516,987	35,046,346	36,058,491	38,235,787	39,923,157	20,504,036	40,983,055	41,619,253
Pers Prop	299,277	299,565	294,939	104,736	70,303	81,903	12,080	9,301	8,563	295,644	4,724	4,424
Exemptions	(47,648)	(57,030)	(58,170)	(59,333)	(664,043)	(61,729)	(62,881)	(64,138)	(65,420)	(47,648)	(66,728)	(68,062)
Total Secured	37,126,762	56,520,650	64,814,964	63,682,963	65,107,394	67,745,746	71,501,718	75,601,529	78,937,082	36,679,780	87,578,466	91,374,599
Unsecured												
Land	95,075	0	0	0	0	0	162,341	211,803	249,964	95,075	238,754	208,309
Impts	4,237,590	2,202,412	2,968,222	2,698,919	2,066,313	2,197,707	2,742,351	2,613,555	3,540,524	4,237,590	2,331,777	5,995,559
Pers Prop	10,290,504	10,387,657	10,624,937	9,747,396	8,861,783	12,619,075	16,647,271	10,816,587	12,094,420	10,290,504	13,028,690	12,752,853
Exemptions	(19,247)	(23,255)	(19,921)	(18,676)	(25,890)	(23,551)	(26,963)	(199,375)	(22,975)	(19,247)	0	0
Total Unsecured	14,603,922	12,566,814	13,573,238	12,427,639	10,902,206	14,793,231	19,525,000	13,442,570	15,861,933	14,603,922	15,599,221	18,956,721
GRAND TOTAL	51,730,684	69,087,464	78,388,202	76,110,602	76,009,600	82,538,977	91,026,718	89,044,099	94,799,015	51,283,702	103,177,687	110,331,320
Incremental Increase		17,356,780	26,657,518	24,379,918	24,278,916	30,808,293	39,296,034	37,313,415	43,068,331		51,893,985	59,047,618
Percentage Increase/(Decrease)			53.59%	-8.54%	-0.41%	26.89%	27.55%	-5.05%	15.42%		20.49%	13.79%

(1) Source: County of Orange

(2) Secured values include state assessed non-unitary utility property.

**Placentia Redevelopment Agency
 Placentia Redevelopment Project - Amendment No. 1
 New Development**

23-Jan-09

Table 4 - Amendment No. 1

000's omitted

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing</u>	<u>Total Value Added</u>	<u>Start</u>	<u>Complete</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Transfer Sales (Jan. 1 -Nov 24, 2008)	2		<u>2,740,000</u>	<u>435,173</u>	<u>2,305</u>			2,305	0	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Real Property:			2,740,000	435,173	2,305			2,305	0	0	0	0	0

**Placentia Redevelopment Agency
Placentia Redevelopment Project - Amendment No. 2**

Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

23-Jan-09

Table 1 - Amendment No. 2

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Taxable Values (1)										
Real Property (2)	13,684	18,886	22,066	22,507	22,957	23,417	23,885	24,363	24,850	25,347
Personal Property (3)	<u>1</u>									
Total Projected Value	13,686	18,887	22,067	22,509	22,959	23,418	23,886	24,364	24,851	25,348
Taxable Value over Base	776	12,909	18,111	21,291	21,733	22,183	22,642	23,110	23,588	24,075
Gross Tax Increment Revenue (4)	130	182	214	218	223	227	232	237	242	247
Unitary Tax Revenue	<u>0</u>									
Gross Revenues	130	182	214	218	223	227	232	237	242	247
LESS:										
SB 2557 Admin. Fee (5)	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Housing Set Aside Requirement (6)	(26)	(36)	(43)	(44)	(45)	(45)	(46)	(47)	(48)	(49)
Pass Throughs										
None										
AB 1290 Statutory Tax Sharing (7)										
All Taxing Entities Tier 1 (7)	(26)	(36)	(43)	(44)	(45)	(45)	(46)	(47)	(48)	(49)
All Taxing Entities Tier 2 (7)	<u>0</u>	(1)	(2)	(2)						
Tax Revenues	77	108	127	129	132	135	138	140	142	144

- (1) Taxable values as reported by Orange County.
- (2) Real property consists of land and improvements. Increased for New Development and Transfer Sales (see Table 4 - Amendment No. 2) and 2% annually for inflation. In 2009-10, values were reduced by \$835,475 for 26 pending appeals.
- (3) Personal property is held constant at 2008-09 level.
- (4) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project tax rate and adjusted for any indebtedness approved by voters after 1988. The future tax rates are assumed to remain constant at the rate of \$1.0043 per \$100 of taxable value.
- (5) County Administration fee is estimated at 0.70% of Gross Revenue.
- (6) Housing Set Aside calculated at 20% of Gross Revenue.
- (7) All Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside. After year 30, Taxing Entities also receive 14% of tax revenue on incremental value above the year 30 value net of housing set aside.

**Placentia Redevelopment Agency
Placentia Redevelopment Project - Amendment No. 2**

PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE
(000s Omitted)

23-Jan-09

Table 2 - Amendment No. 2

		Taxable Value		Gross Tax	SB 2557	Housing	Statutory Tax Sharing			Tax
		Total	Over Base				Tier 1	Tier 2	Tier 3	
		Taxable Value	776	Revenue	Charge	Set-Aside				
1	2008-09	13,686	12,909	130	(1)	(26)	(26)	0	0	77
2	2009-10	18,887	18,111	182	(1)	(36)	(36)	0	0	108
3	2010-11	22,067	21,291	214	(1)	(43)	(43)	0	0	127
4	2011-12	22,509	21,733	218	(2)	(44)	(44)	0	0	129
5	2012-13	22,959	22,183	223	(2)	(45)	(45)	0	0	132
6	2013-14	23,418	22,642	227	(2)	(45)	(45)	0	0	135
7	2014-15	23,886	23,110	232	(2)	(46)	(46)	0	0	138
8	2015-16	24,364	23,588	237	(2)	(47)	(47)	(1)	0	140
9	2016-17	24,851	24,075	242	(2)	(48)	(48)	(2)	0	142
10	2017-18	25,348	24,572	247	(2)	(49)	(49)	(2)	0	144
11	2018-19	25,855	25,079	252	(2)	(50)	(50)	(3)	0	146
12	2019-20	26,372	25,596	257	(2)	(51)	(51)	(4)	0	148
13	2020-21	26,900	26,124	262	(2)	(52)	(52)	(5)	0	151
14	2021-22	27,438	26,662	268	(2)	(54)	(54)	(6)	0	153
15	2022-23	27,986	27,210	273	(2)	(55)	(55)	(7)	0	155
16	2023-24	28,546	27,770	279	(2)	(56)	(56)	(8)	0	158
17	2024-25	29,117	28,341	285	(2)	(57)	(57)	(9)	0	160
18	2025-26	29,699	28,923	291	(2)	(58)	(58)	(10)	0	162
19	2026-27	30,293	29,517	296	(2)	(59)	(59)	(11)	0	165
20	2027-28	30,899	30,123	303	(2)	(61)	(61)	(12)	0	168
21	2028-29	31,517	30,741	309	(2)	(62)	(62)	(13)	0	170
22	2029-30	32,147	31,371	315	(2)	(63)	(63)	(14)	0	173
23	2030-31	32,790	32,014	322	(2)	(64)	(64)	(15)	0	176
24	2031-32	33,446	32,670	328	(2)	(66)	(66)	(16)	0	178
25	2032-33	34,115	33,339	335	(2)	(67)	(67)	(17)	0	181
26	2033-34	34,797	34,021	342	(2)	(68)	(68)	(18)	0	184
27	2034-35	35,493	34,717	349	(2)	(70)	(70)	(20)	0	187
28	2035-36	36,203	35,427	356	(2)	(71)	(71)	(21)	(1)	189
29	2036-37	36,927	36,151	363	(3)	(73)	(73)	(22)	(2)	192
30	2037-38	37,666	36,890	371	(3)	(74)	(74)	(23)	(2)	194
				8,306	(58)	(1,661)	(1,661)	(259)	(5)	4,662

Placentia Redevelopment Agency
Placentia Redevelopment Project - Amendment No. 2
HISTORICAL VALUES (1)

23-Jan-09

Table 3 - Amendment No. 2

	Base Year 2003-04	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
<u>Secured (2)</u>					
Land	482,695	477,667	6,895,879	12,583,955	9,288,800
Impts	342,605	302,413	308,458	1,201,222	4,393,124
Pers Prop	1,462	1,462	1,557	1,557	1,462
Exemptions	(60,513)	0	0	0	0
Total Secured	766,249	781,542	7,205,894	13,786,734	13,683,386
<u>Unsecured</u>					
Land	4,900	0	10,800	10,800	10,800
Impts	4,900	0	10,800	10,800	10,800
Pers Prop	0	0	0	0	0
Exemptions	0	0	(19,440)	(21,600)	(19,440)
Total Unsecured	9,800	0	2,160	0	2,160
GRAND TOTAL	776,049	781,542	7,208,054	13,786,734	13,685,546
Incremental Increase		5,493	6,432,005	13,010,685	12,909,497
Percentage Increase/(Decrease)			116994.57%	102.28%	-0.78%

(1) Source: County of Orange

(2) Secured values include state assessed non-unitary utility property.

**Placentia Redevelopment Agency
Placentia Redevelopment Project - Amendment No. 2
New Development**

23-Jan-09

Table 4 - Amendment No. 2

000's omitted													
<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing</u>	<u>Total Value Added</u>	<u>Start</u>	<u>Complete</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
KB Home - Clementine	42	386,147	16,218,170	7,510,480	8,708			5,905	2,803	0	0	0	0
Transfer Sales (Jan. 1 -Nov 24, 2008)	2		<u>820,000</u>	<u>944,980</u>	<u>(125)</u>			<u>(125)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Real Property:			17,038,170	8,455,460	8,583			5,780	2,803	0	0	0	0

APPENDIX C

CITY OF PLACENTIA INFORMATION STATEMENT

The following information concerning the City of Placentia is presented as general background data. The Notes are payable solely from the Revenues as described in the Official Statement. Neither the Authority nor the City are obligated in any manner to pay principal or interest on the Notes or to cure any delinquency or default on the Notes.

General Information

The City of Placentia covers 6.7 square miles in northern Orange County. 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.

City Government

The City of Placentia is a charter city and was incorporated in 1926. The City has a Council/Administrator form of government. The City Council appoints the City Administrator who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. The City Council is composed of five members elected bi-annually at large to four-year terms. Placentia employs a staff of 142 full-time employees and 45 full-time equivalent part-time employees under the direction of the City Administrator.

Governmental Services

Placentia is a full service City including a Police Department, Public Works Department, Development Services Department and Community Services Department. The Public Works Department is responsible for engineering, street maintenance, building maintenance, vehicle maintenance and park maintenance. The Development Services Department is responsible for planning, building inspection and redevelopment. The Community Services Department is responsible for recreational activities, cultural events and public assistance. Fire services are contracted with the Orange County Fire Authority and refuse collection is franchised to a private hauler, Taormina Industries.

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.

John Wayne-Orange County Airport is 14 miles south of Placentia and Los Angeles International Airport is approximately 36 miles to the west.

Population

The following table provides a comparison of population growth for Placentia, surrounding cities and Orange County between 2004 and 2008.

**TABLE NO. C-1
CHANGE IN POPULATION
PLACENTIA, SURROUNDING CITIES AND ORANGE COUNTY
2004 – 2008**

Year	PLACENTIA		SURROUNDING CITIES		ORANGE COUNTY	
	Population	Percentage Change	Population	Percentage Change	Population	Percentage Change
2004	49,890		237,133		3,017,390	
2005	50,109	0.4%	239,867	1.2%	3,045,218	0.9%
2006	51,135	2.0%	242,315	1.0%	3,066,483	0.7%
2007	51,357	0.4%	244,018	0.7%	3,089,707	0.8%
2008	51,727	0.7%	245,830	0.7%	3,121,251	1.0%
% Increase Between 2004 - 2008		3.7%			3.7%	3.4%

Surrounding cities include Brea, Fullerton and Yorba Linda.

Source: State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2001-2008, with 2000 Benchmark."

Employment and Industry

The City is located in the Santa Ana-Anaheim-Irvine Metropolitan Division (Orange County). Six major job categories constitute 78.5% of the work force. They are professional and business services (17.8%), service producing (16.7%), manufacturing (11.8%), leisure and hospitality (11.4%), government (11.0%) and educational and health services (9.8%). The November 2008 unemployment rate in the Orange County area was 6.1%. The State of California November 2008 unemployment rate (unadjusted) was 8.3%. The distribution of employment in the Orange County area is presented in the following table.

TABLE NO. C-2
SANTA ANA-ANAHEIM-IRVINE METROPOLITAN DIVISION (ORANGE COUNTY)
WAGE AND SALARY WORKERS BY INDUSTRY ⁽¹⁾
(in thousands)

Industry	2004	2005	2006	2007	2008
Government	156.9	158.3	160.8	163.6	162.8
Other Services	47.4	48.8	47.4	47.8	47.1
Leisure and Hospitality	162.7	164.4	169.4	169.3	168.0
Educational and Health Services	132.5	135.2	140.8	143.6	145.0
Professional and Business Services	260.9	266.5	278.0	271.2	262.5
Financial Activities	135.3	140.9	136.2	121.2	111.9
Information	33.8	32.3	31.8	30.8	29.2
Transportation, Warehousing and Utilities	29.6	28.5	28.3	29.5	27.9
Service Producing					
Retail Trade	160.8	165.8	168.1	165.2	159.5
Wholesale Trade	82.9	82.5	84.7	87.3	86.5
Manufacturing					
Nondurable Goods	56.0	53.5	54.6	53.9	51.7
Durable Goods	128.1	128.2	127.5	124.9	122.6
Goods Producing					
Construction	94.2	104.5	107.0	102.6	97.8
Natural Resources and Mining	<u>0.7</u>	<u>0.7</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>
Total Nonfarm	1,481.8	1,510.1	1,535.2	1,511.5	1,473.1
Farm	<u>5.4</u>	<u>4.9</u>	<u>4.1</u>	<u>4.5</u>	<u>4.8</u>
Total (all industries)	<u>1,487.2</u>	<u>1,515.0</u>	<u>1,539.3</u>	<u>1,516.0</u>	<u>1,477.9</u>

⁽¹⁾ Annually, as of November.

Source: State of California Employment Development Department, Labor Market Information Division, "Industry Employment & Labor Force - by month March 2007 Benchmark."

The five largest major employers operating within the City and their respective number of employees as of June 2008 are as follows:

**TABLE NO. C-3
CITY OF PLACENTIA
MAJOR EMPLOYERS**

<u>Employer</u>	<u>Estimated Number of Employees</u>	<u>Product/Service</u>
Placentia-Yorba Linda Unified School District	2,500	Education
Placentia-Linda Community Hospital	375	Hospital
The Hartwell Corporation	290	Mechanical Fasteners
Primedia	200	Publish Trade magazines
City of Placentia	141	General Government

Source: City of Placentia.

Per Capita Income

The following table summarizes per capita income information for the City of Placentia, Orange County, the State of California and the United States for 2003 to 2007 (the most recent year for which statistics are available).

**TABLE NO. C-4
PER CAPITA INCOME
CITY OF PLACENTIA, ORANGE COUNTY,
STATE OF CALIFORNIA AND UNITED STATES
2003 – 2007**

Year	Placentia	Orange County	State of California	United States
2003	\$33,340	\$39,745	\$33,469	\$31,466
2004	35,115	42,115	35,313	33,072
2005	36,746	44,453	37,183	34,685
2006	Not available	48,209	39,358	36,629
2007	Not available	48,752	41,571	38,611

Source: State of California Department of Finance; State of California Employment Development Department.

Commercial Activity

The following table summarizes the volume of retail sales and taxable transactions for the City of Placentia for 2003 through 2007 (the most recent year for which statistics are available).

**TABLE NO. C-5
CITY OF PLACENTIA
TOTAL TAXABLE TRANSACTIONS
(in thousands)
2003 – 2007**

Year	Retail Sales		Total Taxable Transactions		Issued Sales	
	(\$000's)	% Change	Permits	(\$000's)	% Change	Permits
2003	\$348,471		428	\$490,962		1,296
2004	353,359	1.4 %	485	488,908	(0.4)%	1,322
2005	388,761	10.0 %	505	518,753	6.1 %	1,323
2006	377,304	(3.0)%	495	522,928	0.8 %	1,306
2007	351,137	(6.9)%	485	483,054	(7.6)%	1,254

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

The following table compares taxable transactions for the City of Placentia and surrounding cities for 2003 through 2007 (the most recent year for which statistics are available).

**TABLE NO. C-6
CHANGE IN TOTAL TAXABLE TRANSACTIONS
PLACENTIA AND SURROUNDING CITIES
(in thousands)
2003 – 2007**

City	2003	2004	2005	2006	2007	% Change from 2003 - 2007
PLACENTIA	\$ 490,962	\$ 488,908	\$ 518,753	\$ 522,928	\$ 483,054	(1.6)%
Brea	1,320,858	1,467,636	1,582,264	1,657,090	1,666,298	26.2%
Fullerton	1,429,159	1,546,622	1,659,029	1,671,246	1,666,613	16.6%
Yorba Linda	547,264	557,759	550,871	567,081	568,411	3.9%

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

Taxable transactions by type of business for the City of Placentia for 2003 through 2007 (the most recent year for which statistics are available) are summarized in Table No. C-7.

TABLE NO. C-7
CITY OF PLACENTIA
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(in thousands)

	2003	2004	2005	2006	2007
<i>Retail Stores</i>					
Apparel Stores	\$ 707	\$ 872	\$ 2,196	\$ 2,862	\$ 3,754
General Merchandise Stores	20,897	21,364	20,756	23,359	24,796
Food Stores	24,922	25,138	30,284	32,613	33,242
Eating/Drinking Places	54,766	59,078	59,370	61,913	63,512
Home Furnishings and					
Appliances	8,888	10,268	10,023	9,011	9,214
Building Materials	52,042	38,469	40,661	38,298	2,164
Motor Vehicles and Parts	89,517	78,806	84,181	77,369	71,616
Service Stations	34,035	46,660	65,049	68,024	61,367
Other retail stores	<u>62,697</u>	<u>72,704</u>	<u>76,241</u>	<u>63,855</u>	<u>81,472</u>
Total Retail Stores	348,471	353,359	388,761	377,304	351,137
<i>All Other Outlets</i>	<u>142,491</u>	<u>135,549</u>	<u>129,992</u>	<u>145,624</u>	<u>131,917</u>
Total All Outlets	<u>\$490,962</u>	<u>\$488,908</u>	<u>\$518,753</u>	<u>\$522,928</u>	<u>\$483,054</u>

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

Building Activity

The following table summarizes building activity valuations for the City of Placentia for the five-year period from 2003/04 through 2007/08.

TABLE NO. C-8
CITY OF PLACENTIA
BUILDING ACTIVITY AND VALUATION
(in thousands)
2003/04 – 2007/08

	2003/04	2004/05	2005/06	2006/07	2007/08
Residential	\$61,000	\$22,000	\$25,000	\$12,000	\$15,000
Commercial	<u>3,900</u>	<u>4,600</u>	<u>1,600</u>	<u>7,700</u>	<u>3,900</u>
Total Valuation	<u>\$64,900</u>	<u>\$26,600</u>	<u>\$26,600</u>	<u>\$19,700</u>	<u>\$18,900</u>

Source: City of Placentia.

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APPENDIX D
AGENCY AUDITED FINANCIAL STATEMENTS FOR THE
FISCAL YEAR ENDING JUNE 30, 2008

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**REDEVELOPMENT AGENCY OF THE
CITY OF PLACENTIA
(A COMPONENT UNIT OF
THE CITY OF PLACENTIA)**

BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

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**REDEVELOPMENT AGENCY OF THE
CITY OF PLACENTIA**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	8
Notes to Financial Statements	9
 REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Low and Moderate Income Housing Fund	29
Note to Required Supplementary Information	30
 SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Redevelopment Agency Debt Service Fund	31
Redevelopment Area 1 Capital Projects Fund	32
 INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>AUDIT GUIDELINES FOR CALIFORNIA REDEVELOPMENT AGENCIES AND GOVERNMENT AUDITING STANDARDS</i>	33
Schedule of Prior Year Findings and Questioned Costs	35

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Placentia Redevelopment Agency
Placentia, California

We have audited the accompanying component unit financial statements of the governmental activities, and each major fund of the Placentia Redevelopment Agency (the "Agency"), a component unit of the City of Placentia, California, as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Placentia Redevelopment Agency. Our responsibility is to express opinions on these component unit financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Placentia Redevelopment Agency at June 30, 2008, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated December 17, 2008 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The information identified in the accompanying table of contents as *Required Supplementary Information* are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Agency has not presented *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although, not required to be a part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the component unit financial statements that collectively comprise the Placentia Redevelopment Agency's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Vavrinek, Tami, Day & Co., LLP

Rancho Cucamonga, California
December 17, 2008

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 3,608,727
Cash and investments with fiscal agent	2,561,595
Accounts receivable	62,747
Loans receivable	477,791
Capital assets	
Land	3,453,690
Lease receivable	1,123,200
Total Assets	<u>11,287,750</u>
LIABILITIES	
Accounts payable	57,738
Accrued payroll	7,382
Interest payable	353,533
Due to other governments	259,987
Long-term liabilities:	
Portion due within one year	760,000
Portion due beyond one year	14,465,143
Total Liabilities	<u>15,903,783</u>
NET ASSETS	
Invested in capital assets	3,453,690
Restricted for	
Low and moderate housing	4,128,366
Unrestricted	(12,198,089)
Total Net (Deficit) Assets	<u>\$ (4,616,033)</u>

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net Governmental Activities 2008
		Charges for Services	Contributions and Grants	Capital Contributions	
Governmental Activities:					
Low and Moderate Housing	\$ 64,230				\$ (64,230)
Community Services	1,485,465	\$ 868,538			(616,927)
Interest on Long-term Debt	824,109	49,157			(774,952)
Total Governmental Activities	<u>\$ 2,373,804</u>	<u>\$ 917,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,456,109)</u>
General Revenues:					
Property Taxes					2,419,480
Investment Income					211,538
Transfers to City of Placentia					<u>(267,515)</u>
Total General Revenues					<u>2,363,503</u>
Change in Net Assets					907,394
Net Assets (Deficit) - Beginning of Year, as restated					<u>(5,523,427)</u>
Net Assets (Deficit) - End of Year					<u>\$ (4,616,033)</u>

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008**

	Special Revenue	Debt Service	Capital Project	Total
	Low and Moderate Housing	RDA Debt Service	Redevelopment Area 1	Governmental Funds
ASSETS				
Cash and investments	\$ 2,509,590	\$ 1,037,311	\$ 61,826	\$ 3,608,727
Cash and investments with fiscal agent	1,144,279	1,417,316		2,561,595
Accounts receivable		62,747		62,747
Lease receivable		1,123,200		1,123,200
Loans receivable	477,791			477,791
Total Assets	<u>\$ 4,131,660</u>	<u>\$ 3,640,574</u>	<u>\$ 61,826</u>	<u>\$ 7,834,060</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 797		\$ 56,941	\$ 57,738
Payroll payable	2,497		4,885	7,382
Due to other governmental agencies		\$ 259,987		259,987
Deferred revenue		1,123,200		1,123,200
Total Liabilities	<u>3,294</u>	<u>1,383,187</u>	<u>61,826</u>	<u>1,448,307</u>
FUND BALANCES				
Reserved for:				
Debt service		1,417,316		1,417,316
Loans receivable	477,791			477,791
Low and moderate housing	3,650,575			3,650,575
Unreserved for				
Debt service funds		840,071		840,071
Total Fund Balances	<u>4,128,366</u>	<u>2,257,387</u>		<u>6,385,753</u>
Total Liabilities and Fund Balances	<u>\$ 4,131,660</u>	<u>\$ 3,640,574</u>	<u>\$ 61,826</u>	<u>\$ 7,834,060</u>

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2008

Fund Balances of Governmental Funds	\$ 6,385,753
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets have not been included as financial resources in governmental fund activities.	
Capital Assets - Land	3,453,690
Long-term receivables applicable to the Agency's governmental activities are not available to pay for current-period expenditures and are deferred in the funds.	
Deferred Revenue - Lease Receivable	1,123,200
Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities (both current and long-term) are reported in the Statement of Net Assets.	
Certificates of Participation	(9,000,000)
Deferred refunding charge on certificates of participation	814,857
Tax Allocation Bonds	(7,040,000)
Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds.	
Interest payable - Tax Allocation Bonds	<u>(353,533)</u>
Net Assets (Deficit) of Governmental Activities	<u>\$ (4,616,033)</u>

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008**

	Revenue	Service	Project	
	Low and Moderate Housing	RDA Debt Service	Redevelopment Area 1	Total Governmental Funds
REVENUES				
Tax increment		\$ 2,419,480		\$ 2,419,480
Investment income	\$ 114,453	97,085		211,538
Lease revenue	1,688	991,511		993,199
Total Revenues	<u>116,141</u>	<u>3,508,076</u>		<u>3,624,217</u>
EXPENDITURES				
Current:				
Administrative	64,230		\$ 282,718	346,948
Contributions to developers			69,784	69,784
Pass-throughs to other agencies		260,792		260,792
Reimbursement to City of Placentia		867,771		867,771
Debt Service:				
Principal	50,000	685,000		735,000
Interest and fees	163,865	633,209		797,074
Total Expenditures	<u>278,095</u>	<u>2,446,772</u>	<u>352,502</u>	<u>3,077,369</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(161,954)</u>	<u>1,061,304</u>	<u>(352,502)</u>	<u>546,848</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	483,896		352,502	836,398
Transfers out		(836,398)		(836,398)
Transfers to the City of Placentia	(22,838)	(244,677)		(267,515)
Total Other Financing Sources (Uses)	<u>461,058</u>	<u>(1,081,075)</u>	<u>352,502</u>	<u>(267,515)</u>
Net Change in Fund Balances	299,104	(19,771)		279,333
Fund Balances at Beginning of Year	3,829,262	2,277,158		6,106,420
Fund Balances at End of Year	<u>\$ 4,128,366</u>	<u>\$ 2,257,387</u>	<u>\$ -</u>	<u>\$ 6,385,753</u>

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Net changes in Fund Balances - Total Governmental Funds	\$ 279,333
Amounts reported for governmental activities in the Statement of Activities are different because:	
Principal portion of lease receivable	(75,504)
Repayment of bond principal is an expenditure in the governmental funds, and, thus, has the effect of reducing the fund balances because current financial resources have been used. For the agency as a whole, however, the principal payments reduce the liabilities in the Statement of Net Assets and do not result in an expense in the Statement of Activities.	
Debt service principal - Certificates of Participation	605,000
Debt service principal - Tax Allocation Bonds	130,000
Amortization of deferred refunding charge	(41,788)
The Statement of Activities reflect the net change in accrued interest on long-term debt (Certificates of Participation and Tax Allocation Bonds) for the current period.	<u>10,353</u>
Changes in Net Assets of Governmental Activities	<u>\$ 907,394</u>

See accompanying notes to financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Funds

The Redevelopment Agency of the City of Placentia (the Agency) has been determined to be a component unit of the City of Placentia and is blended into financial reporting of the City. The accounts of the Redevelopment Agency of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. All funds of the Agency are classified as major funds and are described below:

Special Revenue Fund

The Low and Moderate Housing Fund of the Agency was established to account for that portion of the Agency's tax increment revenue that is legally restricted for increasing or improving housing for low and moderate income households.

Debt Service Fund

The RDA Debt Service Fund was established to account for tax increment revenues, Certificates of Participation and Tax Allocation Bond proceeds required to be set aside for future debt service and related interest income. The fund is used to repay principal and interest on indebtedness of the Agency. The fund also accounts for the balance due on lease payments receivable.

Capital Project Fund

The Redevelopment Area 1 Fund was established to account for loans and advances from the City of Placentia and proceeds from the sale of Certificates of Participation and Tax Allocation Bonds. The funds are expended primarily for administrative expenses and redevelopment project costs.

B. Measurement Focus and Basis of Accounting

The *basic financial statements* of the Agency are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole. All activities of the Agency are classified as governmental activities. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the Agency.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions were recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments, and payments made by parties outside the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major funds individually and non-major funds in the aggregate. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide Financial Statements.

The underlying accounting system of the Agency is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the Agency are presented after the government-wide financial statements. These statements display information about major governmental funds individually.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Governmental Funds

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined.

Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures incurred during the reporting period. Accrued revenues include earnings on investments and tax increment revenue received within 60 days of year end. Expenditures are recorded when the related liability is incurred. However, principal and interest on long-term debt are recorded as expenditures when due.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources" since they do not represent net current assets. Noncurrent portions of long-term receivables are offset by fund balance reserve accounts.

The proceeds of long-term debt are recorded as an *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

C. Investments

The Agency has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Pools", which require governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred.

D. Administrative and Overhead Charges

Pursuant to the California Community Redevelopment Law, Chapter 6, Article 2, Section 33610, a city may elect to allocate administrative and overhead expenses to a redevelopment agency.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

E. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Lease Receivable – Reimbursement Agreement with the City of Placentia

As discussed in Note 5, the debt service for the outstanding 2003 Certificates of Participation (COP) is partially funded from rents paid by the City of Placentia to the Agency based upon an agreement dated May 1, 2003. This agreement specifies that based upon a previous resolution that construction of the 1994 Project was of benefit to the Amended Project Area and have subsequently determined that 87.52% of the additional capital improvements and facilities and related costs funded as part of the May 2003 Project and the November 2003 Project are of substantial benefit to the Project Area. The City has covenanted to make rental payments for the full amount of the debt service payment; and the Agency has covenanted to reimburse the City for the 87.52% of the debt service payment. The Lease Receivable and related debt is reduced by the principal portion of each payment made by the City.

The amount paid by the City to the Agency for fiscal year 2007-2008 is \$993,199 and the amount reimbursed to the City from the Agency was \$867,771.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

H. New GASB Pronouncements

Implemented during 2007-2008

GASB Statement No. 48 – In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability.

GASB Statement No. 50 – In May 2008, GASB issued Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

Effective in Future Years

GASB Statement No. 45 – In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of other post employment benefits expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers. This statement is not effective until June 30, 2009. The Agency is currently evaluating its effect on the financial statements.

GASB Statement No. 49 – In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not effective until June 30, 2009. The Agency is currently evaluating its effect on the financial statements.

GASB Statement No. 51 – In June 2008, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is not effective until June 30, 2010. The Agency is currently evaluating its effect on the financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Effective in Future Years, (Continued)

GASB Statement No. 52 – In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. This statement is not effective until June 30, 2009. The Agency is currently evaluating its effect on the financial statements.

GASB Statement No. 53 – In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This statement is not effective until June 20, 2010. The Agency is currently evaluating its effect on the financial statements.

NOTE #2 – ORGANIZATION AND TAX INCREMENT FINANCING

The Agency was established in 1982 pursuant to provisions of the California Health and Safety Code. In order to implement the orderly growth and development within the City of Placentia, the Agency established one redevelopment project area on July 5, 1983. This project area was expanded by amendment to the original redevelopment plan on June 26, 1990.

The general objectives of the project area are to eliminate and arrest further establishment of blighting conditions to be accomplished primarily by structure rehabilitation and the development of residential, commercial, recreational and public facilities.

The Agency's primary source of revenue comes from property taxes, referred to in the accompanying financial statements as "tax increment revenue." Property taxes allocated to the Agency are computed in the following manner:

- (a) The assessed valuation of all property within the project area is determined on the date of adoption of the Redevelopment Plan.
- (b) Property taxes related to the incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the City and other agencies.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and investments	\$ 3,608,727
Cash and investments held with fiscal agent	<u>2,561,595</u>
Total Cash and Investments	<u><u>\$ 6,170,322</u></u>

Cash and investments as of June 30, 2008 consist of the following:

Equity in City Investment Pool	\$ 3,608,727
Investments held with fiscal agent	<u>2,561,595</u>
Total Cash and Investments	<u><u>\$ 6,170,322</u></u>

Equity in the Cash and Investment Pool of the City of Placentia

The Agency has no separate bank accounts or investments other than investments held by bond trustee and the Agency's equity in the cash and investment pool managed by the City of Placentia. The Agency is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Placentia. The Agency has not adopted an investment policy separate from that of the City of Placentia. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #3 – CASH AND INVESTMENTS, (Continued)

Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Repurchase Agreements	30 days	None	None
Certificates of Deposit	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 years	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None
State Investment Pool	None	None	None

Disclosures Relating to Interest Rate Risk

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

Information about the Agency's exposure to interest rate risk as a result of its equity in the cash and investment pool of the City of Placentia is provided by disclosures in the notes to the basic financial statements of the City of Placentia that shows the distribution of the City's investments by maturity.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #3 – CASH AND INVESTMENTS, (Continued)

Information about the sensitivity of the fair values of the Agency's investments with fiscal agent to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (in months) 12 Months or Less</u>
Held with fiscal agent:	
Federal Agency Securities	\$ 542,488
Mutual Funds - Money Market	2,019,107
Total	<u>\$ 2,561,595</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year End AAA</u>
Held with fiscal agent:			
Federal Agency Securities	\$ 542,488	N/A	\$ 542,488
Mutual Funds - money market	2,019,107	N/A	2,019,107
Total	<u>\$ 2,561,595</u>		<u>\$ 2,561,595</u>

Custodial Credit Risk

For the investments held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #3 – CASH AND INVESTMENTS, (Continued)

Concentration of credit risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City’s investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Agency investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNMA	Federal Agency Securities	\$542,488

NOTE #4 – LOANS RECEIVABLE

	<u>Outstanding Balance at June 30, 2008</u>
The Agency provides loans to persons or families of low or moderate income under its First-Time Home Buyer and New Construction Programs for purposes of increasing, improving or preserving the Agency's supply of low and moderate income housing. The First-Time Home Buyer Program is designed for low and moderate income home buyers who are residents of the City of Placentia and who will use the house as their principal place of residence. Assistance is provided through a mortgage interest subsidy, a deferred second trust deed, or down payment assistance. The New Construction Program provides funds for the construction of either rental units or owner-occupied units. The occupants of the units must meet required income guidelines.	\$ 363,625

The Agency entered into an owner participation agreement dated January 5, 2001. Pursuant to the agreement, the Agency loaned \$150,000 to a business located in Placentia. The term of the loan is 30 years and does not bear interest, except upon default.

	114,166
Total Loans Receivable	<u>\$ 477,791</u>

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #5 - LEASE RECEIVABLES

As more fully described at Note #6, the City has covenanted to make rental payments for the full amount of the 2003 Certificates of Participation (COP) debt service payment; and the Agency has covenanted to reimburse the City for the 87.52% of the debt service payment. The 12.48% of the COP's are payable by a pledge of revenues consisting of payments of revenues by the City of Placentia pursuant to the Amended and Restate Reimbursement Agreement dated May 1, 2003. The following table shows the future lease payments due from the City of Placentia as of June 30, 2008 pursuant to the terms of the agreement, which also represents the net of the payment from the City, and the reimbursement by the Agency.

Year Ending June 30,	Lease Receivables
2009	\$ 125,292
2010	125,674
2011	125,169
2012	126,265
2013	126,221
2014-2018	372,810
2019-2023	308,242
2024-2028	310,193
Total future minimum lease payments to be received	1,619,866
Less: unearned interest income	(496,666)
Total	<u>\$ 1,123,200</u>

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #6 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2008 were as follows:

	Balances at June 30, 2007	Deletions	Balances at June 30, 2008	Portion Due Within One Year	Portion Due Beyond One Year
Governmental Activities:					
2003 Refunding and Improvement Project Certificates of Participation	\$ 9,605,000	\$ (605,000)	\$ 9,000,000	\$ 625,000	\$ 8,375,000
Deferred refunding charge -					
2003 Refunding and Improvement Project Certificates of Participation	(856,645)	41,788	(814,857)		(814,857)
2002 Tax Allocation Bonds	7,170,000	(130,000)	7,040,000	135,000	6,905,000
Total Long-term Liabilities	<u>\$ 15,918,355</u>	<u>\$ (693,212)</u>	<u>\$ 15,225,143</u>	<u>\$ 760,000</u>	<u>\$ 14,465,143</u>

Certificates of Participation and Lease Receivable

2003 Refunding and Improvement Project Certificates of Participation

On November 13, 2003, the City issued certificates of participation in the amount of \$11,145,000 to (a) refinance certain obligations relating to the Redevelopment Agency of the City of Placentia's (Agency's) 2003 Refunding Certificates of Participation (2003 Financing Project), which were originally issued at \$3,800,000, of which \$3,800,000 remains outstanding, (b) refinance certain obligations relating to the City's 2001 Certificates of Participation (Traffic Circulation Project) and (c) finance and refinance certain capital improvements in the City. The certificates are in denominations of \$5,000 each and bear interest ranging from 2% to 4.4%.

Certificates maturing on or after January 1, 2014 are subject to call for prepayment at the option of the City at a price equal to principal plus accrued interest without premium. Certificates maturing on January 1, 2028 are subject to mandatory prepayment on January 1 each year commencing January 2, 2021 from lease payments made by the City at a price equal to the principal payment.

Principal is payable annually on January 1. Interest is payable semiannually on January 1 and July 1 commencing July 1, 2004. The required reserve for the certificates of \$820,774 was fully funded as of June 30, 2008. The amount of certificates outstanding as of June 30, 2008 was \$9,000,000.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #6 – LONG-TERM LIABILITIES, (Continued)

Each certificate represents a direct, undivided fractional interest of the owner thereof in lease payments to be made by the City as rental for an existing corporate yard and an existing public park (the Project) pursuant to a First Amended and Restated Lease Agreement (1994 Lease) with the Agency. The City is legally required under the 1994 Lease to make payments from any source of available funds in each year the City has use and occupancy of the Project. The annual lease payments are equal to the annual principal and interest due with respect of the certificates. The City has covenanted that it will provide the necessary appropriations in each annual budget.

The proceeds of \$11,145,000, along with the remaining reserves on the 2003 Refunding Certificates of Participation in the amount of \$190,000, were used to purchase United States Treasury securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the \$3,800,000 of outstanding 2003 Refunding Certificates of Participation and for the 2004 debt service payment in the amount of \$340,000 for the City's outstanding 2001 Certificates of Participation (of which \$3,915,000 was outstanding in total). As a result, the 2003 Refunding Certificates of Participation are considered defeased and the liability has been removed from the Agency's Statement of Net Assets. On January 1, 2004, the entire outstanding principal balance of the 2003 Refunding Certificates of Participation in the amount of \$3,800,000 was paid by the escrow agent. Thus, the outstanding balances of the refunded debt was \$0 as of June 30, 2008.

On April 17, 2007, the City Council of the City of Placentia and the Board of Directors of the Placentia Redevelopment Agency approved a reimbursement agreement between the City and the Agency. This agreement provides that the Agency will reimburse the City for a portion of the lease payment paid by the City to the Agency with respect to the 2003 Certificates of Participation. The portion reimbursed (87.52%) is based upon the portion of the capital improvements and improved facilities benefiting from the original proceeds of the related debt issue that were within the confines of the redevelopment project area. The application of this agreement was made retroactive to the 2005-06 fiscal year and the impact of this agreement has been reflected in the accompanying financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #6 – LONG-TERM LIABILITIES, (Continued)

The certificates are reported in the Statement of Net Assets net of the deferred refunding charge. The deferred refunding charge is amortized over the life of the debt. The amortization expense for the year ended June 30, 2008 was \$41,788.

The annual debt service requirements for the 2003 Refunding and Improvement Project Certificates of Participation as of June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>2003 Refunding and Improvement Project COP</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 625,000	\$ 378,948	\$ 1,003,948
2010	645,000	362,011	1,007,011
2011	660,000	342,961	1,002,961
2012	690,000	321,736	1,011,736
2013	715,000	296,386	1,011,386
2014-2018	1,855,000	1,132,252	2,987,252
2019-2023	1,685,000	784,883	2,469,883
2024-2028	2,125,000	371,570	2,496,570
Total	<u>\$ 9,000,000</u>	<u>\$ 3,990,747</u>	<u>\$ 12,990,747</u>

2002 Tax Allocation Bonds

On January 8, 2002, the Agency issued Housing Set-Aside Tax Allocation Bonds in the amount of \$3,100,000 (Series A) and Tax Allocation Bonds in the amount of \$4,655,000 (Series B). Proceeds of the Series A and B bonds will be used to finance the Agency's low and moderate income housing program and its redevelopment program, respectively. The bonds are in denominations of \$5,000 each and bear interest ranging from 3.75% to 5.85% for Series A and 3.75% to 5.75% for Series B. Principal is payable annually on August 1. Interest is payable semiannually on February 1 and August 1. Bonds maturing on or before August 1, 2011 are not subject to call or redemption prior to maturity and thereafter may be redeemed at par plus a premium. The required reserves for the Series A and B bonds of \$219,048 and \$324,983, respectively, were fully funded as of June 30, 2008. The amount of bonds outstanding as of June 30, 2008 was \$7,040,000.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #6 – LONG-TERM LIABILITIES, (Continued)

The annual debt service requirements for the 2002 Tax Allocation Bonds as of June 30, 2008 are as follows:

Year Ending June 30	2002 Tax Allocation Bonds		
	Principal	Interest	Total
2009	\$ 135,000	\$ 402,815	\$ 537,815
2010	140,000	395,863	535,863
2011	150,000	388,651	538,651
2012	160,000	380,928	540,928
2013	165,000	372,867	537,867
2014-2018	980,000	1,713,255	2,693,255
2019-2023	1,300,000	1,395,396	2,695,396
2024-2028	1,725,000	972,145	2,697,145
2029-2033	2,285,000	411,675	2,696,675
Total	<u>\$ 7,040,000</u>	<u>\$ 6,433,595</u>	<u>\$ 13,473,595</u>

Debt Related Pledge of Revenue

The Agency has pledged a portion of future tax increment revenues to repay the 2003 Refunding Certificates of Participation and the 2002 Tax Allocation Bonds as the source of repayment of this debt. Tax increment revenues were projected to produce 129 to 197 percent of the debt service requirements over the life of the debt for the 2002 Tax Allocation Bonds. Additionally, with respect to the 2003 Refunding Certificates of Deposit, tax increment revenues have been pledged to repay the City for lease payments as previously mentioned. Total principal and interest remaining on the debt is \$12,990,747 for the 2003 Refunding Certificates of Participation and \$13,473,595 for the 2002 Tax Allocation Bonds, payable through 2028 and 2033, respectively. For the current year, principal and interest paid and total increment tax revenues were \$1,527,674 and \$2,419,480, respectively.

NOTE #7 – RESERVES AND DESIGNATIONS OF FUND BALANCES

Under generally accepted accounting principles, a governmental entity may set up "reserves" of fund equity to segregate fund balances which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use. Fund "designations" are established to indicate tentative plans for financial resource utilization in a future period. The Agency's funds reserves and designations are described below:

Reserved for Debt Service

Reserves in the Debt Service and the Low and Moderate Fund, are for the purpose of setting set aside a portion of fund balance to meet the annual debt service requirements for the Certificates of Participation and Tax Allocation Bonds (See note #6).

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #7 – RESERVES AND DESIGNATIONS OF FUND BALANCES, (Continued)

Reserved for Loans Receivable

Reserve was established to indicate that loans receivable, as described at note 4, do not represent currently available spendable resources.

Reserved for Low and Moderate Income Housing

This reserve in the Special Revenue Fund represents 20% of tax revenue increment received by the Agency, which is required to be set aside to finance low and moderate income housing, as per California State Health and Safety Code Section 33334.2.

	Low and Moderated Housing	RDA Debt Service	Total
Reserved for:			
Debt service		\$ 1,417,316	\$ 1,417,316
Loans receivable	\$ 477,791		477,791
Low and moderate	3,650,575		3,650,575
Total Reserved	4,128,366	1,417,316	5,545,682
Unreserved, undesignated		840,071	840,071
Total Fund Balances	\$ 4,128,366	\$ 2,257,387	\$ 6,385,753

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #8 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008 are as follows:

Transfers In	Transfers Out	Amount
Low and Moderate Housing Redevelopment Area 1	RDA Debt Service RDA Debt Service	\$ 483,896 (a) 352,502 (b)
Total		\$ 836,398
City of Placentia	Low and Moderate Housing	22,838 (c)
City of Placentia	RDA Debt Service	244,677 (c)
Total		\$ 267,515

- (a) The \$483,896 transfer is for twenty % of total increment revenue that is required to be set aside in the Low and Moderate Fund.
- (b) The \$352,202 was transferred to the Capital Projects Fund for capital projects.
- (c) During 2007-2008 \$22,838 and \$244,677 transferred to the City of Placentia for administrative overhead costs.

NOTE #9 – COMMITMENTS

Per an agreement dated December 7, 1993, the Agency is obligated to pass through to a governmental agency a portion of its tax increment revenue. This portion is equal to 6.25% of the first \$1,000,000 of tax increment revenue received plus 10% of the amount of tax revenue over \$1,000,000 received.

NOTE #10 – CONTINGENCIES

Tax Increment Financing

The Agency has no power to levy and collect taxes and any legislative property tax de-emphasis might reduce the amount of tax revenues that would otherwise be available to pay the principal and interest on the Certificates, Bonds or loans from the City. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on the Certificates, Bonds, or loans from the City.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE #10 – CONTINGENCIES, (Continued)

Constitutional Limitation on Property Tax Revenues

In June 1978, a constitutional amendment was passed in California, which significantly reduced the Agency's tax increment revenue for future periods. At June 30, 2008, the Agency had sufficient monies on hand in the debt service fund to pay current amounts due on indebtedness.

City of Placentia

The City of Placentia's General Fund ended the 2007-2008 fiscal year in a deficit position. It is unknown at this time what impact, if any, this may have on the ongoing financial condition of the Redevelopment Agency of the City of Placentia.

State of California

On January 10, 2008, Governor Schwarzenegger issued proclamations declaring a fiscal emergency for the State of California. In addition, the Governor submitted his proposed budget for the fiscal year 2008-2009. The budget for fiscal year 2008-2009 includes across the board reductions to all General Fund departments and programs, Boards, Commissions, and elected offices. It is uncertain at this time what effect, if any, these decisions will have on the Redevelopment Agency of the City of Placentia.

Legal Matters

There are certain legal actions currently pending against the Agency arising in the normal course of the Agency's operations. In the opinion of management and the Agency Attorney, the ultimate resolution of such actions is not expected to have a significant effect upon the component unit financial statements of the Agency.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE #11 – OBLIGATION UNDER OPERATING LEASE

On July 11, 2001, the City issued Certificates of Participation in the amount of \$4,500,000 to finance traffic circulation improvements consisting of preliminary design engineering and consultant costs relating to the railroad lowering project. Each Certificate represents a direct, undivided fractional interest of the owner thereof in lease payments to be made by the City as the rental for the Project pursuant to a Lease Agreement dated June 1, 2001 between the City and the Agency. The Lease Agreement is a sublease under the 1994 First Amended and Restated Lease Agreement relating to the 1994 Refunding Certificates of Participation. Throughout the term of the lease-leaseback agreement, title to the Project will remain vested with the City. The City is legally required under the Lease Agreement to make lease payments from any source of available funds, including its general fund and Measure M Turnback Money, in each year the City has use and occupancy of the Project. The annual lease payments are equal to the annual principal and interest due with respect to the Certificates. The City has covenanted that it will provide the necessary appropriations in each annual budget. No Agency funds are expected to be used to fund the principal and interest payments associated with the 2001 Certificates of Participation issued by the City. Therefore, the Certificates have not been reported as a liability of the Agency.

NOTE #12 – UNRESTRICTED NET ASSETS

GASB Statement No. 34 requires that local governments record in the statement of net assets the local government's liability for debt issued to finance the construction of infrastructure and other assets owned by other parties. This is an integral part of the normal operations of a redevelopment agency and is necessary to produce the redevelopment benefits for which the Agency was established. GASB Statements No. 33 and 34 do not permit the recognition of assets for future tax increment revenues that are pledged for the annual retirement of bonded debt issuances. The negative equity resulting from the Agency's liability for this debt is required by GASB No. 34 to be reported as unrestricted net assets.

NOTE #13 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balances at June 30, 2007 as restated	Additions	Deletions	Balances at June 30, 2008
Capital Assets not being depreciated				
Land	\$ 3,453,690			\$ 3,453,690
Total Capital Assets	<u>\$ 3,453,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,453,690</u>

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE #14 – PRIOR PERIOD ADJUSTMENT

Net Assets (Deficit) at beginning of year, as previously reported	\$ (4,367,937)
To reduce land parcels that were purchased in fiscal year 2006-2007, but capitalized in fiscal year 2004-2005	<u>(1,155,490)</u>
Net Assets (Deficit) at beginning of year, as restated	<u><u>\$ (5,523,427)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

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REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**LOW AND MODERATE INCOME HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE --
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Investment income	\$ 80,000	\$ 80,000	\$ 114,453	\$ 34,453
Lease revenue	10,000	10,000	1,688	(8,312)
Total Revenues	90,000	90,000	116,141	26,141
EXPENDITURES				
Current				
Administrative	677,235	677,235	64,230	613,005
Debt Service:				
Principal	50,000	50,000	50,000	
Interest and fees	163,865	163,865	163,865	
Total Expenditures	891,100	891,100	278,095	613,005
Excess (Deficiency) of Revenues Over (Under) Expenditures	(801,100)	(801,100)	(161,954)	639,146
OTHER FINANCING SOURCES (USES)				
Transfers in	410,327	483,896	483,896	
Transfers to the City of Placentia		(22,838)	(22,838)	
Total Other Financing Sources (Uses)	410,327	461,058	461,058	
Net Changes in Fund Balances	(390,773)	(340,042)	299,104	639,146
Fund Balances at Beginning of Year	3,829,262	3,829,262	3,829,262	
Fund Balances at End of Year	\$ 4,220,035	\$ 3,489,220	\$ 4,128,366	\$ 639,146

See notes to required supplementary information.

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008**

NOTE #1 - BUDGETARY CONTROL AND ACCOUNTING

Annual budgets are adopted for the Special Revenue, Debt Service Funds and Capital Projects Fund.

The Agency prepared its budgets on the basis of estimated actual revenues and expenditures and, accordingly, the budget amounts included in the accompanying financial statements are presented on a basis substantially consistent with generally accepted accounting principles. Encumbrance accounting is utilized during the fiscal year, whereby purchase orders, contracts and other commitments are recorded in order to control appropriations. However, at fiscal year end all appropriations lapse. Accordingly, encumbrances are cancelled and generally are re-appropriated as part of the following year's budget. Encumbrances are not included in reported expenditures.

The budgetary level of control for all governmental fund types is the fund level. The City administrator has the discretion to transfer appropriations between departments within a fund, but transfers between funds must be approved by the City Council.

SUPPLEMENTARY INFORMATION

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REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**REDEVELOPMENT AGENCY DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Tax increment	\$ 2,163,000	\$ 2,163,000	\$ 2,419,480	\$ 256,480
Investment income	15,000	15,000	97,085	82,085
Lease revenue			991,511	991,511
Total Revenues	<u>2,178,000</u>	<u>2,178,000</u>	<u>3,508,076</u>	<u>1,330,076</u>
EXPENDITURES				
Current:				
Tax increment paid to other agencies	206,045	260,792	260,792	
Reimbursement to City of Placentia	867,771	867,771	867,771	
Debt Service:				
Principal	685,000	685,000	685,000	
Interest and fees	628,809	633,209	633,209	
Total Expenditures	<u>2,387,625</u>	<u>2,446,772</u>	<u>2,446,772</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(209,625)</u>	<u>(268,772)</u>	<u>1,061,304</u>	<u>1,330,076</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(410,327)	(836,398)	(836,398)	
Transfers to City of Placentia		(244,677)	(244,677)	
Total Other Financing Sources (Uses)	<u>(410,327)</u>	<u>(1,081,075)</u>	<u>(1,081,075)</u>	
Net Changes in Fund Balances	<u>(619,952)</u>	<u>(1,349,847)</u>	<u>(19,771)</u>	<u>1,330,076</u>
Fund Balances at Beginning of Year	<u>2,277,158</u>	<u>2,277,158</u>	<u>2,277,158</u>	
Fund Balances at End of Year	<u>\$ 2,897,110</u>	<u>\$ 927,311</u>	<u>\$ 2,257,387</u>	<u>\$ 1,330,076</u>

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**REDEVELOPMENT AREA I - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
Current:				
Administrative	\$ 305,426	\$ 287,643	\$ 282,718	\$ 4,925
Contributions to developers		69,784	69,784	
Total Expenditures	305,426	427,211	352,502	74,709
Excess (Deficiency) of Revenues Over (Under) Expenditures	(305,426)	(427,211)	(352,502)	74,709
OTHER FINANCING SOURCES (USES)				
Transfers in		778,652	352,502	(426,150)
Total Other Financing Sources (Uses)		778,652	352,502	(426,150)
Net Changes in Fund Balances		351,441		(351,441)
Fund Balances at Beginning of Year				
Fund Balances at End of Year	\$ -	\$ 351,441	\$ -	\$ 351,441



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
AUDIT GUIDELINES FOR CALIFORNIA REDEVELOPMENT AGENCIES
AND GOVERNMENT AUDITING STANDARDS**

Board of Directors
City of Placentia Redevelopment Agency
Placentia, California

We have audited the accompanying component unit financial statements of the governmental activities and each major fund of the City of Placentia Redevelopment Agency (the Agency), as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the basic financial statements of the City of Placentia Redevelopment Agency are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Comptroller Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and *Guidelines for Audits of California Redevelopment Agencies*.

This report is intended solely for the information and use of Agency members, management of the City of Placentia Redevelopment Agency and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

Vavonek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 17, 2008

REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

Prior Year Findings:	Status:
Finding 2007-1, Redevelopment Compliance Oversight/Untimely Reporting	The City expects to file the year-ending June 30, 2008 financial statements within the required timelines.
Finding 2007-2, Planning and Administrative Expenditures	Implemented
Finding 2007-3, 5-Year Implementation Plans	Health & Safety Code requires the Agency to adopt a plan every five years and although the most recent plan was not adopted timely, the plan was adopted and the next plan for adoption is not due until fiscal year 2009-2010.
Finding 2007-4, Prior Period Adjustments	Implemented

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Placentia Redevelopment Agency (the “Agency”) in connection with the issuance of \$6,850,000 aggregate principal amount of Placentia Redevelopment Project 2009 Subordinate Tax Allocation Notes (the “Notes”). The Notes have been issued under an Indenture dated as of February 1, 2009 (the “Indenture”) between the Agency and U.S. Bank National Association, Los Angeles, California, as trustee. The Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Notes and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

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

“*Annual Report*” means any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date that is nine months after the end of the Agency’s fiscal year (currently March 31 based on the Agency’s fiscal year end of June 30).

“*Dissemination Agent*” means the Agency or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency a written acceptance of such designation. As of the date of this Disclosure Certificate, no Dissemination Agent has been appointed.

“*Listed Events*” means any of the events listed in Section 5(a).

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Participating Underwriter*” means the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

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

Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later the Annual Report Date, commencing March 31, 2009 with the report for the 2007-08 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4. Notwithstanding the foregoing, the Annual Report due by March 31, 2009, shall be filed with each nationally recognized municipal securities information repository and state repository designated as such by the Securities and Exchange Commission for purposes of the Rule, and otherwise in accordance with then-applicable procedures prescribed under the Rule; provided that such filing may be made by filing the final Official Statement for the Notes.

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

(b) If the Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Agency shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the Agency, file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

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

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain information showing the following:

- (i) information showing the total secured and unsecured assessed valuation of taxable properties in the Placentia Redevelopment Project Area (the "Project Area") during the most recent completed fiscal year;
- (ii) information showing the total amount of tax increment revenues derived from the Project Area during the most recent completed fiscal year;
- (iii) the total amount by which the Revenues and Subordinate Tax Revenues (as such terms are defined in the Indenture) during the most recent completed fiscal year provided coverage for annual debt service on the Notes and all outstanding Senior Lien Debt (as defined in the Indenture);
- (iv) information showing the top ten taxpayers in the Project Area during the most recent completed fiscal year, and the total assessed valuation represented thereby and the percent of the total taxable assessed value of all properties in the Project Area, and describing any assessment appeals which have been filed for any of such taxpayers and which are pending as of the date of the Annual Report.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Agency shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission.

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 Notes, if material:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.

- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions or events affecting the tax exempt status of the security.
- (7) Modifications to rights of security holders.
- (8) Contingent or unscheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) 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.

(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, or shall cause the Dissemination Agent (if not the Agency) to, promptly file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Notes under the Indenture; *provided, however*, that any notice of the occurrence of a Listed Event that is filed before July 1, 2009, shall be filed with each nationally recognized municipal securities information repository and state repository designated as such by the Securities and Exchange Commission for purposes of the Rule, and otherwise in accordance with then-applicable procedures prescribed under the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Notes, 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 Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Notes in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of the trustees for the Notes or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Notes.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which 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 obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Notes, and shall create no rights in any other person or entity.

Dated: February 19, 2009

PLACENTIA REDEVELOPMENT AGENCY

By: _____
Executive Director

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Placentia Redevelopment Agency

Name of Issues: \$6,850,000 Placentia Redevelopment Project 2009
Subordinate Tax Allocation Notes

Date of Issuance: February 19, 2009

NOTICE IS HEREBY GIVEN that the Placentia Redevelopment Agency (the "Agency") has not provided an Annual Report with respect to the above-referenced Notes as required by Section 6.18 of the Indenture authorizing the issuance of the Notes. The Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

PLACENTIA REDEVELOPMENT AGENCY

By: _____

Name:

Title:

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APPENDIX F

FORM OF BOND COUNSEL OPINION

Upon delivery of the Notes, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the Agency, proposes to render its final approving opinion with respect to the Notes in substantially the following form:

[Date of Delivery]

Placentia Redevelopment Agency
Placentia, California

Placentia Redevelopment Agency
Placentia Redevelopment Project
2009 Subordinate Tax Allocation Notes
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Placentia Redevelopment Agency (the “Agency”) of \$6,850,000 aggregate principal amount of notes designated Placentia Redevelopment Agency Placentia Redevelopment Project 2009 Subordinate Tax Allocation Notes (the “Notes”), 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, and an Indenture, dated as of January 1, 2009 (the “Indenture”), between the Agency and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Agency, dated the date hereof (the “Tax Certificate”), opinions of counsel to the Agency and the Trustee, certificates of the Agency, 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 Indenture, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, the defeasance of the Notes) 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 Note 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 Notes

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 Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes 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 Notes, the Indenture 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 Notes and express no opinion with respect 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 Notes constitute valid and binding limited obligations of the Agency.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Notes, of the Subordinate Tax Revenues and any other amounts (including proceeds of the sale of the Notes) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and upon the terms and conditions set forth in the Indenture.
3. The Notes are not a lien or charge upon the funds or property of the Agency 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 Notes. The Notes are not a debt of the not a debt of the City of Placentia, the Placentia Public Financing Authority, the State of California or any of its political subdivisions, and neither said City, said Authority, said State nor any of its political subdivisions is not liable for the payment thereof.
4. Interest on the Notes 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 Notes 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 tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX G

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal, interest and other payments on the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Notes (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Notes (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect

Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in

bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

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