

INSURED BONDS RATING: S&P: “AA”

UNINSURED BONDS AND UNDERLYING RATING: S&P: “A”

(See “CONCLUDING INFORMATION - Ratings on the Bonds” herein)

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the Series A Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. Interest payable on the Series B Bonds is subject to all applicable Federal income taxation. Interest on the Series A Bonds and the Series B Bonds is exempt from State of California personal income taxes. See “LEGAL MATTERS - Tax Matters” herein.

ORANGE COUNTY

STATE OF CALIFORNIA

**SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY
STANTON CONSOLIDATED REDEVELOPMENT PROJECT**

\$7,115,000 2016-0192

\$13,220,000 2016-0197

SUBORDINATE

SUBORDINATE

TAX ALLOCATION

TAXABLE TAX ALLOCATION

REFUNDING BONDS, 2016 SERIES A

REFUNDING BONDS, 2016 SERIES B

Dated: Date of Delivery

Due: December 1 as shown on the inside cover pages

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

Proceeds from the sale of the Successor Agency to the Stanton Redevelopment Agency (the “Successor Agency”) Stanton Consolidated Redevelopment Project Subordinate Tax Allocation Refunding Bonds, 2016 Series A (the “Series A Bonds”), and Subordinate Taxable Tax Allocation Refunding Bonds, 2016 Series B (the “Series B Bonds,” and together with the Series A Bonds, the “Bonds”), will be used to refinance certain outstanding obligations of the former Stanton Redevelopment Agency (the “Former Agency”).

The Bonds will be issued under an Indenture of Trust dated as of February 1, 2016 (the “Indenture”), by and between the Successor Agency and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are special obligations of the Successor Agency and are payable solely from and secured by a pledge of certain tax increment revenues of the Former Agency’s Consolidated Project Area (the “Project Area”) and a pledge of amounts in certain funds and accounts established under the Indenture (see “SECURITY FOR THE BONDS” and “RISK FACTORS”).

Interest on the Bonds is payable semiannually on each June 1 and December 1, commencing December 1, 2016, until maturity (see “THE BONDS - General Provisions” herein). The Bonds are subject to optional and sinking fund redemption prior to maturity.

The Bonds do not constitute a debt or liability of the City of Stanton, the County of Orange, the State of California or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City of Stanton, the County of Orange, the State of California or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Successor Agency has no taxing power.

The scheduled payment of principal of and interest on the Series A Bonds maturing on December 1 of the years 2019 through 2035, inclusive, with CUSIP numbers 85473TAD7 through 85473TAV7, inclusive and the Series B Bonds maturing on December 1 of the years 2019 through 2035, inclusive, with CUISP numbers 85473TAZ8 through 85473TBJ3, inclusive, (collectively, the “Insured Bonds”), when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**. See “MUNICIPAL BOND INSURANCE” and “APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”



The Bonds are being offered when, as and if issued, subject to the approval as to their legality by Best Best & Krieger, LLP, Riverside, California. Certain legal matters will also be passed on for the Successor Agency by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel, and by Best Best & Krieger, LLP Riverside, California, as Successor Agency Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Nossaman LLP, Irvine, California. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company on or about February 23, 2016 (see “APPENDIX F - THE BOOK-ENTRY SYSTEM” herein).

The date of the Official Statement is February 2, 2016.

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY
STANTON CONSOLIDATED REDEVELOPMENT PROJECT
\$7,115,000 SUBORDINATE TAX ALLOCATION REFUNDING BONDS,
2016 SERIES A

MATURITY SCHEDULE

Maturity Date	Principal	Interest			CUSIP®†
<u>December 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>(85473T)</u>
2016	\$ 85,000	2.00%	0.60%	101.076	AA3
2017	200,000	2.00	0.87	101.982	AB1
2018	330,000	3.00	1.05	105.313	AC9
2019*	340,000	4.00	1.19	110.334	AD7
2020*	355,000	2.00	1.33	103.087	AE5
2021*	365,000	4.00	1.45	114.069	AF2
2022*	380,000	2.00	1.60	102.556	AG0
2023*	300,000	5.00	1.81	123.028	AH8
2024*	310,000	5.00	1.99	124.115	AJ4
2025*	325,000	5.00	2.19	124.596	AK1
2026*	345,000	5.00	2.34	125.194	AL9
2027*	360,000	5.00	2.42	124.332 C	AM7
2028*	380,000	5.00	2.51	123.371 C	AN5
2029*	400,000	3.25	2.78	104.346 C	AP0
2030*	405,000	2.75	2.96	97.499	AQ8
2031*	425,000	3.00	3.04	99.498	AR6
2032*	435,000	3.00	3.12	98.439	AS4
2033*	445,000	3.00	3.17	97.700	AT2
2034*	460,000	3.00	3.22	96.915	AU9
2035*	470,000	3.125	3.27	97.897	AV7

* Insured Bonds.

C Priced to the first optional call date of December 1, 2026 at par.

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SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY
STANTON CONSOLIDATED REDEVELOPMENT PROJECT
\$13,220,000 SUBORDINATE TAXABLE TAX ALLOCATION REFUNDING BONDS,
2016 SERIES B

MATURITY SCHEDULE

Serial Bonds \$6,270,000

Maturity Date	Principal	Interest			CUSIP®†
<u>December 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>(85473T)</u>
2016	\$140,000	1.00%	1.21%	99.838	AW5
2017	400,000	1.50	1.61	99.807	AX3
2018	640,000	1.75	1.93	99.515	AY1
2019*	645,000	2.00	2.15	99.457	AZ8
2020*	660,000	2.25	2.40	99.325	BA2
2021*	680,000	2.50	2.64	99.252	BB0
2022*	690,000	2.75	2.89	99.142	BC8
2023*	575,000	3.00	3.08	99.447	BD6
2024*	595,000	3.125	3.23	99.200	BE4
2025*	615,000	3.25	3.38	98.922	BF1
2026*	630,000	3.50	3.53	99.729	BG9

\$3,555,000 4.00% Term Bond maturing December 1, 2031, Yield 4.03% CUSIP®† BH7

\$3,395,000 4.125% Term Bond maturing December 1, 2035, Yield 4.23% CUSIP®† BJ3

* Insured Bonds.

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the 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 Successor Agency since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Successor Agency. All summaries of the Bonds, the Indenture and other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Successor Agency for further information. See "INTRODUCTION - Summary Not Definitive."

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

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

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

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

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

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

**SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY
STANTON, CALIFORNIA**

CITY COUNCIL AND SUCCESSOR AGENCY GOVERNING BOARD

Brian Donahue, *Mayor*
Carol Warren, *Mayor Pro Tem*
Alexander A. Ethans, *Council Member*
Rigoberto A. Ramirez, *Council Member*
David J. Shawver, *Council Member*

CITY STAFF

James A. Box, *City Manager*
Stephen Parker, *Administrative Services Director/City Treasurer*
Matthew Richardson, *City Attorney*
Patricia A. Vazquez, *City Clerk*

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Quint & Thimmig LLP
Larkspur, California

Municipal Advisor

Harrell & Company Advisors, LLC
Orange, California

Trustee and Escrow Bank

U.S. Bank National Association
Los Angeles, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

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OFFICIAL STATEMENT

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY	
STANTON CONSOLIDATED REDEVELOPMENT PROJECT	
\$7,115,000	\$13,220,000
SUBORDINATE	SUBORDINATE
TAX ALLOCATION	TAXABLE TAX ALLOCATION
REFUNDING BONDS, 2016 SERIES A	REFUNDING BONDS, 2016 SERIES B

This Official Statement, which includes the cover page, inside cover pages and appendices (the “Official Statement”), is provided to furnish certain information concerning the sale of the Successor Agency to the Stanton Redevelopment Agency Stanton Consolidated Redevelopment Project Subordinate Tax Allocation Refunding Bonds, 2016 Series A (“Series A Bonds”) and Subordinate Taxable Tax Allocation Refunding Bonds, 2016 Series B (“Series B Bonds,” and together with the Series A Bonds, the “Bonds”).

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 Bonds 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 (see “RISK FACTORS” herein). For definitions of certain capitalized terms used herein and not otherwise defined, and the terms relating to the Bonds, see the summary included in “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” herein.

The Successor Agency and the Former Agency

The Stanton Redevelopment Agency (the “Former Agency”) was established in 1979 by the City Council (the “City Council”) of the City of Stanton (the “City”) pursuant to the Community Redevelopment Law (the “Redevelopment Law”), constituting Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the “State”). On June 29, 2011, Assembly Bill No. 26 (“AB X1 26”) was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 (“AB X1 27”). A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“AB 1484”), enacted as Chapter 26, Statutes of 2012, and as further amended on September 22, 2015 by Senate Bill No. 107 (“SB 107”) enacted as Chapter 325, Statutes of 2015. The provisions of Part 1.85 as amended by AB 1484 and SB 107 are referred to in this Official Statement as the “Dissolution Act”. The Redevelopment Law, as amended by the Dissolution Act, is sometimes referred to herein as the “Law.”

Pursuant to Section 34173 of the Dissolution Act, the City Council serves as the governing board of the successor agency to the Former Agency. Since the February 1, 2012 dissolution of the Former Agency, the City has served as the Successor Agency to the Stanton Redevelopment Agency (the “Successor Agency”). The Successor Agency is governed by a five-member board consisting of the Mayor and the members of the City Council. The City Manager acts as the Successor Agency’s chief administrative officer (see “THE SUCCESSOR AGENCY” herein).

Section 34173(g) of the Dissolution Act expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City (see “THE SUCCESSOR AGENCY” herein).

The City

The City was incorporated on June 4, 1956 as a general law city and operates under the council-manager form of government. The City encompasses 3.1 square miles and is located in central Orange County, approximately 23 miles southeast of Los Angeles and 9 miles northwest of Santa Ana. The City is in close proximity to four freeways: the Garden Grove Freeway (Highway 22) passes just south of the City; the San Gabriel River Freeway (Interstate 605) runs north and south to the west of the City; the Santa Ana Freeway (Interstate 5) runs in a northwest-southeast course to the east of the City; and the Artesia Freeway (Highway 91) runs east and west about two and a half miles north of the City. Nearby cities include Anaheim, Buena Park, Garden Grove, Cypress, and La Palma (see “APPENDIX B - CITY OF STANTON INFORMATION STATEMENT” herein).

Authority and Purpose

The Bonds are being issued pursuant to the Constitution and laws of the State, including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (the “Refunding Law”), the Law and an Indenture of Trust dated as of February 1, 2016 (the “Indenture”) by and between the Successor Agency and U.S. Bank National Association, as trustee (the “Trustee”).

The Series A Bonds are being issued to refinance the Former Agency’s outstanding Stanton Consolidated Redevelopment Project Tax Allocation Bonds, 2005 Series B (the “2005 Series B Bonds”).

The Series B Bonds are being issued to refinance the Former Agency’s outstanding Stanton Consolidated Redevelopment Project Tax Allocation Bonds, 2005 Series A (the “2005 Series A Bonds”).

The 2005 Series A Bonds and the 2005 Series B Bonds are sometimes collectively referred to herein as the “Prior Bonds.”

See “THE FINANCING PLAN” herein.

Following the issuance of the Bonds, the following tax allocation bonds of the Former Agency will remain outstanding and payable from pledged Tax Revenues on a basis senior to the Bonds:

- Stanton Consolidated Redevelopment Project Tax Allocation Bonds, 2010 Series A (the “2010A Bonds”)
- Stanton Consolidated Redevelopment Project Taxable Housing Tax Allocation Bonds, 2011 Series A (the “2011A Bonds”)
- Stanton Consolidated Redevelopment Project Taxable Tax Allocation Bonds, 2011 Series B (the “2011B Bonds”)

Collectively, the 2010A Bonds, the 2011A Bonds and the 2011B Bonds are referred to herein as “Senior Bonds.”

Collectively, the indentures of trust providing for the issuance of the Prior Bonds are referred to herein as the “Prior Trust Indentures” and the indentures of trust which relate to the Senior Bonds are referred to herein as the “Senior Bonds Indentures”. See “SECURITY FOR THE BONDS” and “FINANCIAL INFORMATION - Outstanding Indebtedness.”

Tax Allocation Financing Under the Dissolution Act

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopted the redevelopment plan became the base year valuation. Assuming the taxable valuation never drops below the base year level, the Taxing Agencies, as defined herein, thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

Under the Dissolution Act, moneys will be deposited from time to time in a Redevelopment Property Tax Trust Fund (the “Redevelopment Property Tax Trust Fund” or “RPTTF”) held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects using current assessed values on the last equalized roll on August 20 each year. See “SECURITY FOR THE BONDS - Tax Allocation Financing” herein for additional information.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. Pledged Tax Revenues, as defined herein, pledged to pay the Bonds consist of a portion of the amounts deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act (see “Security for the Bonds” below).

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency’s Recognized Obligation Payment Schedules (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions” and “SECURITY FOR THE BONDS - Recognized Obligation Payment Schedules”).

The Project Area

The Consolidated Redevelopment Project Area of the Former Agency (the “Project Area”) is comprised of two component redevelopment projects totaling approximately 1,940 acres. The Stanton Community Development Project (“Original Area”) was created in 1983 and originally consisted of approximately 180 acres generally fronting on the Beach Boulevard commercial corridor. Amendment No. 1 to the Original Area (“Amendment No. 1 Area”) was adopted in 1987 and added 83 acres to the Original Area. Amendment No. 2 to the Original Area (“Amendment No. 2 Area”) was adopted in 1992 and added an additional 164 acres to the Original Area. Together, the Original Area, the Amendment No. 1 Area and the Amendment No. 2 Area are referred to herein as the “Community Development Project.” The Stanton 2000 Redevelopment Project (the “2000 Project”) was created in 2000 and consists of 1,513 acres, or

approximately 77 percent of the total area of the City. The Community Development Project and the 2000 Project were merged to form the Project Area in November 2004. The Project Area encompasses the entire incorporated City with the exception of a 20-acre residential area located west of Knott Avenue.

See “THE PROJECT AREA” herein for additional information on the Project Area and “THE SUCCESSOR AGENCY” herein for additional information on the Redevelopment Plan.

Security for the Bonds

For the security of the Bonds, the Successor Agency grants a pledge of and lien on all of the Pledged Tax Revenues. “Pledged Tax Revenues” are defined under the Indenture as all moneys deposited from time to time in the Redevelopment Property Tax Trust Fund as provided in paragraph (2) of subdivision (a) of Section 34183 of the Law but excluding (i) amounts of such taxes required to be paid by the Successor Agency pursuant to its Tax Sharing Agreements or pursuant to Section 33607.5 or 33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds, any additional Parity Debt, as applicable, and (ii) principal of and interest due on the Senior Bonds outstanding. By definition, under the Dissolution Act, Pledged Tax Revenues exclude County administrative costs allowed under Section 34182 of the Law and Section 95.3 of the California Revenue and Taxation Code. See “FINANCIAL INFORMATION - Property Taxation in California” and “Tax Sharing Agreements and Tax Sharing Statutes” herein.

The Successor Agency may issue additional bonds payable on a basis senior to the Bonds (“Additional Senior Bonds”) or payable from Pledged Tax Revenues on a parity with the Bonds (“Parity Debt”) to refinance the Bonds or the Senior Bonds. See “SECURITY FOR THE BONDS - No Additional Debt Other Than Refunding Bonds” herein.

Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the base year property tax roll of the Project Area, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Successor Agency’s Redevelopment Obligation Retirement Fund, as defined herein, on January 2 and June 1 of each year to the extent required for payments listed in the Successor Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act. Moneys transferred by the County Auditor-Controller to the Successor Agency will be deposited into the Successor Agency’s Redevelopment Obligation Retirement Fund and will be transferred by the Successor Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture. See “SECURITY FOR THE BONDS - Recognized Obligation Payment Schedules” herein.

The Bonds do not constitute a debt or liability of the City, the County of Orange (the “County”), the State or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City, the County, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Successor Agency has no taxing power.

Municipal Bond Insurance and Reserve Account Surety Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Series A Bonds maturing December 1 in the years 2019 through and including 2035 and the Series B Bonds maturing December 1, 2019 through and including 2035 (collectively, the “Insured Bonds”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as “APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.” The Policy does not insure the payment of the Series A Bonds maturing on December 1, in the years 2016 through and including 2018 or

the Series B Bonds maturing on December 1, in the years 2016 through and including 2018 (the “Uninsured Bonds”).

In order to further secure the payment of the principal of and interest on the Bonds, a Reserve Account has been established by the Indenture. The Reserve Account will be funded by the purchase of a Municipal Bond Debt Service Reserve Insurance Policy (the “Reserve Policy”) issued by BAM in an amount equal to the Reserve Requirement as defined in the Indenture. The Reserve Policy secures only the Bonds and would not secure the Senior Bonds or any future Parity Debt. See “SECURITY FOR THE BONDS - Reserve Account - Qualified Reserve Account Credit Instruments.”

Legal Matters

All legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Best Best & Krieger, LLP Riverside, California, as Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, are described more fully under the heading “LEGAL MATTERS” herein. Certain legal matters will be passed on for the Successor Agency by Quint & Thimmig LLP, as Disclosure Counsel, by Best Best & Krieger, LLP Riverside, California, as General Counsel to the Successor Agency, and for the Underwriter by their Counsel, Nossaman LLP, Irvine, California.

Professional Services

U.S. Bank National Association will act as Trustee with respect to the Bonds.

Harrell & Company Advisors, LLC, Orange, California (the “Municipal Advisor”) advised the Successor Agency as to the financial structure and certain other financial matters relating to the Bonds and assisted the Successor Agency with the preparation of this Official Statement.

Fees payable to Bond Counsel, Disclosure Counsel, Underwriter’s Counsel and the Municipal Advisor are contingent upon the sale and delivery of the Bonds.

Offering of the Bonds

Authority for Issuance. The Bonds are to be issued and secured pursuant to the Indenture, as authorized by Resolution No. SA 2015-04 of the Successor Agency adopted on June 9, 2015, the Refunding Law and the Law. The Successor Agency to the Stanton Redevelopment Agency Oversight Board (the “Oversight Board”) approved the action taken by the Successor Agency to refinance the Prior Bonds on June 11, 2015. The State Department of Finance approved the Oversight Board action by letter dated August 21, 2015.

Offering and Delivery of the Bonds. The Bonds are being sold to Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Bonds are offered, when, as and if issued, subject to the approval as to their legality by Best Best & Krieger, LLP Riverside, California, as Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about February 23, 2016.

Summary Not Definitive

The summaries and references contained herein with respect to the Indenture, the Bonds 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 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices of the Municipal Advisor, Harrell &

Company Advisors, LLC, 333 City Boulevard West, Suite 1430, Orange, California 92868, telephone (714) 939-1464. Copies of these documents may be obtained after delivery of the Bonds from the Successor Agency at 7800 Katella Avenue, Stanton, California 90680.

THE BONDS

General Provisions

Repayment of the Bonds. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof and will be dated as of the date of delivery (the “Closing Date”). Interest on the Bonds is payable at the rates per annum set forth on the inside cover pages hereof. Interest on the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months.

Interest on the Bonds will be payable on each June 1 and December 1, commencing December 1, 2016 (each an “Interest Payment Date”). The Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after the 15th calendar day of the month preceding an Interest Payment Date (a “Record Date”) and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before November 15, 2016, in which event it shall bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Transfer or Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Transfer of any Bond shall not be permitted by the Trustee during the 15 day period preceding the selection of Bonds for redemption or if such Bond has been selected for redemption. Whenever any Bonds shall be surrendered for transfer, the Successor Agency shall execute and the Trustee shall authenticate and shall deliver a new Bond for a like aggregate principal amount and of like series and maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Any Bond may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like series and maturity. Exchange of any Bond shall not be permitted during the 15 day period preceding the selection of Bonds for redemption or if such Bond has been selected for redemption. The Trustee may require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

The foregoing provisions regarding the transfer and exchange of the Bonds apply only if the book-entry system is discontinued. So long as the Bonds are in the book-entry system of The Depository Trust Company (“DTC”) as described below, the rules of DTC will apply for the transfer and exchange of Bonds.

Book-Entry System. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. Interest on and principal of the Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to DTC Participants, which will in turn remit such interest and principal to Beneficial Owners of the Bonds (see “APPENDIX F - THE BOOK-ENTRY SYSTEM” herein). As long as DTC is the registered owner of the Bonds and DTC’s book-entry method is used for the Bonds, the Trustee will send any notices to Bond Owners only to DTC.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, if a successor securities depository is not obtained, Bonds are required to be printed and delivered as described in the Indenture. The Successor Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bonds will be printed and delivered as described in the Indenture.

Redemption

Optional Redemption. The Bonds of either series maturing on or before December 1, 2026 are not subject to redemption prior to their respective stated maturities. The Bonds of either series maturing on or after December 1, 2027 may be called before maturity and redeemed at the option of the Successor Agency, in whole or in part, from the proceeds of refunding bonds or other available funds, on December 1, 2026 or on any date thereafter. Bonds called for redemption will be redeemed at a redemption price equal to the principal amount of Bonds to be redeemed plus accrued interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption of Series B Term Bonds. The Series B Bonds maturing on December 1, 2031 and December 1, 2035 (collectively, the “Series B Term Bonds”) are subject to redemption in part by lot, on December 1 in each of the years as set forth in the following tables, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased as described below, in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; *provided, however*, that if some but not all of the Series B Term Bonds have been redeemed the optional redemption provisions described above, the total amount of all future payments with respect to such Series B Term Bonds shall be reduced by the aggregate principal amount of such Series B Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000 as determined by the Successor Agency (written notice of which determination shall be given by the Successor Agency to the Trustee).

SINKING FUND SCHEDULE FOR SERIES B TERM BONDS MATURING DECEMBER 1, 2031

Sinking Fund Redemption Date <u>(December 1)</u>	Principal Amount <u>To Be Redeemed</u>
2027	\$655,000
2028	680,000
2029	710,000
2030	740,000
2031 (maturity)	770,000

**SINKING FUND SCHEDULE FOR
SERIES B TERM BONDS MATURING DECEMBER 1, 2035**

Sinking Fund Redemption Date <u>(December 1)</u>	Principal Amount <u>To Be Redeemed</u>
2032	\$800,000
2033	830,000
2034	865,000
2035 (maturity)	900,000

In lieu of redemption of the Series B Term Bonds under the preceding paragraph, amounts on deposit in the Debt Service Fund (to the extent not required to be deposited by the Trustee in the Interest Account or the Principal Account during the current Bond Year) may also be used and withdrawn by the Successor Agency at any time for the purchase of such Series B Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Successor Agency may in its discretion determine. The par amount of any of such Series B Term Bonds so purchased by the Successor Agency in any twelve-month period ending on October 15 in any year shall be credited towards and shall reduce the par amount of such Series B Term Bonds required to be redeemed on the next succeeding December 1.

Notice of Redemption, Rescission. The Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail, postage prepaid) notice of any redemption, at least 30 but not more than 60 days prior to the redemption date, to (i) the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services designated in a Request of the Successor Agency delivered to the Trustee (by any means acceptable to such depositories and services in substitution of first class mail); provided, however, that such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall, if applicable, designate the CUSIP number of the Bonds to be redeemed, shall state the individual number of each Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) or shall state that all of the Bonds Outstanding of one or more maturities are to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Trustee for redemption at the said redemption price, giving notice also that further interest on the Bonds to be redeemed will not accrue from and after the date fixed for redemption.

The Successor 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 such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Successor 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 of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender thereof the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new Bond or Bonds of the same interest rate and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

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

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

Scheduled Debt Service on the Bonds

The following is the scheduled semi-annual and annual Debt Service on the Series A Bonds (assuming no early redemption).

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
December 1, 2016	\$ 85,000.00	\$ 194,040.14	\$ 279,040.14	\$279,040.14
June 1, 2017	-	124,787.50	124,787.50	-
December 1, 2017	200,000.00	124,787.50	324,787.50	449,575.00
June 1, 2018	-	122,787.50	122,787.50	-
December 1, 2018	330,000.00	122,787.50	452,787.50	575,575.00
June 1, 2019	-	117,837.50	117,837.50	-
December 1, 2019	340,000.00	117,837.50	457,837.50	575,675.00
June 1, 2020	-	111,037.50	111,037.50	-
December 1, 2020	355,000.00	111,037.50	466,037.50	577,075.00
June 1, 2021	-	107,487.50	107,487.50	-
December 1, 2021	365,000.00	107,487.50	472,487.50	579,975.00
June 1, 2022	-	100,187.50	100,187.50	-
December 1, 2022	380,000.00	100,187.50	480,187.50	580,375.00
June 1, 2023	-	96,387.50	96,387.50	-
December 1, 2023	300,000.00	96,387.50	396,387.50	492,775.00
June 1, 2024	-	88,887.50	88,887.50	-
December 1, 2024	310,000.00	88,887.50	398,887.50	487,775.00
June 1, 2025	-	81,137.50	81,137.50	-
December 1, 2025	325,000.00	81,137.50	406,137.50	487,275.00
June 1, 2026	-	73,012.50	73,012.50	-
December 1, 2026	345,000.00	73,012.50	418,012.50	491,025.00
June 1, 2027	-	64,387.50	64,387.50	-
December 1, 2027	360,000.00	64,387.50	424,387.50	488,775.00
June 1, 2028	-	55,387.50	55,387.50	-
December 1, 2028	380,000.00	55,387.50	435,387.50	490,775.00
June 1, 2029	-	45,887.50	45,887.50	-
December 1, 2029	400,000.00	45,887.50	445,887.50	491,775.00
June 1, 2030	-	39,387.50	39,387.50	-
December 1, 2030	405,000.00	39,387.50	444,387.50	483,775.00
June 1, 2031	-	33,818.75	33,818.75	-
December 1, 2031	425,000.00	33,818.75	458,818.75	492,637.50
June 1, 2032	-	27,443.75	27,443.75	-
December 1, 2032	435,000.00	27,443.75	462,443.75	489,887.50
June 1, 2033	-	20,918.75	20,918.75	-
December 1, 2033	445,000.00	20,918.75	465,918.75	486,837.50
June 1, 2034	-	14,243.75	14,243.75	-
December 1, 2034	460,000.00	14,243.75	474,243.75	488,487.50
June 1, 2035	-	7,343.75	7,343.75	-
December 1, 2035	<u>470,000.00</u>	<u>7,343.75</u>	<u>477,343.75</u>	<u>484,687.50</u>
	\$7,115,000.00	\$2,858,777.64	\$9,973,777.64	\$9,973,777.64

The following is the scheduled semi-annual and annual Debt Service on the Series B Bonds (assuming no early redemption).

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
December 1, 2016	\$ 140,000.00	\$ 341,669.72	\$ 481,669.72	\$ 481,669.72
June 1, 2017	-	220,525.00	220,525.00	-
December 1, 2017	400,000.00	220,525.00	620,525.00	841,050.00
June 1, 2018	-	217,525.00	217,525.00	-
December 1, 2018	640,000.00	217,525.00	857,525.00	1,075,050.00
June 1, 2019	-	211,925.00	211,925.00	-
December 1, 2019	645,000.00	211,925.00	856,925.00	1,068,850.00
June 1, 2020	-	205,475.00	205,475.00	-
December 1, 2020	660,000.00	205,475.00	865,475.00	1,070,950.00
June 1, 2021	-	198,050.00	198,050.00	-
December 1, 2021	680,000.00	198,050.00	878,050.00	1,076,100.00
June 1, 2022	-	189,550.00	189,550.00	-
December 1, 2022	690,000.00	189,550.00	879,550.00	1,069,100.00
June 1, 2023	-	180,062.50	180,062.50	-
December 1, 2023	575,000.00	180,062.50	755,062.50	935,125.00
June 1, 2024	-	171,437.50	171,437.50	-
December 1, 2024	595,000.00	171,437.50	766,437.50	937,875.00
June 1, 2025	-	162,140.63	162,140.63	-
December 1, 2025	615,000.00	162,140.63	777,140.63	939,281.26
June 1, 2026	-	152,146.88	152,146.88	-
December 1, 2026	630,000.00	152,146.88	782,146.88	934,293.76
June 1, 2027	-	141,121.88	141,121.88	-
December 1, 2027	655,000.00	141,121.88	796,121.88	937,243.76
June 1, 2028	-	128,021.88	128,021.88	-
December 1, 2028	680,000.00	128,021.88	808,021.88	936,043.76
June 1, 2029	-	114,421.88	114,421.88	-
December 1, 2029	710,000.00	114,421.88	824,421.88	938,843.76
June 1, 2030	-	100,221.88	100,221.88	-
December 1, 2030	740,000.00	100,221.88	840,221.88	940,443.76
June 1, 2031	-	85,421.88	85,421.88	-
December 1, 2031	770,000.00	85,421.88	855,421.88	940,843.76
June 1, 2032	-	70,021.88	70,021.88	-
December 1, 2032	800,000.00	70,021.88	870,021.88	940,043.76
June 1, 2033	-	53,521.88	53,521.88	-
December 1, 2033	830,000.00	53,521.88	883,521.88	937,043.76
June 1, 2034	-	36,403.13	36,403.13	-
December 1, 2034	865,000.00	36,403.13	901,403.13	937,806.26
June 1, 2035	-	18,562.50	18,562.50	-
December 1, 2035	<u>900,000.00</u>	<u>18,562.50</u>	<u>918,562.50</u>	<u>937,125.00</u>
	\$13,220,000.00	\$5,654,782.32	\$18,874,782.32	\$18,874,782.32

THE FINANCING PLAN

The Refunding Plan

Redemption of Prior Bonds. On the Closing Date, a portion of the proceeds of each series of the Bonds will be transferred to the Trustee as prior trustee for the Prior Bonds (the “Prior Trustee”) for deposit into a separate redemption fund (together, the “Redemption Funds”) established for each series of Prior Bonds, under certain Irrevocable Refunding Instructions dated as of the Closing Date (the “Refunding Instructions”) delivered by the Successor Agency to the Prior Trustee.

The amount deposited in the Redemption Funds for the Prior Bonds, together with other available moneys, will be held uninvested and irrevocably pledged for the payment of the related Prior Bonds on their respective date of redemption as follows:

- the \$14,180,000 outstanding 2005 Series A Bonds will be redeemed in full on March 1, 2016, at a redemption price equal to 100% of the principal amount of the 2005 Series A Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium, and
- the \$8,280,000 outstanding 2005 Series B Bonds will be redeemed in full on March 1, 2016, at a redemption price equal to 100% of the principal amount of the 2005 Series B Bonds to be redeemed together with accrued interest thereon to the date fixed for redemption, without premium.

Amounts so deposited in the Redemption Funds will be pledged to the redemption price of the Prior Bonds on the respective redemption dates and the sufficiency of the amounts deposited in the Redemption Funds for such purpose will be verified by the Verification Agent as described below. The lien of the Prior Bonds will be discharged, terminated and of no further force and effect upon the deposit with the Prior Trustee of the amounts required pursuant to the Refunding Instructions.

The amounts held by the Prior Trustee for the respective Prior Bonds in the Redemption Funds are pledged solely to the payment of amounts due and payable by the Successor Agency under the Prior Indenture. The funds deposited in the Redemption Funds for the Prior Bonds will not be available for the payment of debt service on the Bonds.

Verifications of Mathematical Computations. Grant Thornton LLP will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules to determine that the cash listed in the schedules prepared by the Municipal Advisor, to be held in the Redemption Funds, will be sufficient to pay, when due, the principal, redemption premium and interest requirements of the Prior Bonds, and (2) the computation of yield on the Series A Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest with respect to the Series A Bonds is exempt from federal taxation.

Estimated Sources and Uses of Funds

Under the provisions of the Indenture, the Trustee will receive the proceeds from the sale of the Bonds and other available funds and will apply them as shown below.

	<u>Series A Bonds</u>	<u>Series B Bonds</u>
<u>Sources of Funds</u>		
Par Amount of Bonds	\$7,115,000.00	\$13,220,000.00
Net Original Issue Premium/(Original Issue Discount)	580,693.40	(99,524.50)
Funds Held for the Prior Bonds	<u>876,137.14</u>	<u>1,624,670.18</u>
Total Source of Funds	<u>\$8,571,830.54</u>	<u>\$14,745,145.68</u>
<u>Uses of Funds</u>		
Transfer to Redemption Funds	\$8,368,651.88	\$14,361,550.00
Underwriter's Discount	49,805.00	92,540.00
Costs of Issuance Fund ⁽¹⁾	<u>153,373.66</u>	<u>291,055.68</u>
Total Use of Funds	<u>\$8,571,830.54</u>	<u>\$14,745,145.68</u>

- ⁽¹⁾ Costs of issuance include fees and expenses of Bond Counsel, the Municipal Advisor, Disclosure Counsel, Verification Agent, Trustee and Escrow Bank, costs of printing the Official Statement, rating fee, premiums for the Policy and the Reserve Policy and other costs of issuance of the Bonds.

SECURITY FOR THE BONDS

Tax Allocation Financing

Prior to the enactment of the Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. First, the assessed valuation of the taxable property in a project area, as last equalized prior to adoption of the redevelopment plan, was established and became 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, 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 could be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing the redevelopment project. Redevelopment agencies themselves had no authority to levy taxes on property.

The Dissolution Act now requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency had the Former Agency not been dissolved using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. Such funds, or portions thereof distributed to the Successor Agency, are deposited by the Successor Agency in its Recognized Obligation Retirement Fund (the "Recognized Obligation Retirement Fund"). The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedules (see "Recognized Obligation Payment Schedules" herein).

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller and payments made under Sections 33401, 33676, 33607.5 and 33607.7 (among others) of the Redevelopment Law.

Successor agencies have no power to levy property taxes but must receive an allocation of taxes as described above. See "RISK FACTORS."

Tax 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 the ordinance approving the Redevelopment Plan, will be divided as follows:

- (a) To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the Taxing Agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such Taxing Agency last equalized prior to the effective date of the ordinance adopting the Redevelopment Plan, or the respective effective dates

of ordinances approving amendments to the Redevelopment Plan that added territory, as applicable (each, a “base year valuation”), will be allocated to, and when collected will be paid into, the funds of the respective Taxing Agencies as taxes by or for the Taxing Agencies on all other property are paid; and

- (b) To the Former Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a Taxing Agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of and the interest on, any bonded indebtedness approved by the voters of the Taxing Agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that Taxing Agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the Redevelopment Plan limit, when collected will be paid into a special fund of the Former Agency/Successor Agency. Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from this paragraph. Additionally, effective September 22, 2015, debt service override revenues approved by the voters for the purpose of supporting pension programs, capital projects, or programs related to the State Water Project, that are not pledged to or needed for debt service on successor agency obligations are allocated and paid to the entity that levies the override and will not be deposited into the Redevelopment Property Tax Trust Fund.

Tax revenues generated as set forth under (b) above and allocated to the Successor Agency constitute Tax Increment Revenues, as that term is used herein.

Pledged Tax Revenues. For the security of the Bonds, the Successor Agency grants a pledge of and lien on all of the Pledged Tax Revenues. Pledged Tax Revenues are defined under the Indenture as all moneys deposited from time to time in the Redevelopment Property Tax Trust Fund as provided in paragraph (2) of subdivision (a) of Section 34183 of the Law but excluding (i) amounts of such taxes required to be paid by the Successor Agency pursuant to its Tax Sharing Agreements or pursuant to Section 33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds, any additional Parity Debt, as applicable, and (ii) principal of and interest due on the Senior Bonds outstanding. By definition, under the Dissolution Act, Pledged Tax Revenues exclude County administrative costs allowed under Section 34182 of the Law and Section 95.3 of the California Revenue and Taxation Code. Certain Pledged Tax Revenues are released from the lien of the Bonds each January 2 upon certain conditions.

See “Pledge of Tax Revenues” below and “FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes” herein.

Elimination of the 20% Housing Set-Aside. Revenues pledged to the 2011A Bonds consisted of amounts otherwise required to be deposited in the Former Agency’s Low and Moderate Income Housing Fund (the “20% Housing Set-Aside”), as proceeds of the 2011A Bonds were used to increase or improve the supply of low- and moderate-income housing within or of benefit to the Project Area. Prior to dissolution, the Former Agency used the 20% Housing Set-Aside to pay debt service on the 2011A Bonds (the “Housing Amount”). The Dissolution Act has eliminated the 20% Housing Set-Aside requirement and none of the property tax revenues deposited in the Redevelopment Property Tax Trust Fund is designated as 20% Housing Set-Aside. In effect, after the Former Agency’s dissolution, the Prior Bonds and all of the Senior Bonds have been paid from Redevelopment Property Tax Trust Fund disbursements without any allocation of the Housing Amount, and Pledged Tax Revenues pledged to the Bonds includes the former 20% Housing Set-Aside.

Redevelopment Property Tax Trust Fund

Deposits to the Redevelopment Property Tax Trust Fund. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment

Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Former Agency or the Successor Agency to finance or refinance the redevelopment projects of the Former Agency.

Disbursements from the Redevelopment Property Tax Trust Fund. The Redevelopment Law authorized redevelopment agencies to make payments to Taxing Agencies to alleviate any financial burden or detriments to such Taxing Agencies caused by a redevelopment project. The Former Agency entered into agreements with the Taxing Agencies for this purpose (“Tax Sharing Agreements”). Additionally, Sections 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted on or after June 1, 1994 or amended after January 1, 1994 in a manner specified in such section (the “Statutory Tax Sharing”). Because the Redevelopment Plan for the Commercial Development Project was amended after June 1, 1994, and the Redevelopment Plan 2000 Project was adopted after June 1, 1994, the Successor Agency is obligated to make Statutory Tax Sharing payments. See “FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes” herein).

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

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

The Dissolution Act requires county auditor-controllers to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under the Tax Sharing Agreements and Statutory Tax Sharing to the taxing entities on each January 2 and June 1 before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement Fund, unless: (i) pass-through payment obligations have been made subordinate to debt service payments for the bonded indebtedness of the Former Agency, as succeeded to by the Successor Agency; (ii) the Successor Agency has reported, no later than the December 1 and May 1 preceding the applicable January 2 or June 1 distribution date, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency and from funds that have or will become available through asset sales and all

redevelopment operations is insufficient to fund the Successor Agency's enforceable obligations, pass-through payments and the Agency's administrative cost allowance for the applicable Recognized Obligation Payment Schedule period; and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes.

If the requirements set forth in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed on the applicable January 2 or June 1 property tax distribution date (as adjusted for weekends and holidays). To provide for calculated shortages to be paid to the Successor Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Successor Agency's enforceable obligations, pass-through payments and the Successor Agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Successor Agency for administrative costs for the applicable Recognized Obligation Payment Schedule period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed under subordinated Tax Sharing Agreements, in order to be paid to the Successor Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted. The Dissolution Act provides for a procedure by which the Successor Agency may make statutory pass-through payments subordinate to the Bonds. The Successor Agency has not undertaken any procedures to obtain such subordination of the statutory pass-through payments and, therefore, statutory pass-through payments are senior to the Bonds as described below. The Successor Agency's Tax Sharing Agreement with certain County taxing entities is subordinate to the Bonds by its terms. However, the Successor Agency cannot guarantee that this process prescribed by the Dissolution Act of administering the Pledged Tax Revenues and the subordinations provided in the Tax Sharing Agreements will effectively result in adequate Pledged Tax Revenues for the payment of principal and interest on the Bonds when due. See the captions "FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes" and "RISK FACTORS - Recognized Obligation Payment Schedule."

Recognized Obligation Payment Schedules

Enforceable Obligations. The Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, "enforceable obligation" includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Low and Moderate Income Housing Fund and from the city. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following six-month period (see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Covenants of the Successor Agency"). The Successor Agency has covenanted to request such reserves as described below.

Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the Low and Moderate Income Housing Fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance, (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment

from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board). Other than amounts deposited in the Redevelopment Property Tax Trust Fund allocable to the Project Area and amounts held in funds and accounts under the Indenture, the Successor Agency does not expect to have any other funds available to pay the Bonds.

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule.

Required Approvals. As provided in SB 107, the Recognized Obligation Payment Schedule, with respect to each Fiscal Year, and segregated into each six-month period beginning July 1 and January 1, must be submitted by the Successor Agency, after approval by the Oversight Board, the County Auditor-Controller, the State Department of Finance, and the State Controller by each February 1. For information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Bonds, see “RISK FACTORS - Recognized Obligation Payment Schedule.”

Commencing on September 22, 2015, successor agencies that have received a Finding of Completion and the concurrence of the Department of Finance as to the items that qualify for payment, among other conditions, may at their option, file a “Last and Final” Recognized Obligation Payment Schedule. If approved by the Department of Finance, the Last and Final Recognized Obligation Payment Schedule will be binding on all parties, and the Successor Agency will no longer submit a Recognized Obligation Payment Schedule to the Department of Finance or the Oversight Board. The county auditor-controller will remit the authorized funds to the Successor Agency in accordance with the approved Last and Final Recognized Obligation Payment Schedule until each remaining enforceable obligation has been fully paid. A Last and Final Recognized Obligation Payment Schedule may only be amended twice, and only with approval of the Department of Finance and the County Auditor-Controller. The Successor Agency currently has no plans to file a Last and Final Recognized Obligation Payment Schedule and has covenanted in the Indenture to not do so without the consent of BAM.

Determination of Available Funding. In connection with the allocation and distribution by the County Auditor-Controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, under the Dissolution Act the County Auditor-Controller must prepare estimates of the amounts of (i) property tax to be allocated and distributed, and (ii) the amounts of pass-through payments to be made in the upcoming six-month period, and provide those estimates to the entities receiving the distributions and the State Department of Finance no later than April 1 and October 1 of each year, as applicable.

If, after receiving such estimate from the County Auditor-Controller, the Successor Agency determines and reports, no later than December 1 or May 1, as applicable, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency, and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of pass-through obligations, for the Successor Agency’s enforceable obligations listed on the Recognized Obligation Payment Schedule, and for the Successor Agency’s administrative cost allowance, the County Auditor-Controller must notify the State Controller and the State Department of Finance no later than 10 days from the date of the Successor Agency’s notification. If the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under “Redevelopment Property Tax Trust Fund” above.

Debt Service. In the Indenture, the Successor Agency covenants to comply with all of the requirements of the Dissolution Act, including taking all actions required under the Dissolution Act to prepare and file

Recognized Obligation Payment Schedules for each Fiscal Year so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund all amounts as shall be required to enable the Successor Agency to pay timely principal of, and interest on, the Bonds, the Senior Bonds and all outstanding Parity Debt coming due in such Bond Year, including any amounts due and owing to the Bond Insurer in respect of the Reserve Policy, or required to replenish the Reserve Account, and the respective reserve accounts established for any Senior Bonds or Parity Bonds.

Pursuant to the Indenture, without limiting the generality of the foregoing covenant, the Successor Agency will take all actions required under the Dissolution Act to file a Recognized Obligation Payment Schedule by February 1 in each year, commencing February 1, 2016, in accordance with Section 34177(0) of the Redevelopment Law. Each such Recognized Obligation Payment Schedule for the period ending each June 30 shall request the payment to the Successor Agency of an amount of Pledged Tax Revenues which is at least equal to the following:

- (a) 100% of the amount of principal of and interest on the Senior Bonds coming due and payable on the next succeeding June 1 and December 1,
- (b) 100% of the amount of interest on the Bonds and all Outstanding Parity Debt coming due and payable on the next succeeding June 1,
- (c) 50% of the amount of principal on the Bonds and all Outstanding Parity Debt coming due and payable on the next succeeding December 1,
- (d) any amount then required to replenish the full amount of the Reserve Requirement in the Reserve Account and to replenish the amount in any reserve account established for outstanding Senior Bonds or Parity Debt; and
- (e) any amount then required to make payments due to the Bond Insurer in respect of the Policy or the Reserve Policy.

Each Recognized Obligation Payment Schedule for the period ending each December 31 shall request the payment to the Successor Agency of an amount of Pledged Tax Revenues which is at least equal to the following:

- (a) 100% of the interest due on the Bonds and all Outstanding Parity Debt coming due and payable on the next succeeding December 1,
- (b) the remaining principal due on the Bonds and all Outstanding Parity Debt coming due and payable on the next succeeding December 1 and not reserved in the period ending June 30; and
- (c) reserves and amounts due to any bond insurer as described under (d) and (e) above.

The foregoing actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and the Department of Finance, to the extent required, the amounts to be held by the Successor Agency as a reserve for the timely payment of principal of and interest on the Bonds, the Senior Bonds, and all outstanding Parity Debt coming due in the succeeding Fiscal Year. See "Recognized Obligation Payment Schedules" above and "RISK FACTORS - Recognized Obligation Payment Schedule."

Further, in the event that the Agency defeases any Senior Bonds with funds on hand, or refinances any Senior Bonds with Additional Senior Bonds (see "No Additional Debt Other Than Refunding Bonds" below), the amount of any annual debt service savings as a result of such defeasance or refunding will be required to be requested in the Recognized Obligation Payment Schedule period beginning January 2 of

each year to be used for debt service on the Bonds payable on June 1, and then to be reserved for the December 1 debt service on the Bonds payable on the next December 1.

The Successor Agency further agrees (a) to the extent permitted by law, to amend any Recognized Obligation Payment Schedule filing for any period during which amounts owed to the Bond Insurer either with respect to the Bond Insurance Policy or the Reserve Policy are not included on such Recognized Obligation Payment Schedule filing, and (b) not to submit a Last and Final Recognized Obligation Payment Schedule under the Dissolution Act without the prior written consent of the Bond Insurer.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Pledged Tax Revenues available in any six-month period (or otherwise) to pay the principal of and interest on the Bonds. See “RISK FACTORS.”

Pledge of Tax Revenues

The Bonds and all Parity Debt, shall be secured by a pledge of, security interest in and lien on all of the Pledged Tax Revenues excluding the Pledged Tax Revenues distributed on January 2 in each Bond Year not required for debt service on the Bonds on June 1 of such year, but including all Pledged Tax Revenues distributed on January 2 in each Bond Year to be reserved for 50% of the December 1 payment of principal on the Bonds in such Bond Year; provided, however, that so long as any Senior Bonds remain outstanding, the Successor Agency shall first deposit amounts deposited in the Redevelopment Obligation Retirement Fund as required pursuant to the Senior Bonds Indentures. In addition, the Bonds, and any other Parity Debt (to the extent provided in the applicable Parity Debt Instrument), shall be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account and the Redemption Account. The Bonds shall be additionally secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Reserve Account attributable to the Bonds. Such pledge, security interest in and lien shall be for the equal security of the Outstanding Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Pledged Tax Revenues and such moneys, no funds of the Successor Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

There has been established a special trust fund known as the “Redevelopment Obligation Retirement Fund,” which is held by the Successor Agency pursuant to Section 34170.5(b) of the Law. The Indenture establishes a special trust fund known as the “Debt Service Fund” and the accounts therein referred to below are held by the Trustee. The Successor Agency shall deposit all of the funds received in any Bond Year from the Redevelopment Property Tax Trust Fund for the purpose of paying debt service on any outstanding Senior Bonds, the Bonds and any Parity Debt in the Redevelopment Obligation Retirement Fund immediately upon receipt thereof by the Successor Agency, and promptly thereafter shall transfer amounts therein to the Trustee in the following priority: (1) for deposit in the Debt Service Fund established under the Senior Bonds Indentures and for any payment of amounts required thereunder, (2) for deposit in the Debt Service Fund established and held under the Indenture until such time that the aggregate amounts on deposit in such Debt Service Fund equal the aggregate amounts required to be deposited into the Interest Account, the Principal Account and the Reserve Account in such Bond Year excluding the Pledged Tax Revenues distributed on January 2 in each Bond Year not required for debt service on the Bonds on June 1 of such year, but including all Pledged Tax Revenues distributed on January 2 in each Bond Year to be reserved for 50% of the December 1 principal on the Bonds payable in such Bond Year, and (3) for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in any Supplemental Indenture.

In the event that the amount of Pledged Tax Revenues (available after payment of debt service on the Senior Bonds) is not sufficient to pay the Bonds and any Parity Debt outstanding, any such insufficiency shall be allocated among the Bonds and any Parity Debt on a pro rata basis (based on the amount of debt service coming due during any such period of insufficiency).

The Pledged Tax Revenues are pledged to the payment of principal of and interest on the Bonds pursuant to the Indenture until the Bonds 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 Pledged Tax Revenues when due under the Indenture, and otherwise to protect the interests of the Bondholders in the event of default by the Successor Agency.

The Bonds are special obligations of the Successor Agency. The Bonds do not constitute a debt or liability of the City, the County, the State or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City, the County, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Successor Agency has no taxing power.

The State Legislature has amended the Dissolution Act several times. The Successor Agency expects, but cannot guarantee, that the processes for funding of enforceable obligations prescribed by any new legislative change in the Dissolution Act will not interfere with its administering of the Pledged Tax Revenues in accordance with the Indenture and will effectively result in adequate Pledged Tax Revenues for the timely payment of principal of and interest on the Bonds when due.

Reserve Account

A Reserve Account has been established under the Indenture to be held by the Trustee to further secure the timely payment of principal of and interest on the Bonds. The Successor Agency must maintain a balance in the Reserve Account equal to the least of (i) 10% of the original par amount of the Bonds, (ii) Maximum Annual Debt Service with respect to the Bonds, or (iii) 125% of average Annual Debt Service on the Bonds; provided further that the Reserve Requirement with respect to the Series A Bonds and the Series B Bonds will be calculated on a combined basis (the "Reserve Requirement"). If the Successor Agency fails to deposit with the Trustee the full amount required by the Indenture to pay principal and interest due on the Bonds of that series when due on any date, the Trustee will withdraw from the Reserve Account, the difference between the amount required to be on deposit and the amount available on such date.

The Reserve Account established for the Bonds secures only the Bonds, and will not secure the Senior Bonds or any other series of Parity Debt that may be issued under the Indenture (see "No Additional Debt Other Than Refunding Bonds" below).

The Indenture provides that in lieu of a cash deposit, the Successor Agency may satisfy all or a portion of the Reserve Requirement by means of a Qualified Reserve Account Credit Instrument (see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein).

The Senior Bonds reserve accounts are currently funded in the amount of \$4,384,973. Such amounts are not available to pay debt service on the Bonds.

Qualified Reserve Account Credit Instruments

Concurrently with the issuance of the Bonds, BAM will issue the Reserve Policy for the Bonds. The Reserve Policy constitutes a Qualified Reserve Account Credit Instrument under the Indenture and is being issued in the amount of the Reserve Requirement. BAM is also issuing a municipal bond insurance policy for the Insured Bonds, but is not providing municipal bond insurance for the Uninsured Bonds. Information regarding BAM is discussed herein under "MUNICIPAL BOND INSURANCE - Build America Mutual Assurance Company."

WHILE BAM HAS NOT ISSUED A POLICY INSURING OR GUARANTEEING THE PRINCIPAL OF AND/OR INTEREST ON THE UNINSURED BONDS, BAM HAS ISSUED THE RESERVE POLICY FOR THE BENEFIT OF ALL OF THE BONDS.

Rating agencies have downgraded or withdrawn the ratings on the claims-paying ability and financial strength of most of the nation's bond insurance companies. Deterioration in the financial condition of the provider of the Reserve Policy or a failure to honor a draw by any provider under its Reserve Policy could occur. The Successor Agency is not required under the Indenture to replace the Reserve Policy with cash or a replacement instrument in the event the ratings of its provider decline or are withdrawn. If circumstances should ever cause the Reserve Policy to be canceled or discharged, such cancellation or discharge could be determined to create a deficiency in the Reserve Requirement previously satisfied by such Reserve Policy. Under the Indenture, in the event that the amount on deposit in the Reserve Account is less than the Reserve Requirement, the Successor Agency is required to transfer to the Trustee an amount of available Pledged Tax Revenues sufficient to maintain the amount in such Reserve Account at such Reserve Requirement. Should the amount of Pledged Tax Revenues then available to maintain such Reserve Account at the Reserve Requirement be insufficient for such purpose, such insufficiency would not result in an event of default under the Indenture, but the requirement of the Successor Agency to transfer available Pledged Tax Revenues to the Trustee would continue.

No Additional Debt Other Than Refunding Bonds

So long as the Bonds are Outstanding, the Successor Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Pledged Tax Revenues, excepting only as provided in the Indenture. The Successor Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Pledged Tax Revenues or other amounts pledged to the Bonds superior to the pledge and lien created for the benefit of the Bonds, provided that the Successor Agency (a) may issue and sell refunding bonds payable from Pledged Tax Revenues on a basis senior to the Outstanding Bonds ("Additional Senior Bonds") or as Parity Debt payable from Pledged Tax Revenues on a parity with Outstanding Bonds to refund a portion of the Senior Bonds and (b) may issue and sell refunding bonds as Parity Debt payable from Pledged Tax Revenues on a parity with Outstanding Bonds to refund a portion of the Outstanding Bonds and/or any Parity Debt provided further that, with respect to any such refunding (i) annual debt service on such Additional Senior Bonds or Parity Debt, as applicable, is lower than annual debt service on the obligations being refunded during every Bond Year the obligations would otherwise be outstanding, and (ii) the final maturity of any such Additional Senior Bonds or Parity Debt, as applicable, does not exceed the final maturity of the obligations being refunded.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue its Municipal Bond Insurance Policy (the “Policy”) for the Series A Bonds maturing on December 1 of the years 2019 through 2035, inclusive, with CUSIP numbers 85473TAD7 through 85473TAV7, inclusive and for the Series B Bonds maturing December 1, of the years 2019 through 2035, inclusive, with CUSIP numbers 85473TAZ8 through 85473TBJ3, inclusive (collectively, the “Insured Bonds”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an Appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Insured Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2015 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$480.1 million, \$41.5 million and \$438.6 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Obligor Disclosure Briefs. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Obligor Disclosure Brief for those bonds. These pre-sale Obligor Disclosure Briefs provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Obligor Disclosure Briefs will be updated and superseded by a final Obligor Disclosure Brief to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Obligor Disclosure Briefs are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce an Obligor Disclosure Brief for all bonds insured by BAM, whether or not a pre-sale Obligor Disclosure Brief has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer or the underwriter for the Bonds, and the issuer and the underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

THE SUCCESSOR AGENCY

Government Organization

The Former Agency was established by the City Council in 1979 pursuant to the Redevelopment Law. On June 29, 2011, AB X1 26 was enacted, together with a companion bill, AB X1 27. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

Pursuant to Section 34173 of the Dissolution Act, the City Council serves as the governing board of the successor agency to the Former Agency and thus, since the February 1, 2012 dissolution of the Former Agency, the City has acted in such capacity. The Successor Agency is governed by a five-member board which consists of the Mayor and the members of the City Council. The Mayor serves as the presiding officer of the Successor Agency.

Section 34173(g) of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City.

SUCCESSOR AGENCY BOARD MEMBERS

Brian Donahue, *Chairman*
Carol Warren, *Vice-Chairperson*
Alexander A. Ethans, *Agency Member*
Rigoberto A. Ramirez, *Agency Member*
David J. Shawver, *Agency Member*

TERM EXPIRES

November 2018
November 2016
November 2016
November 2018
November 2018

The City performs certain general administrative functions for the Successor Agency. The City Manager serves as the Successor Agency's chief administrative officer, the City Clerk serves as the Successor Agency secretary and the City Treasurer serves as the Successor Agency treasurer. The costs of such functions, as well as additional services performed by City staff are allocated annually to the Successor Agency, within certain limitations established by the Dissolution Act. Such reimbursement is subordinate to payment on any outstanding bonds of the Successor Agency.

Current City Staff assigned to administer the Successor Agency include:

KEY ADMINISTRATIVE PERSONNEL

James A. Box, *City Manager*
Stephen Parker, *Administrative Services Director/City Treasurer*
Matthew Richardson, *City Attorney*
Patricia A. Vazquez, *City Clerk*

Successor Agency Powers

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

Section 34179.5 of the Dissolution Act established a due diligence review process for determining the unobligated balances that redevelopment agencies had available as of June 30, 2012 to remit to their respective county auditor-controllers for distribution to affected Taxing Agencies within project areas of the former redevelopment agencies. The Successor Agency has remitted to the County Auditor-Controller all of the unobligated balances as determined by the State Department Finance. On August 15, 2013, the Successor Agency received its Finding of Completion from the State Department of Finance. Receipt of the Finding of Completion allows the Successor Agency to do several things, among them, developing a plan for the disposition of any properties held by the Successor Agency and spending proceeds of bonds issued prior to December 31, 2010, all requiring approval of the Oversight Board.

After receiving the finding of completion, each successor agency is required to submit a Long Range Property Management Plan (a “Long Range Property Management Plan”) detailing what it intends to do with its inventory of properties. Successor agencies are not required to immediately dispose of their properties but are limited in terms of what they can do with the retained properties. Permissible uses include: sale of the property, use of the property to fulfill an enforceable obligation, retention of the property for future redevelopment, and retention of the property for governmental use. These plans must be filed by successor agencies with the State Department of Finance within six months of receiving a finding of completion. The State Department of Finance approved the Successor Agency’s Long Range Property Management Plan on October 3, 2014.

Redevelopment Plan

The Stanton Community Development Project was originally formed by the adoption of Ordinance No. 582 on December 13, 1983 (the “Original Area”) and was expanded twice by amendments approved by Ordinance 653 adopted on July 14, 1987 (“Amendment No. 1 Area”) and by Ordinance No. 773 adopted on July 13, 1992 (“Amendment No. 2 Area”). The Stanton 2000 Redevelopment Project (the “2000 Project”) was created by Ordinance No. 831 on July 7, 2000. The two areas were merged to form the Project Area in November 2004.

Plan Limitations

In accordance with the Redevelopment Law, redevelopment plans were required to include certain limits on the financing of redevelopment projects. These limits could include a time limit on the life of the redevelopment plan, a time limit to incur debt, a time limit on the receipt of Tax Increment Revenues and the repayment of debt, and a limit on the amount of bonded indebtedness outstanding at any time. SB 107 clarifies that the former tax increment limits in redevelopment plans no longer apply for purposes of paying approved enforceable obligations such as the Bonds and the Senior Bonds.

THE PROJECT AREA

Description of the Project Area

As described herein, the Project Area is comprised of two merged component redevelopment projects totaling 1,940 acres and encompasses the entire incorporated City with the exception of a 20-acre residential area located west of Knott Avenue. The components of the Stanton Community Development Project Area are further segregated into the Original Area, Amendment No. 1 Area and Amendment No. 2 Area.

Assessed Valuations and Tax Revenues

Total assessed value of the Project Area, together with assessed values of the constituent areas comprising the Project Area between fiscal years 2011/12 and 2015/16 are shown in the tables below.

Approximately 69.3% of the 2015/16 assessed value is derived from residential land uses and another 24% is derived from commercial and industrial land uses. The remaining assessed value is derived from vacant land, possessory interests or unsecured property.

**TABLE NO. 1
STANTON CONSOLIDATED PROJECT AREA
BASE YEAR AND HISTORICAL ASSESSED VALUATIONS BY COMPONENT PROJECT
2011/12 through 2015/16**

	<u>Base Year</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
Community Development:						
Original Area	\$ 32,106,046	\$ 309,466,275	\$ 303,122,796	\$ 305,236,128	\$ 325,364,213	\$ 336,812,483
Amendment No. 1	29,605,164	93,004,079	93,651,150	91,704,290	96,860,057	105,142,100
Amendment No. 2	80,021,073	165,279,121	168,006,975	174,065,546	185,261,331	199,117,196
2000 Project	<u>789,986,182</u>	<u>1,470,304,341</u>	<u>1,483,521,080</u>	<u>1,540,701,018</u>	<u>1,655,348,924</u>	<u>1,750,512,777</u>
Total	\$931,718,465	\$2,038,053,816	\$2,048,302,001	\$2,111,706,982	\$2,262,834,525	\$2,391,584,556

Source: Orange County Auditor-Controller.

**TABLE NO. 2
STANTON COMMUNITY DEVELOPMENT PROJECT
ORIGINAL AREA
HISTORICAL ASSESSED VALUATIONS
2011/12 through 2015/16**

	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/2016</u>
Secured	\$285,852,766	\$285,419,332	\$288,713,203	\$304,708,036	\$318,648,320
Unsecured	<u>23,613,509</u>	<u>17,703,464</u>	<u>16,522,925</u>	<u>20,656,177</u>	<u>18,164,163</u>
Total	\$309,466,275	\$303,122,796	\$305,236,128	\$325,364,213	\$336,812,483

Source: Orange County Auditor-Controller.

TABLE NO. 3
STANTON COMMUNITY DEVELOPMENT PROJECT
AMENDMENT NO. 1 AREA
HISTORICAL ASSESSED VALUATIONS
2011/12 through 2015/16

	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
Secured	\$81,582,466	\$84,651,823	\$83,300,286	\$85,932,682	\$ 96,015,387
Unsecured	<u>11,421,613</u>	<u>8,999,327</u>	<u>8,404,004</u>	<u>10,927,375</u>	<u>9,126,713</u>
Total	\$93,004,079	\$93,651,150	\$91,704,290	\$96,860,057	\$105,142,100

Source: Orange County Auditor-Controller.

TABLE NO. 4
STANTON COMMUNITY DEVELOPMENT PROJECT
AMENDMENT NO. 2 AREA
HISTORICAL ASSESSED VALUATIONS
2011/12 through 2015/16

	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
Secured	\$149,463,932	\$151,344,021	\$156,454,885	\$165,844,814	\$173,579,380
Unsecured	<u>15,815,189</u>	<u>16,662,954</u>	<u>17,610,661</u>	<u>19,416,517</u>	<u>25,537,816</u>
Total	\$165,279,121	\$168,006,975	\$174,065,546	\$185,261,331	\$199,117,196

Source: Orange County Auditor-Controller.

TABLE NO. 5
STANTON 2000 REDEVELOPMENT PROJECT
HISTORICAL ASSESSED VALUATIONS
2011/12 through 2015/16

	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
Secured	\$1,439,193,775	\$1,454,017,339	\$1,511,019,765	\$1,622,657,784	\$1,721,285,599
Unsecured	<u>31,110,566</u>	<u>29,503,741</u>	<u>29,681,253</u>	<u>32,691,140</u>	<u>29,227,178</u>
Total	\$1,470,304,341	\$1,483,521,080	\$1,540,701,018	\$1,655,348,924	\$1,750,512,777

Source: Orange County Auditor-Controller.

Actual Tax Increment Revenues paid to the Former Agency or available to the Successor Agency from the Project Area are shown below.

**TABLE NO. 6
HISTORICAL TAX REVENUES**

	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
Incremental Increase	\$1,104,131,338	\$1,115,862,309	\$1,180,011,869	\$1,331,116,060
Tax Rate	<u>1.0000%</u>	<u>1.0000%</u>	<u>1.0000%</u>	<u>1.0000%</u>
Tax Increment Revenues	11,041,313	11,158,623	11,800,119	13,311,161
Unitary Revenues	<u>42,610</u>	<u>42,370</u>	<u>48,461</u>	<u>47,417</u>
Total Tax Revenues	\$ 11,083,923	\$ 11,200,993	\$ 11,848,580	\$ 13,358,578
Tax Revenues Collected ⁽¹⁾	\$ 11,096,628	\$ 11,145,963	\$ 12,138,407	\$ 13,937,972
Gross RPTTF Deposits ⁽²⁾	\$ 10,595,455	\$ 11,182,395	\$ 11,892,457	\$ 13,823,019

⁽¹⁾ Taxes collected from September through the following August each year. Before deduction for County Auditor-Controller administrative costs or Tax Sharing. Includes supplemental taxes, penalties, interest, prior years' delinquent collections, net of refunds. Supplemental taxes were \$107,765 in 2011/12, \$58,078 in 2012/13, \$419,744 in 2013/14 and \$636,877 in 2014/15.

⁽²⁾ See Table No. 7.

Source: Orange County Auditor-Controller.

**TABLE NO. 7
REDEVELOPMENT PROPERTY TAX TRUST FUND DEPOSITS**

	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
January RPTTF Deposit	\$6,108,509 ⁽¹⁾	\$6,124,161	\$6,636,751	\$ 7,662,853
June RPTTF Deposit	<u>4,486,946</u>	<u>5,058,234</u>	<u>5,255,706</u>	<u>6,160,166</u>
Gross RPTTF Deposits	10,595,455	11,182,395	11,892,457	13,823,019
County Administrative Fees	(115,568)	(139,227)	(116,565)	(144,305)
Tax Sharing ⁽²⁾	<u>(2,259,168)</u>	<u>(2,244,583)</u>	<u>(2,498,327)</u>	<u>(3,097,715)</u>
RPTTF Available	<u>\$8,220,719</u>	<u>\$8,798,585</u>	<u>\$9,277,565</u>	<u>\$10,580,999</u>

⁽¹⁾ Represents Tax Increment Revenues received in Fiscal Year 2011/12 prior to dissolution.

⁽²⁾ Includes County Tax Sharing Agreement, which is subordinate to the Bonds and the Senior Bonds, but withheld by Auditor-Controller prior to distribution of RPTTF.

Source: Orange County Auditor-Controller.

The estimated gross Tax Increment Revenues for 2015/16, based on the 2015/16 assessed value, are as follows:

Gross Assessed Value	\$2,391,584,556
Base Year Value	<u>(931,718,465)</u>
Incremental Value	\$1,459,866,091
Tax Rate	<u>1.0000%</u>
Tax Increment Revenue	\$ 14,598,661
Unitary Revenue	<u>47,416</u>
Total Tax Revenue	<u>\$ 14,646,077</u>

Major Taxpayers

The ten largest property taxpayers represent 9.7% of the 2015/16 assessed value of the Project Area.

**TABLE NO. 8
TEN LARGEST TAXPAYERS**

<u>Taxpayer</u>	<u>Assessed Value</u>	<u>% of Total Assessed Value</u>	<u>Land Use</u>
CR and R Inc.	\$ 53,666,862	2.2%	Transfer Station
CP Briarwood LLC	40,799,200	1.7%	Multi-Family
Arrowhead Apartment Investments LLC	27,858,203	1.2%	Multi-Family
Shapell Social Rental Properties LLC	23,887,531	1.0%	Commercial
Icon 1 LA Business Park ⁽¹⁾	18,237,043	0.8%	Industrial
Continental Gardens LP ⁽¹⁾	16,939,685	0.7%	Multi-Family
Mideb Nominees Inc.	13,306,867	0.6%	Commercial
Faircrest Inc.	13,149,714	0.5%	Residential
Gilbert R. Shuman Trust	12,818,509	0.5%	Commercial
G6 Hospitality Property LLC	<u>12,490,241</u>	<u>0.5%</u>	Commercial
Total	\$233,153,855	9.7%	

⁽¹⁾ Appeal pending for current and/or prior years. See "Assessment Appeals" below.

Source: Successor Agency.

Assessment Appeals

As of October 2015, there were a total 147 pending appeals filed in the last 5 years by property owners in the Project Area as shown below. The total value of property under appeal for all years is \$132.1 million. Some appeals have been filed for multiple years for the same property. A summary of all pending appeals is shown below.

<u>Tax Year</u>	<u>Pending Appeals</u>	<u>Value of Property Under Appeal</u>
2011/12	46	\$ 8,148,499
2012/13	38	12,404,811
2013/14	21	30,650,120
2014/15	25	40,303,910
2015/16	<u>17</u>	<u>40,561,888</u>
	147	\$132,069,228

Source: Successor Agency.

There are appeals pending for two of the largest property owners included in “TABLE NO. 8 - TEN LARGEST TAXPAYERS”:

- Walton CWCA Hoover 52 LLC had filed appeals of the value of property it owned, which was subsequently sold to Icon 1 LA Business Park. The original owner is requesting a 100% reduction in the 2013/14 assessed value of such property, from \$19,549,562 to \$0. The original owner is also requesting a reduction of the 2014/15 assessed value of such property from \$17.9 million to \$10.1 million. The owner withdrew their appeal of 2012/13 assessed value of the same property. This owner’s appeals for 2010/11 and 2011/12 were granted, reducing the value of the property from \$18,496,315 to \$13,620,000 in 2010/11 and from \$18,703,927 to \$11,470,000 in 2011/12.
- Continental Gardens LP has filed an appeal of the value of property it owns. This owner is requesting a 40% reduction in the 2015/16 assessed value of such property, from \$16,939,685 to \$10,164,000. This owner’s appeal for 2014/15 was finalized with no change in value.

The Successor Agency cannot predict the outcome of any pending appeals.

For Fiscal Years 2010/11 to 2014/15, 95 of 164 (58%) of resolved appeals were successful, with an average reduction in assessed value of 23%.

While the Successor Agency expects some decline in total assessed valuation as a result of pending or potential future appeals, no prediction can be made as to the amount of the decline in total assessed valuation, if any, within the Project Area. However, if 58% of appeals are granted (excluding \$29,227,296 of multiple appeals on the same parcel) at the average rate of 23%, such reduction would reduce total 2015/16 assessed value by \$13.7 million (0.6% of assessed value) and net Pledged Tax Revenues by approximately \$82,000 (0.7% of 2015/16 Pledged Tax Revenues). No reduction for pending appeals has been incorporated in the projections. Reductions in revenue for refunds resulting from successful appeals or current or prior year appeals have also not been incorporated into the projections. The success rate of appeals, reductions granted and refunds may vary from historical averages.

FINANCIAL INFORMATION

Successor Agency Accounting Records and Financial Statements

The activities of the Successor Agency are reported as a fiduciary trust fund, which is in accordance with guidance issued by the State Department of Finance on September 19, 2012 and available on its website relating to redevelopment dissolution (www.dof.ca.gov/redevelopment) under the category of “Common RDA Dissolution Questions and Answers,” interpreting Section 34177(n) of the Law concerning certain successor agency postaudit obligations. The State Department of Finance’s website is not in any way incorporated into this Official Statement, and the Successor Agency cannot take any responsibility for, nor make any representation whatsoever as to, the continued accuracy of the Internet address or the accuracy, completeness, or timeliness of information posted there. In addition, from time to time, the State Department of Finance changes its guidance without notice.

The Successor Agency’s financial statements for the Fiscal Year ended June 30, 2015, attached hereto as “APPENDIX C” have been audited by White Nelson Diehl Evans LLP, Certified Public Accountants and Consultants, Irvine, California. The Successor Agency’s audited financial statements are public documents and are included within this Official Statement without the prior approval of the auditor. *White Nelson Diehl Evans LLP has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. White Nelson Diehl Evans LLP also has not performed any procedures relating to this Official Statement.*

Property Taxation in California

Manner in Which Property Valuations and Assessments are Determined (Article XIII A). On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution which imposes certain limitations on taxes that may be levied against real property. This amendment, which added Article XIII A to the State Constitution, among other things, defines full cash value of property to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value,’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by substantial damage, destruction or other factors. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value of that property, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on any bonded indebtedness for the acquisition or improvement of real property which is approved after July 1, 1978 by two-thirds of the votes cast by voters voting on such indebtedness. However, pursuant to an amendment to the State Constitution, redevelopment agencies were prohibited from receiving any of the tax increment revenue attributable to tax rates levied to finance bonds approved by the voters on or after January 1, 1989 for the acquisition or improvement of real property. Moreover, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from such prohibitions and SB 107 further states that pre-1989 tax override rates are no longer distributed to successor agencies except in limited circumstances (see “SECURITY FOR THE BONDS - Tax Revenues,” “Property Tax Rate” below and “RISK FACTORS - Factors Which May Affect Tax Revenues - Reduction in Inflationary Rate”).

In the general election held November 4, 1986, voters in the State approved two measures, Propositions 58 and 60, which further amend the terms “purchase” and “change of ownership,” for purposes of determining full cash value of property under Article XIII A, to not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A to permit the Legislature to allow

persons over age 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county (or in certain cases, another county), to transfer the old residence's assessed value to the new residence.

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, and such methodology has been upheld by the California courts. During the recent recession, the County made significant blanket assessed value reductions throughout the County pursuant to Proposition 8 from the maximum amount that could be assessed on property. As a result, the Former Agency saw a reduction in property values of approximately 6% between 2008/09 and 2011/12, which the Successor Agency attributes to Proposition 8 reductions. Given the 3% increase in assessed value in 2013/14 and the 7% increase in assessed value in 2014/15, the Successor Agency expects that most of any Proposition 8 reductions have likely been recovered.

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

Property in the Project Area is assessed by the Orange County Assessor except for public utility property which is assessed by the State Board of Equalization.

The valuation of secured property is determined as of January 1 each year for taxes owed with respect to the succeeding Fiscal Year. The tax rate is equalized during the following September of each year, at which time the tax rate is determined. Secured and unsecured property is entered on separate parts of the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment in addition to a \$20 cost on the second installment. On July 1 of each fiscal year any property which is delinquent will become defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1½% per month to the time of redemption, together with any other charges permitted by law. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Property taxes on the unsecured roll become delinquent, if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1½% per month begins to accrue on November 1 of the fiscal year. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Supplemental Assessments. Legislation adopted in 1984 (Section 75, *et seq.* of the Revenue and Taxation Code of the State of California) provides for the supplemental assessment and taxation of property at its full cash value as of the date of a change of ownership or the date of completion of new construction (the “Supplemental Assessments”). To determine the amount of the Supplemental Assessment the County Auditor applies the current year’s tax rate to the supplemental assessment roll and computes the amount of taxes that would be due for the full year. The taxes due are then adjusted by a proration factor to reflect the portion of the tax year remaining as determined by the date on which the change in ownership occurred or the new construction was completed. Supplemental Assessments become a lien against the real property on the date of the change of ownership or completion of new construction.

Unitary Property. Commencing in the 1988/89 Fiscal Year, the Revenue and Taxation Code of the State of California changed the method of allocating property tax revenues derived from state assessed utility properties. It provides for the distribution of state assessed values to tax rate areas by a county-wide mathematical formula rather than assignment of state assessed value according to the location of those values in individual tax rate areas.

Commencing with the 1988/89 Fiscal Year, each county has established one county-wide tax rate area. The assessed value of all unitary property in the county has been assigned to this tax rate area and one tax rate is levied against all such property (“Unitary Revenues”).

The property tax revenue derived from the assessed value assigned to the county-wide tax rate area shall be allocated as follows: (1) each jurisdiction will be allocated up to 2% of the increase in Unitary Revenues on a pro rata basis county-wide; and (2) any decrease in Unitary Revenues or increases less than 2%, or any increase in Unitary Revenues above 2% will be allocated among jurisdictions in the same proportion of each jurisdiction’s Unitary Revenues received in the prior year to the total Unitary Revenues county-wide.

Legislation adopted in 2006 (SB 1317, Chapter 872) provides that, commencing with Fiscal Year 2007/08, certain property related to new electrical facilities shall be allocated entirely to the county in which such property is located and property tax revenues derived from such property shall be allocated to such county and certain Taxing Agencies with such county.

Property Tax Rate. The difference between the \$1.00 general tax levy provided under Article XIII A tax rate and those actually levied (referred to as the “tax override rate”) represents the tax levied by overlapping entities to pay debt service on bonded indebtedness approved by the voters.

Section 34183 of the Dissolution Act effectively eliminated the tax override rate from the calculation of tax increment revenues with respect to tax override rates authorized by voters for the purpose of repaying bonded indebtedness for the acquisition or improvement of real property. Future Tax Increment Revenues have been projected by applying a tax rate of \$1.00 per \$100 of taxable value general levy to incremental taxable values.

Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before moneys are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Year 2014/15, the County administrative fees charged to the Project Area including administration of the Redevelopment Property Tax Trust Fund were \$144,305. In total, the fees represent approximately 1.1% of gross tax increment revenues.

Tax Sharing Agreements and Tax Sharing Statutes

Tax Sharing Agreements

Pursuant to prior Section 33401(b) of the Redevelopment Law, a redevelopment agency was authorized to enter into an agreement to pay tax increment revenues to any Taxing Agency that has territory located within a Project Area to alleviate any financial burden or detriment caused by the Project Area. These agreements are commonly referred to as “tax sharing agreements” or “pass-through agreements.”

In addition, pursuant to former Section 33676 of the Redevelopment Law, any affected taxing agency that had not entered into a tax sharing agreement with the redevelopment agency prior to the adoption of a redevelopment plan could elect, by resolution adopted prior to the adoption of a redevelopment plan, to receive the portion of Tax Increment Revenues attributed to one or both of the following:

- (a) Increases in the rate of tax imposed for the benefit of the taxing agency which levy occurs after the tax year in which the ordinance adopting the redevelopment plan becomes effective; and
- (b) Increases in the assessed value of the taxable property in the redevelopment project area, as the assessed value is established by the assessment roll last equalized prior to the effective date of the ordinance adopting the redevelopment plan pursuant to subdivision (a) of Section 33670, which are, or otherwise would be, calculated annually pursuant to subdivision (f) of Section 110.1 of the Revenue and Taxation Code.

Payments due under Section 33676(b) are referred to herein as “inflationary growth.”

The Agency has entered into the Tax Sharing Agreements with payment provisions described below:

Community Development Project – Original Area

Orange County Water District. Orange County Water District receives 0.37294% of the general levy tax increment.

Orange County General Fund, Flood Control District and Parks, Beaches and Harbors. Orange County taxing entities receive a combined 10.14% of the general levy tax increment. Payment of the amounts due to the Orange County taxing entities are subordinated to bond indebtedness.

Anaheim Union High School District. The Anaheim Union High School District receives tax increment generated by tax rate increases levied by the Anaheim Union High School District for the purpose of paying any of its voter-approved bonded indebtedness. In the event that, in any future year(s), the current system of state school district financing changes such that the Anaheim Union High School District is adversely affected by the allocation of and payment to the Successor Agency of tax increment revenues generated by the application of the general levy to the incremental assessed valuation in the Redevelopment Project, the Successor Agency, upon written request by the Anaheim Union High School District satisfactorily documenting any amounts which may thereafter be due, shall pay to the Anaheim Union High School District, from Tax Revenues thereafter received by the Successor Agency an amount equal to the lesser of (i) the Anaheim Union High School District’s 1.355% share of the general levy tax increment or (ii) an amount equal to the actual financial loss of the Anaheim Union High School District from such cause.

Community Development Project – Amendment No. 1 Area

Orange County Water District. Orange County Water District receives 80% of its 0.83% share of the general levy tax increment.

Orange County General Fund, Flood Control District and Parks, Beaches and Harbors. Orange County taxing entities receive a combined 9.86% of the general levy tax increment. Payment of the amounts due to the Orange County taxing entities are subordinated to bond indebtedness.

Local Educational Agencies. The following local educational agencies receive their weighted average proportionate share of inflationary growth:

- Coast Community College District
- North Orange County Community College District
- Orange County Department of Education
- Savanna Elementary School District
- Magnolia Elementary School District
- Anaheim Union High School District
- Garden Grove Unified School District

The weighted average of the local educational agencies share of the inflationary approximately 55.4%.

Community Development Project – Amendment No. 2 Area

Orange County Water District. Orange County Water District receives 80% of its 0.67% share of the general levy tax increment.

Orange County Sanitation District. Orange County Sanitation District receives 80% of its 3.10% share of the general levy tax increment.

Coast Community College District. Coast Community College District receives its 0.32% weighted average share of inflationary growth plus 35% of its 1.63% weighted average share of general levy tax increment net of the inflationary amount.

North Orange County Community College District. North Orange County Community College District receives its 6.00 % weighted average share of inflationary growth plus 35% of its 5.09% weighted average share of general levy tax increment net of the inflationary amount.

Orange County Department of Education. Orange County Department of Education receives its 2.78% share of inflationary growth plus 35% of its 2.78% share of general levy tax increment net of the inflationary amount.

Savanna Elementary School District. Savanna Elementary School District receives its 3.51% weighted average share of inflationary growth.

Magnolia Elementary School District. Magnolia Elementary School District receives 30% of its 16.17% weighted average share of the general levy tax increment.

Anaheim Union High School District. Anaheim Union High School District receives 30% of its 10.54% weighted average share of the general levy tax increment.

Garden Grove Unified School District. Garden Grove Unified School District receives its 10.1% weighted average share of inflationary growth plus 40% of its 14.03% weighted average share of general levy tax increment net of the inflationary amount.

Orange County General Fund, Flood Control District and Parks, Beaches and Harbors. Orange County taxing entities receive 75% of their combined 10.77% share of the general levy tax increment.

Tax Sharing Statutes

Certain provisions were added to the Redevelopment Law by the adoption of AB 1290 in 1994. If a new redevelopment project was formed by a redevelopment plan adopted on or after January 1, 1994 or if new territory was added to a redevelopment project on or after January 1, 1994, under Section 33607.5 of the Redevelopment Law, any affected taxing entity would share in the Tax Increment Revenues generated by such added area pursuant to a statutory formula (“Statutory Tax Sharing”).

In addition, with respect to redevelopment projects formed by adoption of a redevelopment plan prior to January 1, 1994, if the Former Agency deleted the time limit to incur indebtedness in a redevelopment project (pursuant to Section 33333.6(e) of the Redevelopment Law, as amended pursuant to SB 211) or increased the total amount of Tax Increment Revenues to be allocated to the project area or increased the duration of the Redevelopment Plan and the period for receipt of tax increment revenues, Statutory Tax Sharing is required under Section 33607.7 of the Redevelopment Law with all affected Taxing Agencies not already a party to a tax sharing agreement, once the original limitations were reached.

The Dissolution Act provides for a procedure by which the Successor Agency may make Statutory Tax Sharing amounts subordinate to the Bonds. The Former Agency had not previously undertaken proceedings to subordinate such payments to the Prior Bonds or the Senior Bonds. The Successor Agency will not undertake such procedure with respect to the Bonds.

In general, the amounts to be paid pursuant to Statutory Tax Sharing are as follows:

- (a) commencing in the first Fiscal Year after the limitation has been reached, an amount equal to 25% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the Fiscal Year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted;
- (b) in addition to amounts payable as described in (a) above, commencing in the 11th Fiscal Year after the limitation has been reached, an amount equal to 21% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding 10th Fiscal Year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted; and
- (c) in addition to amounts payable as described in (a) and (b) above, commencing in the 31st Fiscal Year after the limitation has been reached, an amount equal to 14% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding 30th Fiscal Year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.
- (d) The City may elect to receive a portion of the tax increment generated in (a) above, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.
- (e) The Former Agency or the Successor Agency may subordinate the amount required to be paid to an affected taxing entity to any indebtedness after receiving the consent of the taxing entity.

Tax Increment Revenue generated in the 2000 Project has been subject to Statutory Tax Sharing since its inception (having been adopted after January 1, 1994). Payments for the 2000 Project are currently made pursuant to (a) above, and the payments pursuant to (b) above commenced in fiscal year 2010/11.

The Agency eliminated the time limit to incur debt for the Community Development Project. Payments to certain taxing entities pursuant to Section 33607.7 commenced in fiscal year 2004/05 with respect to the Original Area, in fiscal year 2008/09 with respect to the Amendment No. 1 Area and in 2013/14 with respect to Amendment No. 2 Area.

The City has elected to receive its portion of the tax increment revenue as described in (d) above. The City has not subordinated the payment of such amounts to the Bonds.

Since dissolution, the County Auditor-Controller calculates and pays the Statutory Tax Sharing amounts.

Outstanding Indebtedness

After refinancing the Prior Bonds, the Senior Bonds will be outstanding in the following amounts and mature on the following dates:

- 2010A Bonds, currently outstanding in the principal amount of \$23,235,000 and maturing December 1, 2040;
- 2011A Bonds, currently outstanding in the principal amount of \$14,850,000 and maturing December 1, 2040; and
- 2011B Bonds, currently outstanding in the principal amount of \$12,230,000 and maturing December 1, 2030.

The Successor Agency has other enforceable obligations payable from amounts deposited in the Redevelopment Obligation Retirement Fund on a basis subordinate to the Senior Bonds and the Bonds.

Flow of Funds

Under the Indenture, in the Recognized Obligation Payment Schedule period beginning January 2 of each year, the Successor Agency is required to request funding of the principal and interest due on the Senior Bonds and 50% of the principal and interest on the Bonds in the calendar year. Other enforceable obligations may be paid in such Recognized Obligation Payment Schedule period to the extent those amounts are transferred to the trustee for the Bonds and reserved for such debt service.

In the Recognized Obligation Payment Schedule period beginning July 1 of each year, the Indenture also requires the Successor Agency to request funding of the remaining unfunded principal and interest payable on the Bonds on December 1 of such year. Other enforceable obligations may be paid in such Recognized Obligation Payment Schedule period to the extent those amounts are transferred to the Trustee and reserved for such debt service.

Further, in the event that the Agency defeases any Senior Bonds with funds on hand, or refinances any Senior Bonds with Additional Senior Bonds (see "SECURITY FOR THE BONDS - No Additional Debt Other Than Refunding Bonds"), the amount of any annual debt service savings as a result of such defeasance or refunding will be required to be requested in the Recognized Obligation Payment Schedule period beginning January 2 of each year to be used for debt service on the Bonds payable on June 1, and then to be reserved for the December 1 debt service on the Bonds payable on the next December 1.

Projected Tax Revenues and Debt Service Coverage

Receipt of projected Pledged Tax Revenues shown in Table No. 9 in the amounts and at the times projected by the Successor Agency depends on the realization of certain assumptions relating to the Tax Increment Revenues. The Municipal Advisor has projected taxable valuation and Pledged Tax Revenues in the Project Area. The Successor 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 “RISK FACTORS”). Therefore, the actual Pledged Tax Revenues received during the forecast period may vary from the projections and the variations may be material and could affect the Successor Agency’s ability to timely pay principal of and interest on the Bonds.

Following is a discussion of assumptions used in the projection of Pledged Tax Revenues:

- (a) The secured roll is assumed to increase 2% annually for inflation. See “Property Taxation in California - Manner in Which Property Valuations and Assessments are Determined (Article XIII A).”
- (b) The values of unsecured personal property and state assessed utility property and the amount of unitary revenues have been maintained throughout the projections at their 2015/16 levels.
- (c) For the purposes of the projections, it is assumed that there will not be any value added to the tax rolls as a result of new construction or changes in property ownership.
- (d) A tax rate of \$1.00 per \$100 of assessed value applied to the taxable property in the Project Area has been used to determine Tax Increment Revenues.
- (e) Projected Pledged Tax Revenues include a deduction for property tax collection administrative costs charged by Orange County.
- (f) Projected Tax Increment Revenues do not reflect delinquencies.
- (g) Projected Tax Increment Revenues do not reflect any potential future Proposition 8 adjustments.
- (h) Projected Tax Increment Revenues do not reflect any potential decreases resulting from pending assessment appeals. See “THE PROJECT AREA - Assessment Appeals.”
- (i) Projected Tax Increment Revenues do not include supplemental property taxes.
- (j) Projected Pledged Tax Revenues include a deduction for payments due to Taxing Agencies under the Tax Sharing Agreements and Tax Sharing Statutes, including subordinate payments.

**TABLE NO. 9
PROJECTED TAX REVENUES**

	<u>Gross Tax Increment</u>	<u>County Admin</u>	<u>33676 Payments</u>	<u>Senior Tax Sharing Agreements</u>	<u>Statutory Tax Sharing</u>	<u>Available Tax Revenues</u>	<u>Subordinate Tax Sharing Agreements</u>	<u>Senior Bonds Debt Service</u>	<u>Pledged Tax Revenues</u>
2016	\$14,646,000	\$(147,000)	\$ (63,000)	\$(330,900)	\$(2,673,900)	\$11,431,200	\$(384,900)	\$(5,354,610)	\$ 5,691,690
2017	15,109,000	(151,000)	(66,000)	(343,200)	(2,827,000)	11,721,800	(393,200)	(4,823,606)	6,504,994
2018	15,579,000	(156,000)	(70,000)	(355,400)	(2,982,700)	12,014,900	(401,800)	(4,467,681)	7,145,419
2019	16,059,000	(161,000)	(73,000)	(368,100)	(3,144,400)	12,312,500	(410,500)	(4,466,244)	7,435,756
2020	16,549,000	(164,000)	(76,000)	(380,900)	(3,309,600)	12,618,500	(419,300)	(4,464,069)	7,735,131
2021	17,050,000	(171,000)	(79,000)	(394,200)	(3,478,500)	12,927,300	(428,300)	(4,455,681)	8,043,319
2022	17,559,000	(176,000)	(83,000)	(407,500)	(3,650,100)	13,242,400	(437,400)	(4,462,494)	8,342,506
2023	18,080,000	(181,000)	(86,000)	(421,200)	(3,825,600)	13,566,200	(446,600)	(4,685,288)	8,434,312
2024	18,610,000	(186,000)	(90,000)	(435,200)	(4,006,400)	13,892,400	(456,000)	(4,684,144)	8,752,256
2025	19,153,000	(191,000)	(93,000)	(449,600)	(4,191,300)	14,228,100	(465,600)	(4,682,988)	9,079,512
2026	19,704,000	(198,000)	(97,000)	(463,800)	(4,379,200)	14,566,000	(476,200)	(4,686,194)	9,403,606
2027	20,268,000	(202,000)	(101,000)	(478,700)	(4,571,100)	14,915,200	(486,100)	(4,691,294)	9,737,806
2028	20,842,000	(208,000)	(105,000)	(493,800)	(4,766,900)	15,268,300	(496,100)	(4,681,344)	10,090,856
2029	21,427,000	(214,000)	(109,000)	(509,200)	(4,966,200)	15,628,600	(507,300)	(4,681,019)	10,440,281
2030	22,025,000	(220,000)	(112,000)	(524,900)	(5,169,900)	15,998,200	(517,500)	(4,684,356)	10,796,344
2031	22,634,000	(227,000)	(117,000)	(540,800)	(5,428,500)	16,320,700	(528,100)	(2,735,031)	13,057,569
2032	23,255,000	(232,000)	(121,000)	(557,300)	(5,691,900)	16,652,800	(539,700)	(2,739,650)	13,373,450
2033	23,891,000	(238,000)	(125,000)	(574,000)	(5,961,700)	16,992,300	(551,600)	(2,741,131)	13,699,569
2034	24,537,000	(245,000)	(129,000)	(590,800)	(6,235,900)	17,336,300	(562,600)	(2,739,025)	14,034,675
2035	25,196,000	(252,000)	(134,000)	(608,200)	(6,515,300)	17,686,500	(574,800)	(2,162,881)	14,948,819
2036	25,870,000	(258,000)	(138,000)	(626,000)	(6,801,100)	18,046,900	(587,200)	(3,168,550)	14,291,150
2037	26,556,000	(266,000)	(143,000)	(644,000)	(7,092,400)	18,410,600	(599,800)	(3,174,950)	14,635,850
2038	27,256,000	(272,000)	(147,000)	(662,300)	(7,389,300)	18,785,400	(612,400)	(3,171,450)	15,001,550
2039	27,970,000	(280,000)	(152,000)	(681,000)	(7,692,400)	19,164,600	(624,400)	(3,108,050)	15,432,150
2040	28,698,000	(286,000)	(157,000)	(700,200)	(8,001,100)	19,553,700	(637,500)	(3,104,450)	15,811,750

Source: Municipal Advisor.

The projected Pledged Tax Revenues shown above are subject to several variables described herein. See "RISK FACTORS" herein. The Successor Agency provides no assurance that the projected Pledged Tax Revenues will be achieved.

**TABLE NO. 10
PROJECTED DEBT SERVICE COVERAGE**

	Pledged Tax Revenues	Subordinate Bonds Debt Service			Coverage Ratio	Coverage Ratio Combined Senior Bonds ⁽¹⁾
		Series A	Series B	Total		
2016	\$ 5,691,690	\$279,040	\$ 481,670	\$ 760,710	748.2%	180.6%
2017	6,504,994	449,575	841,050	1,290,625	504.0%	185.3%
2018	7,145,419	575,575	1,075,050	1,650,625	432.9%	189.8%
2019	7,435,756	575,675	1,068,850	1,644,525	452.2%	194.8%
2020	7,735,131	577,075	1,070,950	1,648,025	469.4%	199.6%
2021	8,043,319	579,975	1,076,100	1,656,075	485.7%	204.5%
2022	8,342,506	580,375	1,069,100	1,649,475	505.8%	209.5%
2023	8,434,312	492,775	935,125	1,427,900	590.7%	214.6%
2024	8,752,256	487,775	937,875	1,425,650	613.9%	219.9%
2025	9,079,512	487,275	939,281	1,426,556	636.5%	225.3%
2026	9,403,606	491,025	934,294	1,425,319	659.8%	230.5%
2027	9,737,806	488,775	937,244	1,426,019	682.9%	235.9%
2028	10,090,856	490,775	936,044	1,426,819	707.2%	241.8%
2029	10,440,281	491,775	938,844	1,430,619	729.8%	247.4%
2030	10,796,344	483,775	940,444	1,424,219	758.1%	253.4%
2031	13,057,569	492,638	940,844	1,433,481	910.9%	378.9%
2032	13,373,450	489,888	940,044	1,429,931	935.3%	386.4%
2033	13,699,569	486,838	937,044	1,423,881	962.1%	394.7%
2034	14,034,675	488,488	937,806	1,426,294	984.0%	402.7%
2035	14,948,819	484,688	937,125	1,421,813	1051.4%	477.4%

⁽¹⁾ Pledged Tax Revenues plus Senior Bonds Debt Service (shown in Table No. 9) divided by Senior Bonds Debt Service plus Subordinate Bond Debt Service.

Source: Municipal Advisor.

The projected Pledged Tax Revenues shown above are subject to several variables described herein. See “RISK FACTORS” herein. The Successor Agency provides no assurance that the projected Pledged Tax Revenues will be achieved. For example, if there is no growth in the assessed value of property in the Project Area from the 2015/16 assessed valuation for every year through the December 1, 2035 maturity date of the Bonds, and all other assumptions described above that were used in the calculation of the projected Pledged Tax Revenues set forth in Table No. 9 above remain the same, the coverage ratio of such assumed Pledged Tax Revenues (i.e., \$6,223,000 after payment of the maximum annual debt service on the Senior Bonds in future bond years) for every Bond Year to Total Debt Service would range from a low of approximately 376% in Bond Years through December 1, 2022 to a high of approximately 436% in the Bond Years beginning December 1, 2023 during the scheduled term of the Bonds. On a combined basis with the Senior Bonds, such coverage ratios would be 181% and 265%, respectively.

RISK FACTORS

The purchase of the Bonds 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 Bonds. 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.

Factors Which May Affect Tax Revenues

The ability of the Successor Agency to pay principal of and interest on the Bonds depends on the timely receipt of Pledged Tax Revenues as projected herein (see “FINANCIAL INFORMATION - Projected Tax Revenues and Debt Service Coverage” herein). Projections of Pledged Tax Revenues are based on the underlying assumptions relating to Tax Increment Revenues of the Project Area. Pledged Tax Revenues allocated to the Successor Agency (which constitute the ultimate source of payment of principal of and interest on the Bonds, as discussed herein) are determined by the amount of incremental valuation of taxable property in the Project Area, taxed at a rate of \$1.00 per \$100 of assessed value (1%) and the percentage of taxes collected in the Project Area, adjusted to reflect prior claims on the Tax Increment Revenues. A number of factors which may affect Tax Increment Revenues, and consequently, Pledged Tax Revenues, are outlined below.

Reductions in Assessed Value. Tax Increment Revenues allocated to the Redevelopment Property Tax Trust Fund are determined by the amount of incremental taxable value in the Project Area taxed at a rate of \$1.00 per \$100 of assessed value (1%). The reduction of taxable values of property in the Project Area caused by economic factors beyond the Successor Agency’s control, such as relocation out of the Project Area by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Pledged Tax Revenues that provide for the repayment of and secure the Bonds. Such reduction of Pledged Tax Revenues could have an adverse effect on the Successor Agency’s ability to make timely payments of principal of and interest on the Bonds.

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 (see “FINANCIAL INFORMATION - Property Taxation in California” herein for a more complete discussion of Article XIII A). 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).

Because the Revenue and Taxation Code does not distinguish between positive and negative changes in the CCPI used for purposes of the inflation factor, there was a decrease of 0.237% in 2009/10 – applied to the 2010/11 tax roll – reflecting the actual change in the CCPI, as reported by the State Department of Finance. For each fiscal year since Article XIII A has become effective (the 1978/79 fiscal year), the annual increase for inflation has been at least 2% except in nine fiscal years as shown below:

<u>Tax Roll</u>	<u>Percentage</u>
1981/82	1.000%
1995/96	1.190
1996/97	1.110
1998/99	1.853
2004/05	1.867
2010/11	(0.237)
2011/12	0.753
2014/15	0.454
2015/16	1.998

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. This methodology has been approved by the Fourth District Court of Appeals in a case in which the California Supreme Court declined further review. See “FINANCIAL INFORMATION - Property Taxation in California - Proposition 8 Adjustments” herein.

If 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, Pledged Tax Revenues may be adversely affected and as a possible consequence may have an adverse effect on the Successor Agency’s ability to pay debt service on the Bonds.

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, Pledged Tax Revenues will be reduced. Such reductions may have an adverse effect on the Successor Agency’s ability to pay debt service on the Bonds. As of October 2015, there were 147 pending appeals filed within the last five years by property owners within the Project Area relating to \$132.1 million of current year or prior years’ assessed value (see “THE PROJECT AREA - Assessment Appeals” herein). To the extent these appeals are resolved in favor of the property owner, Pledged Tax Revenues will be reduced.

Earthquake, Flood and Other Risks. Any natural disaster or other physical calamity, including earthquake, may have the effect of reducing Tax Increment Revenues through reduction in the aggregate assessed valuation within the boundaries of the Project Area.

Seismic Activity. According to the Public 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 including the Whittier Fault and the Newport-Inglewood Fault. The Public Safety Element of the City’s General Plan lists groundshaking and liquefaction as the primary seismic risk to Stanton from a major earthquake along 3 faults located 8 miles or less away from the City.

Flooding Hazard. The City lies outside the boundaries of the identified 100-year flood plain of the Santa Ana River and the Santiago River. However, like most of Orange County, the City lies within the dam inundation area for failure of the Prado Dam and Reservoir.

The City's Emergency Operations Plan includes a hazard analysis for earthquake, flood, and fire risk 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. The Successor Agency can give no assurance that future development will not be limited by these conditions.

Development Risks. The Successor Agency's collection of Pledged Tax Revenues is directly affected by the economic strength of the Project Area. Potential development within the Project Area will be subject to all the risks generally associated with real estate development projects, including unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in real estate market and interest rates, unexpected increases in development costs and other similar factors. Further, real estate development operations within the Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the Project Area is delayed or halted, the economy of the Project Area could be affected, causing a reduction in Pledged Tax Revenues available to pay debt service on the Bonds.

Certain Bankruptcy Risks. The enforceability of the rights and remedies of the Owners of the Bonds and the obligations of the Successor 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 of the Bonds 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 Successor 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, Pledged Tax Revenues that would otherwise be available to pay the principal of, and interest on the Bonds.

Interpretation of and Future Changes in the Law; Voter Initiatives. The Redevelopment Law and the Dissolution Act are complex bodies of law and their application to the Successor Agency, the Redevelopment Plan and the Project Area may be subject to different interpretations by the Successor Agency, the Department of Finance, the County Auditor-Controller, Taxing Agencies and other interested parties, including with respect to Tax Sharing Agreements and Statutory Tax Sharing obligations and enforceable obligations. Since the effectiveness of the Dissolution Act, the State Department of Finance and various successor agencies have from time to time disagreed about the interpretation of different language contained in the Dissolution Act, as well as whether or not the State Department of Finance has exceeded its authority in rejecting items from Recognized Obligation Payment Schedules submitted by successor agencies, as evidenced by numerous lawsuits. While the Successor Agency has covenanted in

the Indenture to preserve and protect the security of the Bonds and the rights of the Bondholders (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Covenants of the Successor Agency”), any such action taken by the Successor Agency could incur substantial time and cost that may have a detrimental effect on the Successor Agency’s ability to timely pay debt service on the Bonds. Moreover, the Successor Agency cannot guarantee the outcome of any such action taken by the Successor Agency to preserve and protect the security of the Bonds and the rights of the Bondholders.

In addition to the existing limitations on Tax Increment Revenues described in this Official Statement under “FINANCIAL INFORMATION - Property Taxation in California,” the California electorate or Legislature could adopt future limitations with the effect of reducing Tax Increment Revenues payable to the Successor Agency.

Real Estate and General Economic Risks

Tax Increment Revenues as presented herein as available for payment of any indebtedness of the Successor Agency are based upon the latest actual assessed values for the 2015/16 Fiscal Year. Redevelopment of real property within the Project Area by the City, 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 encounters significant obstacles of the kind described herein or other impediments, the economy of the area in and around 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 Pledged Tax Revenues available to repay the Bonds. Due to the decline in the general economy of the region, owners of property within the Project Area may be less able or less willing to make timely payments of property taxes, causing a delay or reduction of Tax Increment Revenues and consequently a reduction in Pledged Tax Revenues available to repay the Bonds.

Recognized Obligation Payment Schedule

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. The Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency’s oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Pledged Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Successor Agency’s Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See “SECURITY FOR THE BONDS - Recognized Obligation Payment Schedules.” In the event the Successor Agency were to fail to file a Recognized Obligation Payment Schedule with respect to any six-month period, the availability of Pledged Tax Revenues to the Successor Agency could be adversely affected for such period.

The Successor Agency has covenanted to take all actions required under the Dissolution Act to include scheduled debt service on the Bonds as well as any amount required under the Indenture to replenish the Reserve Account of the Debt Service Fund, in Recognized Obligation Payment Schedules for each six-month period of a Fiscal Year and to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective six-month period of a Fiscal Year,

including listing a reserve on the Recognized Obligation Payment Schedule to the extent required by the Indenture or when the next property tax allocation is projected to be insufficient to pay all obligations due under the provisions of the Bonds for the next payment due in the following six-month period (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Covenants of the Successor Agency”).

The Dissolution Act also contains certain penalties in the event the Successor Agency does not timely submit a Recognized Obligation Payment Schedule for a Fiscal Year. Specifically, a Recognized Obligation Payment Schedule must be submitted by the Successor Agency, after approval by the Oversight Board, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than February 1 of each year. If the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Successor Agency’s administrative cost allowance is reduced by 25% if the Successor Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by the 10th day after the February 1 deadline with respect to a Recognized Obligation Payment Schedule for the subsequent annual period.

The Successor Agency has submitted all Recognized Obligation Payment Schedules, duly approved by the Oversight Board, in a timely manner.

Series A Bonds Loss of Tax Exemption

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

In addition, Congress has considered in the past, is currently considering and may consider in the future, legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Series A Bonds. Prospective purchasers of the Series A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. The Successor Agency can provide no assurance that federal tax law will not change while the Series A Bonds are outstanding or that any such changes will not adversely affect the exclusion of the interest on the Series A Bonds from gross income for federal income tax purposes. If the exclusion of the interest on the Series A Bonds from gross income for federal income tax purposes were amended or eliminated, it is likely that the market price for the Series A Bonds would be adversely impacted.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series A Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Series A Bonds might be affected as a result of such an audit of the Series A Bonds (or by an audit of similar bonds).

Risks Related to Insured Bonds

The Bond Insurer. If the Successor Agency fails to provide funds to make payment of the principal of and interest with respect to the Insured Bonds when the same shall become due, any owner of such Insured Bonds shall have a claim on the Policy for such payments.

Purchasers of the Insured Bonds should also note that, while the Policy will insure payment of the principal amount (but not any premium) paid to any owner of the Insured Bonds in connection with the mandatory or optional prepayment of any Insured Bond which is recovered from such owner as a voidable preference under applicable bankruptcy law, such amounts will be repaid by the Bond Insurer to the Owner only at the times and in the amounts as would have been due absent such prepayment unless the Bond Insurer chooses to pay such amount at an earlier date or dates.

So long as the Insured Bonds are Outstanding and the Bond Insurer performs its obligations under the Policy, the Bond Insurer shall be deemed to be the sole holder of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent of direction or taking any other action that the Owners of such Bonds are entitled to take pursuant to the Indenture pertaining to defaults and remedies, and the duties and obligations of the Trustee.

If the Bond Insurer is unable to make payments of principal of and interest on the Insured Bonds as such payments become due, the Insured Bonds are payable solely from moneys received by the Trustee pursuant to the Indenture. If the Bond Insurer is required to pay principal of or interest with respect to the Insured Bonds, no representation or assurance is given or can be made that such event will not adversely affect the market price for or marketability of the Insured Bonds.

The long-term rating on the Insured Bonds is dependent, in part, on the claims paying ability or financial strength ratings, as applicable, of the Bond Insurer's current claims paying ability or financial strength ratings are predicated upon a number of factors which could change over time and could result in downgrading of the ratings on the Bonds insured by BAM. Such a downgrade could adversely affect the market price for, and marketability of, the Insured Bonds. BAM is not contractually bound to maintain its present claims paying ability or financial strength ratings in the future. See "CONCLUDING INFORMATION - Ratings on the Bonds" herein.

Creditworthiness of the Bond Insurer. BAM's obligation under the Policy is a general obligation of BAM. Default by BAM may result in insufficient funds being available to pay the principal of and interest on the Insured Bonds. In such event, the remedies available to the Trustee may be limited by, among other things, certain risks related to bankruptcy proceedings, and may also have been altered prior to a default by BAM, which has the right, acting with the Trustee, without Owner consent, and upon the occurrence of an Event of Default, to waive the applicable provisions of the Indenture governing defaults and remedies and to direct the Trustee to enforce rights and remedies with respect to such Insured Bonds.

When making an investment decision on the Insured Bonds a prospective Owner should look to the ability of the Successor Agency to pay principal and interest on the Bonds and not solely to BAM's ability to pay claims under the Policy. No review of the business or affairs of BAM has been conducted by the Successor Agency in connection with the offering of the Insured Bonds. No assurance can be given by the Successor Agency as to BAM's ability to pay claims under the Policy. See "MUNICIPAL BOND INSURANCE" herein and "APPENDIX G" hereto for further information concerning BAM and the Policy, including resources for obtaining certain financial information concerning BAM.

Secondary Market

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

LEGAL MATTERS

Enforceability of Remedies

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

Best Best & Krieger, LLP, Riverside, California, as Bond Counsel, will render opinions with respect to the Bonds which state that the Indenture is a valid and binding obligation of the Successor Agency and enforceable in accordance with its terms. The legal opinions 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. See "APPENDIX E" for the proposed forms of Bond Counsel's opinions with respect to the Bonds.

The Successor Agency has no knowledge of any fact or other information which would indicate that the Indenture is not so enforceable against the Successor 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 Successor Agency by Best Best & Krieger, LLP, Riverside, California, as Successor Agency Counsel. Quint & Thimmig LLP, Larkspur, California, will also pass on certain legal matters for the Successor Agency as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Nossaman, Irvine, California. Fees payable to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

Tax Matters

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, provided however, that for the purpose of calculating federal corporate alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

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 Series A Bonds. The Successor Agency has covenanted to comply with certain restrictions designed to ensure that interest on the Series A Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series A Bonds being included in federal gross income, possibly from the date of original issuance of the Series A Bonds. The opinion of Bond Counsel assumes 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) after the date of issuance of the Series A Bonds may adversely affect the value of, or the tax status of interest on, the Series A Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Series A Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series A Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series A Bonds. Prospective purchasers of the Series A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Certain 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, defeasance of the Series A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to the exclusion from gross income of interest on any Series A Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Best Best & Krieger LLP.

Interest payable on the Series B Bonds is not excluded from gross income for federal income tax purposes.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series A Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series A Bonds might be affected as a result of such an audit of the Series A Bonds (or by an audit of other similar bonds).

Although Bond Counsel is of the opinion that interest on the Series A Bonds is excluded from gross income for federal income tax purposes and that interest on the Bonds is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bond Owner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bond Owner or the Bond Owner’s other items of income or deduction, and Bond Counsel expresses no opinion regarding any such other tax consequences.

Copies of the proposed forms of opinions of Bond Counsel are attached hereto as “APPENDIX E.”

Circular 230 Disclosure. To ensure compliance with requirements imposed by the IRS, Bond Counsel informs owners of the Series B Bonds that any U.S. federal tax advice contained in this Official Statement (including any attachments) is not intended or written to be used, and cannot be used, for the purposes of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed in this Official Statement.

No Litigation

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

CONCLUDING INFORMATION

Ratings on the Bonds

Standard & Poor's has assigned to the Insured Bonds (being the Series A Bonds maturing on December 1 in the years 2019 through and including 2035 and the Series B Bonds maturing on December 1 in the years 2019 through and including 2035) its municipal bond rating of "AA" with the understanding that the Policy insuring the payment when due of the principal of and interest on the Insured Bonds will be issued concurrently by the Bond Insurer with the delivery of the Insured Bonds. The Bonds have received the underlying rating of "A" by Standard & Poor's. Such ratings reflect only the views of Standard & Poor's, and any desired explanation of the significance of such ratings may be obtained from such rating agency at the following address: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, (212) 438-2000. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Except as otherwise required in the Continuing Disclosure Certificate, the Successor Agency undertakes no responsibility either to bring to the attention of the owners of any Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

The Municipal Advisor

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

Continuing Disclosure

The Successor Agency will provide annually certain financial information and data relating to the Bonds by not later than February 28 in each year commencing February 28, 2016 (the "Annual Report"), and to provide notices of the occurrence of certain other listed events. The Municipal Advisor will act as Dissemination Agent. The specific nature of the information to be contained in the Annual Report or the notices of listed events and certain other terms of the continuing disclosure obligation are found in the form of the Successor Agency's Disclosure Certificate attached in "APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Underwriting

The Bonds were sold to Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), who is offering the Bonds at the prices set forth on the inside cover pages hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others.

The Underwriter has purchased the Series A Bonds at a price equal to \$7,645,888.40, which amount represents the principal amount of the Series A Bonds plus a net original issue premium of \$580,693.40, less an Underwriter’s discount of \$49,805.00. The Underwriter has purchased the Series B Bonds at a price equal to \$13,027,935.50, which amount represents the principal amount of the Series B Bonds less an original issue discount of \$99,524.50, less an Underwriter’s discount of \$92,540.00. The Underwriter will pay certain of its expenses relating to the offering from the Underwriter’s discount.

Additional Information

The summaries and references contained herein with respect to the Indenture, the Bonds, 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 Bonds 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 of the Bonds at the offices of the Municipal Advisor, Harrell & Company Advisors, LLC, 333 City Boulevard West, Suite 1430, Orange, California 92868, telephone (714) 939-1464. Copies of this document may be obtained after delivery of the Bonds from the Successor Agency at 7800 Katella Avenue, Stanton, California 90680.

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 Successor Agency and the purchasers or Owners of any of the Bonds.

Execution

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

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

By: /s/ James A. Box
Executive Director

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture of Trust which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the agreement for a full and complete statement of the provisions thereof.

DEFINITIONS; RULES OF CONSTRUCTION

Definitions

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

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Bonds (including any Parity Debt) in such Bond Year, and (b) the principal amount of the Outstanding Bonds (including any Parity Debt) scheduled to be paid in such Bond Year upon the maturity or mandatory sinking account redemption thereof.

“BAM” means Build America Mutual Assurance Company, or any successor thereto or assignee thereof, as the issuer of the Insurance Policy and the Reserve Policy.

“Bond Counsel” means (a) Best Best & Krieger LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Successor Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Year” means any twelve-month period beginning on December 2 in any year and extending to the next succeeding December 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on December 1, 2016.

“Bonds” means, collectively, the Series 2016 Bonds and, if the context requires, and any additional Parity Debt.

“Business Day” means a day of the year (other than a Saturday or Sunday) on which banks in the State or the State of New York are not required or permitted to be closed, and on which the New York Stock Exchange is open.

“Closing Date” means, with respect to the Series 2016 Bonds, the date on which the Series 2016 Bonds are delivered by the Successor Agency to the Original Purchaser.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate as originally executed by the Successor Agency, and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the Successor Agency and related to the authorization, sale and issuance of the Series 2016 Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Trustee including its first annual administration fee, expenses incurred by the Successor Agency in connection with the issuance of the Series 2016 Bonds, fees and charges of the Trustee and the Prior Trustee for paying and redeeming the 2005 Series A Bonds and the 2005 Series B Bonds pursuant to the Refunding Instructions, underwriter’s discount, original issue discount, legal fees

and charges, including bond counsel and financial consultants fees, costs of cash flow verification, premiums for any municipal bond insurance policy that may be purchased and for any Reserve Policy the Successor Agency may purchase, rating agency fees, charges for execution, transportation and safekeeping of the Series 2016 Bonds and other costs, charges and fees in connection with the original issuance of the Series 2016 Bonds, reimbursement for City of Stanton staff costs or any other expense directed by the Successor Agency to be paid from moneys in the Costs of Issuance Fund.

“Costs of Issuance Fund” means the fund by that name established by the Indenture.

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

“Debt Service Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Defeasance Obligations” means:

- (a) cash;
- (b) Federal Securities; and
- (c) Subject to the written approval of the Insurer, pre-refunded municipal bonds rated “Aa” or higher by Moody’s and “AA” or higher by S&P, provided that, the pre-refunded municipal bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals;

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to the Indenture.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“Dissolution Act” means the provisions of Assembly Bill X1 26, signed by the Governor June 28, 2011, and filed with the Secretary of State June 29, 2011, consisting of Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code, as amended by Assembly Bill 1484, signed by the Governor on June 27, 2012, and filed with the Secretary of State on June 27, 2012 and as amended by Senate Bill 107 signed by the Governor on September 22, 2015.

“DOF” means the California Department of Finance.

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

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

“Fair Market Value” means, with respect to any investment, the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled

investment fund in which the Successor Agency and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Successor Agency in any written directions of the Successor Agency.

“Federal Securities” means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are unconditionally guaranteed by the United States of America.

“Fiscal Year” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the Successor Agency as its official fiscal year period pursuant to a Request of the Successor Agency filed with the Trustee.

“Former Agency” means the Stanton Redevelopment Agency, a public body corporate and politic duly organized and formerly existing under the Law and dissolved in accordance with the Dissolution Act.

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

“Independent Accountant” means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by or acceptable to the Successor Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Successor Agency; (b) does not have any substantial interest, direct or indirect, with the Successor Agency; and (c) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

“Independent Fiscal Consultant” means any consultant or firm of such consultants appointed by or acceptable to the Successor Agency and who, or each of whom: (a) is judged by the Successor Agency to have experience in matters relating to the financing of redevelopment projects; (b) is in fact independent and not under domination of the Successor Agency; and (c) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

“Independent Redevelopment Consultant” means any consultant or firm of such consultants appointed by the Successor Agency, and who, or each of whom:

- (a) is judged by the Successor Agency to have experience in matters relating to the collection of Pledged Tax Revenues or otherwise with respect to the financing of redevelopment projects;
- (b) is in fact independent and not under the domination of the Successor Agency;
- (c) does not have any substantial interest, direct or indirect, with the Successor Agency, other than as original purchaser of the Bonds or any Parity Debt; and
- (d) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

“Information Services” means “EMMA” or the “Electronic Municipal Market Access” system of the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Successor Agency may designate in a Request of the Successor Agency delivered to the Trustee.

“Insurance Policy” means the municipal bond insurance policy delivered by BAM guaranteeing the principal of and interest on the Insured Bonds when due.

“Insured Bonds” means the Series 2016A Bonds, maturing December 1, 2019 through December 1, 2035, and the Series 2016B Bonds maturing December 1, 2019 through December 1, 2035.

“Insurer” means (i) BAM as provider of the Reserve Policy and as provider of the Insurance Policy, and (ii) the provider of a municipal bond or financial guaranty insurance policy with respect to an issue of Bonds (other than the Series 2016 Bonds) or with respect to an issue of bonds the proceeds of which are used to purchase an issue of Bonds (other than the Series 2016 Bonds).

“Interest Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Interest Payment Date” means each June 1 and December 1, commencing December 1, 2016, for so long as any of the Bonds remain unpaid.

“Law” means the Redevelopment Law, as amended by the Dissolution Act.

“Maximum Annual Debt Service” means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year.

“Moody’s” means Moody’s Investors Service, Inc., its successors and assigns.

“Office” means, with respect to the Trustee, the corporate trust office of the Trustee in Los Angeles, California, or at such other or additional offices as may be specified by the Trustee in writing to the Successor Agency, provided that for the purposes of maintenance of the Registration Books and presentation of Bonds for transfer, exchange or payment such term shall mean the office of the Trustee at which it conducts its corporate agency business.

“Original Purchaser” means Stifel, Nicolaus & Company, Incorporated as original purchaser of the Series 2016 Bonds.

“Outstanding”, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning set forth in the Indenture; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Successor Agency pursuant to the Indenture.

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

“Owner” means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Parity Debt” means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Successor Agency on a parity with the Series 2016 Bonds pursuant to the Indenture.

“Parity Debt Instrument” means any resolution, indenture of trust, trust agreement or other instrument authorizing the issuance of any Parity Debt and which otherwise complies with all of the terms and conditions of the Indenture, including, without limitation, the provisions therein.

“Permitted 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 (provided that the Trustee

shall be entitled to rely upon any investment direction from the Successor Agency as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State and constitute Permitted Investments), but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Rural Economic Community Development Administration (formerly Farmers Home Administration), General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, Federal Housing Administration and Federal Financing Bank;

(c) direct obligations for any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by Fannie Mae or Federal Home Loan Mortgage Corporation (FHLMC); obligations of the Resolution Funding Corporation (REFCORP); senior debt obligations of the Federal Home Loan Bank System; and senior debt obligations of other Government Sponsored Agencies approved by the Insurer;

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by S&P and P-1 by Moody's, and maturing no more than 360 days after the date of purchase, including those of the Trustee or its affiliates;

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

(f) investments in a money market fund rated AAAM or AAAM-G or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services;

(g) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based on the escrow, in the highest rating category of S&P and Moody's or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, in such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by an Independent Accountant and with the prior approval of S&P, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in the Indenture on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) investment agreements approved in writing by the Insurer;

(i) other forms of investments approved in writing by the Insurer;

(j) the County's investment pool; and

(k) the Local Agency Investment Fund of the State, created pursuant to Section 11429.1 of the California Government Code but only, in the case of Trustee held funds, to the extent any monies invested by the Trustee are subject to deposit and withdrawal solely by the Trustee.

“Pledged Tax Revenues” means all monies deposited from time to time in the Redevelopment Property Tax Trust Fund as provided in paragraph (2) of subdivision (a) of Section 34183 of the California Health and Safety Code but excluding (i) amounts of such taxes required to be paid by the Successor Agency pursuant to its Tax Sharing Agreements or pursuant to Section 33607.5 or 33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds, any additional Parity Debt, as applicable, and (ii) principal of and interest due on the Senior Bonds outstanding. If, and to the extent, that the provisions of Section 34172 or paragraph (2) of subdivision (a) of Section 34183 are invalidated by a final judicial decision, then Pledged Tax Revenues shall include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the California Constitution, subject to the exclusions set forth above.

“Principal Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Prior Trustee” means U.S. Bank National Association as trustee under the 2005 Bonds Indenture.

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

“Qualified Reserve Account Credit Instrument” means (i) the Reserve Policy or (ii) an irrevocable standby or direct-pay letter of credit or Reserve Policy issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met by the Successor Agency at the time of delivery thereof to the Trustee: (a) the long-term credit rating of such bank or insurance company is “A” (without regard to modifier) or higher; (b) such letter of credit or Reserve Policy has a term of at least twelve (12) months; (c) such letter of credit or Reserve Policy has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; (d) the Trustee is authorized pursuant to the terms of such letter of credit or Reserve Policy to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account, the Principal Account or the Sinking Account for the purpose of making payments required pursuant to the Indenture; and (e) prior written notice is given to the Indenture before the effective date of any such Qualified Reserve Account Credit Instrument.

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

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

“Redemption Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Redevelopment Law” means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the Health and Safety Code of the State, and the acts amendatory thereof and supplemental thereto.

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

“Redevelopment Plan” means the redevelopment plan for the Stanton Consolidated Redevelopment Project, approved by Ordinance No. 903 enacted by the City Council of the City on November 23, 2004, together with all other amendments thereof duly enacted under the Redevelopment Law.

“Redevelopment Property Tax Trust Fund” or “RPTTF” means the fund by that name established pursuant to California Health and Safety Code Sections 34170.5(a) and 34172(c) and administered by the County auditor-controller.

“Redevelopment Project” means the undertaking of the Successor Agency to redevelop the Project Area in accordance with the Redevelopment Plan.

“Refunding Instructions” means the separate Refunding Instructions each dated February 23, 2016, of the Successor Agency to the Prior Trustee to defease and redeem the 2005 Series A Bonds and the 2005 Series B Bonds.

“Refunding Law” means Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, and the acts amendatory thereof and supplemented thereto.

“Registration Books” means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Series 2016 Bonds.

“Request of the Successor Agency” means a request in writing signed by the City Manager in the capacity of Executive Director for the Successor Agency, the City Administrative Services Director/Treasurer in the capacity of Treasurer of the Successor Agency or City Clerk in the capacity of Secretary of the Successor Agency, or any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose.

“Reserve Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Reserve Policy” means the municipal bond debt service reserve Insurance Policy issued by BAM as Policy Number 2016R0102, deposited into the Reserve Account relating to the Series 2016 Bonds.

“Reserve Requirement” means, with respect to the Series 2016 Bonds, as of the Closing Date, the least of (i) ten percent (10%) of the original par amount of the Series 2016 Bonds, (ii) Maximum Annual Debt Service with respect to the Series 2016 Bonds, or (iii) 125% of average Annual Debt Service on the Series 2016 Bonds; provided further that (a) the Reserve Requirement with respect to the Series 2016A Bonds and the Series 2016B Bonds will be calculated on a combined basis, provided that, in the event the Reserve Requirement for the Series 2016A Bonds and the Series 2016B Bonds is funded with cash, the Trustee shall establish separate subaccounts for the proceeds of the Series 2016A Bonds and the Series 2016B Bonds to enable the Trustee to track the investment of the proceeds of the Series 2016A Bonds and the Series 2016B Bonds and (b) that the Successor Agency may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture.

“S&P” means Standard & Poor’s Ratings Service, a division of the McGraw-Hill Companies, Inc., its successors and assigns.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attn: Call Notification Department, Fax (212) 855-7232 and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Successor Agency may designate in a Request of the Successor Agency delivered to the Trustee.

“Senior Bonds” means the 2010 Series A Bonds, 2011 Series A Bonds and the 2011 Series B Bonds and any Additional Senior Bonds.

“Senior Bonds Indentures” means the indentures which relate to the issuance of the Senior Bonds and any Additional Senior Bonds.

“Series 2016A Bonds” means the Successor Agency to the Stanton Redevelopment Agency Stanton Consolidated Redevelopment Project Subordinate Tax Allocation Refunding Bonds, 2016 Series A, issued in the initial principal amount of \$7,115,000.

“Series 2016B Bonds” means the Successor Agency to the Stanton Redevelopment Agency Stanton Consolidated Redevelopment Project Subordinate Taxable Tax Allocation Refunding Bonds, 2016 Series B, issued in the initial principal amount of \$13,220,000.

“Series 2016 Bonds” means the Series 2016A Bonds and the Series 2016B Bonds.

“Sinking Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“State” means the State of California.

“Subordinate Debt” means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Successor Agency in accordance with the requirements of the Indenture, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Pledged Tax Revenues; or (b) secured by a pledge of or lien upon the Pledged Tax Revenues which is subordinate to the pledge of and lien upon the Pledged Tax Revenues under the Indenture for the security of the Bonds.

“Successor Agency” means the Successor Agency to the Stanton Redevelopment Agency, a public entity existing under the Dissolution Act, as successor to the Former Agency.

“Supplemental Indenture” means any indenture, agreement or other instrument which amends, supplements or modifies the Indenture and which has been duly entered into by and between the Successor Agency and the Trustee; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Tax Sharing Agreements” means those agreements for tax sharing with the taxing entity listed as follows: (a) Orange County Water District, (b) Orange County General Fund, Flood Control District and Parks, Beaches and Harbors, (c) Anaheim Union High School District, (d) Orange County Sanitation District, (e) Coast Community College District, (f) North Orange County Community College District, (g) Orange County Department of Education, (h) Savannah Elementary School District, (i) Magnolia Elementary School District, (j) Anaheim Union High School District, and (k) Garden Grove Unified School District.

“Term Bonds” means, collectively, (a) the Series 2016B Bonds maturing on December 1, 2031 and December 1, 2035, and (b) any maturity of Parity Debt which is subject to mandatory Sinking Account redemption pursuant to the Supplemental Indenture authorizing the issuance thereof.

“Trustee” means U.S. Bank National Association, as trustee under the Indenture, or any successor thereto appointed as Trustee under the Indenture in accordance with the provisions of the Indenture.

“2005 Series A Bonds” means the \$16,500,000 Stanton Consolidated Redevelopment Project Taxable Tax Allocation Bonds, 2005 Series A.

“2005 Series B Bonds” means the \$10,000,000 Stanton Consolidated Redevelopment Project Tax Allocation Bonds, 2005 Series B.

“2005 Bonds Indenture” means the Trust Indenture dated as of July 1, 2005, between the Former Agency and the Trustee, as successor in interest to The Bank of New York Trust Company, N.A., providing for the issuance of the 2005 Series A Bonds and the 2005 Series B Bonds.

“2010 Series A Bonds” means the \$25,280,000 Stanton Redevelopment Agency Stanton Consolidated Redevelopment Project Tax Allocation Bonds, 2010 Series A.

“2011 Series A Bonds” means the Stanton Redevelopment Agency Taxable Housing Tax Allocation Bonds, 2011 Series A.

“2011 Series B Bonds” means the Stanton Redevelopment Agency Taxable Tax Allocation Bonds, 2011 Series B.

Rules of Construction

All references in the Indenture to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Indenture, and the words “therein,” “thereof,” “thereunder” and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section or subdivision of the Indenture.

DEPOSIT AND APPLICATION OF PROCEEDS OF SERIES 2016 BONDS ISSUANCE OF PARITY DEBT

Costs of Issuance Fund

The Indenture establishes a separate fund to be known as the “Costs of Issuance Fund,” which shall be held by the Trustee in trust. The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On or before May 1, 2016, or upon the earlier Request of the Successor Agency stating that all known Costs of Issuance have been paid, all amounts, if any, remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Interest Account of the Bond Fund to be used to pay interest on the Bonds on June 1, 2016 and the Trustee shall close the Costs of Issuance Fund.

Refunding Funds

(a) The Indenture creates the 2005 Series A Refunding Fund (the “2005 Series A Refunding Fund”), which is held by the Trustee in trust for the benefit of the Successor Agency. The moneys in the Refunding Fund shall be maintained separate and apart from other moneys of the Successor Agency.

(b) The Indenture creates the 2005 Series B Refunding Fund (the “2005 Series B Refunding Fund”), which is held by the Trustee in trust for the benefit of the Successor Agency. The moneys in the Refunding Fund shall be maintained separate and apart from other moneys of the Successor Agency.

(c) The Trustee shall transfer all moneys on deposit in the 2005 Series A Refunding Fund and the 2005 Series B Refunding Fund to the Prior Trustee for deposit and application under and pursuant to the Refunding Instructions and the 2005 Bond Indenture. Upon making such transfers, the 2005 Series A Refunding Fund and the 2005 Series B Refunding Fund shall be closed.

Issuance of Parity Debt

The Successor Agency will not incur any obligations payable from Pledged Tax Revenues on a basis superior to or on parity with the payments of the principal of and interest on any outstanding Senior Bonds and any other payments required under the Senior Bonds Indentures Indenture except as described below. So long as the Bonds are Outstanding, the Successor Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Pledged Tax Revenues, excepting only as provided in the Indenture. The Successor Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Pledged Tax Revenues or other amounts pledged to the Bonds superior to the pledge and lien created for the benefit of the Bonds; provided, that the Successor Agency (a) may issue and sell refunding bonds payable from Pledged Tax Revenues on a basis senior to the Outstanding Bonds (“Additional Senior Bonds”) or as Parity Debt payable from Pledged Tax Revenues on a parity with Outstanding Bonds (as determined by the Agency, in its sole discretion) to refund the Senior Bonds and (b) may issue and sell refunding bonds as Parity Debt payable from Pledged Tax Revenues on a parity with Outstanding Bonds to refund a portion of the Outstanding Bonds and/or any Parity Debt, provided further that, with respect to any such refunding (i) annual debt service on such Additional Senior Bonds or Parity Debt, as applicable, is lower than annual debt service on the obligations being refunded during every Bond Year the obligations would otherwise be outstanding and (ii) the final maturity of any such Additional Senior Bonds or Parity Debt, as applicable, does not exceed the final maturity of the obligations being refunded.

Issuance of Subordinate Debt

The Successor Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Successor Agency. Such Subordinate Debt may be payable from any assets or property of the Successor Agency, including Pledged Tax Revenues on a subordinate basis to the payment of debt service on the Series 2016 Bonds and any Parity Debt.

Validity of Bonds

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

SECURITY OF BONDS; FLOW OF FUNDS INVESTMENTS

Pledge of Pledged Tax Revenues

Except as provided in the Indenture, the Series 2016 Bonds and all Parity Debt, shall be secured by a pledge of, security interest in and lien on all of the Pledged Tax Revenues excluding the Pledged Tax Revenues distributed on January 2 in each Bond Year not required for debt service on the Bonds on June 1 of such year, but including all Pledged Tax Revenues distributed on January 2 in each Bond Year to be reserved for 50% of the December 1 payment of principal on the Bonds in such Bond Year pursuant to the Indenture; provided, however, that so long as any Senior Bonds remain outstanding, the Successor Agency shall first deposit amounts deposited in the Redevelopment Obligation Retirement Fund as required pursuant to the Senior Bonds Indentures. In addition, the Series 2016 Bonds, and any other Parity Debt (to the extent provided in the applicable Parity Debt Instrument), shall, subject to provisions of the Indenture, be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, and the Redemption Account. The Series 2016 Bonds shall additionally be secured by a first and exclusive pledge of security interest in and lien upon all the moneys in the Reserve Account attributable to the Bonds. Such pledge, security interest in and lien shall be for the equal security of the Outstanding Bonds without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Pledged Tax Revenues and such moneys, no funds of the Successor Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

In consideration of the acceptance of the Series 2016 Bonds by those who shall hold the same from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Successor Agency and the Owners from time to time of the Series 2016 Bonds, and the covenants and agreements therein set forth to be performed on behalf of the Successor Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Series 2016 Bonds without preference, priority or distinction as to security or otherwise of any of the Series 2016 Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein.

Redevelopment Obligation Retirement Fund; Deposit of Pledged Tax Revenues

The Successor Agency has established a special trust fund known as the “Redevelopment Obligation Retirement Fund,” which shall be held by the Successor Agency pursuant to Section 34170.5(b) of the California Health and Safety Code. The Indenture establishes a special trust fund known as the “Debt Service Fund” and the accounts therein referred to below which shall be held by the Trustee in accordance with the Indenture. The Successor Agency shall deposit all of the funds received in any Bond Year from the RPTTF in accordance with the Dissolution Act for the purpose of paying debt service on any outstanding Senior Bonds, the Series 2016 Bonds and any Parity Debt in the Redevelopment Obligation Retirement Fund immediately upon receipt thereof by the Successor Agency, and within five (5) days of receipt shall transfer amounts therein to the Trustee in the following priority: (1) for deposit in the Debt Service Fund established under the Senior Bonds Indentures and for any payment of amounts required thereunder, (2) for deposit in the Debt Service Fund established and held under the Indenture until such time that the aggregate amounts on deposit in such Debt Service Fund equal the aggregate amounts required to be deposited into the Interest Account, the Principal Account and the Reserve Account in such Bond Year pursuant to the Indenture excluding the Pledged Tax Revenues distributed on January 2 in each Bond Year not required for debt service on the Bonds on June 1 of such year, but including all Pledged Tax Revenues distributed on January 2 in each Bond Year to be reserved for 50% of the December 1 principal on the Bonds payable in such Bond Year pursuant to the Indenture, and (3) for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in any Supplemental Indenture. The Successor Agency may take into account any funds on deposit with the Trustee for the payment of the Bonds in the Recognized Obligation Payment Schedule period covered by the deposit. The Successor Agency agrees that to the extent there exists an Event of Default under the Indenture or the City declares a fiscal emergency, it shall take all steps necessary to cause an amount on deposit in the RPTTF equal to the amount requested on the Recognized Obligation Payment Schedule for debt service on the Senior Bonds and the Bonds for such period to be deposited directly from the County to the Trustee, to the extent that the County agrees to comply with such procedure.

In the event that the amount of Pledged Tax Revenues (available after payment of debt service on the Senior Bonds) is not sufficient to pay the Series 2016 Bonds and any Parity Debt outstanding, any such insufficiency shall be allocated among the Series 2016 Bonds and any Parity Debt on a pro rata basis (based on the amount of debt service coming due during any such period of insufficiency).

Debt Service Fund; Transfer of Amounts to Trustee

Moneys in the Debt Service Fund shall be transferred in the following amounts at the following times, in the following respective special accounts within the Debt Service Fund, which accounts are established under the Indenture with the Trustee to pay debt service on the Series 2016 Bonds and any Parity Debt not otherwise provided for in a Parity Debt Instrument, in the following order of priority:

- (a) **Interest Account.** On or before the fourth (4th) Business Day preceding each date on which interest on the Series 2016 Bonds and any such Parity Debt becomes due and payable, the Trustee shall withdraw from the Debt Service Fund and transfer to the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Series 2016 Bonds and any such Parity Debt on such date. No such transfer and deposit need be made to the Interest Account if the amount contained

therein is at least equal to the interest to become due on the Interest Payment Date upon all of the Outstanding Series 2016 Bonds and any such Parity Debt. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Series 2016 Bonds and any such Parity Debt purchased or redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the fourth (4th) Business Day preceding each date on which principal of the Series 2016 Bonds and any such Parity Debt becomes due and payable at maturity, the Trustee shall withdraw from the Debt Service Fund and transfer to the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Outstanding Series 2016 Bonds and any such Parity Debt. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Series 2016 Bonds and any such Parity Debt upon the maturity thereof.

(c) Sinking Account. On or before the fourth (4th) Business Day preceding each date on which any Outstanding Term Bonds become subject to mandatory Sinking Account redemption, the Successor Agency shall withdraw from the Debt Service Fund and transfer to the Trustee for deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Term Bonds required subject to mandatory Sinking Account redemption on such date. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Term Bonds as it shall become due and payable upon the mandatory Sinking Account redemption thereof.

(d) Reserve Account. In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Successor Agency of such fact. Promptly upon receipt of any such notice, the Successor Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement of the Reserve Account. If there shall then not be sufficient Pledged Tax Revenues on deposit in the Redevelopment Obligation Retirement Fund to transfer an amount sufficient to maintain the Reserve Requirement of the Reserve Account, the Successor Agency shall be obligated to continue making transfers as Pledged Tax Revenues become available in the Redevelopment Obligation Retirement Fund until there is an amount sufficient to maintain the Reserve Requirement of the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account, the Principal Account and the Sinking Account of the respective series of Series 2016 Bonds in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the respective series of Series 2016 Bonds then Outstanding, except that so long as the Successor Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before four (4) Business Days preceding each June 1 and December 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture or, (ii) if the Successor Agency shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Indenture, then, at the Request of the Successor Agency, such amount shall be transferred as directed by the Successor Agency.

The Reserve Account may be maintained in the form of one or more separate sub-accounts which are established for the purpose of securing separate series of Bonds or Parity Debt (to the extent secured by the Reserve Account) or for holding the proceeds of separate issues of the Bonds and any Parity Debt (to the extent secured by the Reserve Account) in conformity with applicable provisions of the Code to

the extent directed by the Successor Agency in writing to the Trustee. Additionally, the Successor Agency may, in its discretion, combine amounts on deposit in the Reserve Account and on deposit in any reserve account relating to any (but not necessarily all) Parity Debt in order to maintain a combined reserve account for the Bonds and any (but not necessarily all) Parity Debt.

The Reserve Requirement with respect to the Series 2016 Bonds shall be satisfied by the delivery of the Series 2016 Reserve Policy to the Trustee. The Trustee shall credit the Series 2016 Reserve Policy to the Series 2016 Subaccount of the Reserve Account, which subaccount is hereby created. Under the terms and conditions of the Series 2016 Reserve Policy, the Trustee shall deliver to BAM a demand for payment under the Series 2016 Reserve Policy in the required form at least five Business Days before the date on which funds are required for the purposes set forth in the Indenture. The Trustee shall comply with all of the terms and provisions of the Series 2016 Reserve Policy for the purpose of assuring that funds are available thereunder when required for the purposes of the Reserve Account, within the limits of the coverage amount provided by the Series 2016 Reserve Policy. All amounts drawn by the Trustee under the Series 2016 Reserve Policy will be deposited into the Series 2016 Subaccount of the Reserve Account and applied for the purposes thereof. The Successor Agency shall reimburse BAM for all draws under Series 2016 Reserve Policy in accordance with the terms of the Insurance Agreement and the Indenture.

(e) Redemption Account. On or before the Business Day preceding any date on which Bonds are subject to redemption, other than mandatory Sinking Account redemption of Series 2016 Term Bonds, the Trustee shall withdraw from the Debt Service Fund for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Series 2016 Bonds or other Parity Debt to be so redeemed on such date. The Trustee shall also deposit in the Redemption Account any other amounts received by it from the Successor Agency designated by the Successor Agency in writing to be deposited in the Redemption Account. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Series 2016 Bonds or other Parity Debt upon the redemption thereof, on the date set for such redemption, other than mandatory Sinking Account redemption of Term Bonds.

(f) Equal Rights. It is the intention of the Successor Agency that the Series 2016 Bonds and Parity Debt shall be secured by and payable from all moneys deposited in the Redevelopment Obligation Retirement Fund on an equal basis. To the extent that moneys deposited in the Redevelopment Obligation Retirement Fund are insufficient to pay debt service on the Series 2016 Bonds and Parity Debt as it becomes due, the Series 2016 Bonds and Parity Debt shall be payable on a pro-rata basis from all available moneys deposited in the Redevelopment Obligation Retirement Fund. Additionally, any moneys which remain in the Debt Service Fund after payment of principal of and interest on the Bonds shall be used to pay the Insurer for any other unpaid advances under the Insurance Policy or the Reserve Policy.

Investment of Moneys in Funds

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account shall be invested by the Trustee in Permitted Investments specified in the Request of the Successor Agency (which Request shall be deemed to include a certification that the specified investment is a Permitted Investment) delivered to the Trustee at least two (2) Business Days in advance of the making of such investments; provided, however, that in the absence of any such direction from the Successor Agency, the Trustee shall invest any such moneys solely in Permitted Investments described in clause (f) of the definition thereof. Moneys in the Redevelopment Obligation Retirement Fund shall be invested by the Successor Agency in any obligations in which the Successor Agency is legally authorized to invest funds within its control.

Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in the Indenture any moneys are required to be transferred by the Successor Agency to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments.

All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the Indenture shall be deposited in the Interest Account; provided, however, that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. No Permitted Investment of moneys in the Reserve Account shall have a maturity in excess of five (5) years following the date of its acquisition, except that such restriction shall not apply to any investment agreement approved by the Insurer. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture upon receipt by the Trustee of the Request of the Successor Agency. The Trustee may act as principal or agent in the acquisition or disposition of any investment, may utilize the investment departments of its affiliates to complete each transaction and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture. The Successor Agency acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall furnish to the Successor Agency periodic statements which shall include detail of all investment transactions made by the Trustee.

Valuation and Disposition of Investments

(a) Except as otherwise provided in the Indenture, the Successor Agency covenants that all investments of amounts deposited in any fund or account created by or pursuant to the Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by the Indenture or the Tax Code) at Fair Market Value. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Successor Agency in any Certificate or Request of the Successor Agency.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and investments in the Reserve Account shall be valued at cost thereof, (consisting of present value thereof, as determined by the Successor Agency, within the meaning of Section 148 of the Tax Code); provided that the Successor Agency shall inform the Trustee which funds are subject to a yield restriction.

(c) Except as provided in the Indenture, with respect to a yield restriction, for the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually at the market value thereof. For purposes of valuation, the Trustee shall be entitled to utilize any pricing services it considers reliable. The Trustee may sell in any commercially reasonable manner, or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from sale or redemption of any such Permitted Investment.

Municipal Bond Insurance; Reserve Policy

(a) Payment Procedure Under the Insurance Policy. So long as the Insurance Policy remains in effect, the Trustee shall comply with all of the terms and provisions thereof as may be required to submit and enforce a claim thereunder. Without limiting the generality of the foregoing, the Trustee shall comply with the following provisions of the Indenture:

(1) In the event that principal and/or interest due on the Insured Bonds is paid by BAM pursuant to the Insurance Policy, the Insured Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Successor Agency, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Successor Agency to the registered owners will continue to exist and will run to the benefit of BAM, and BAM will be

subrogated to the rights and remedies of such registered owners including, without limitation, any rights and remedies that such owners may have in respect of securities law violations arising from the offer and sale of the Insured Bonds.

(2) In the event that on the second (2nd) business day prior to any payment date on the Insured Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Insured Bonds due on such payment date, the Trustee will immediately notify BAM or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee will so notify BAM or its designee immediately upon receipt of payment.

(3) In addition, if the Trustee has notice that any Owner of the Insured Bonds has been required to disgorge payments of principal of or interest on the Insured Bonds pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law, then the Trustee will notify BAM or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of BAM.

(4) The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the Insured Bonds as follows:

(i) If there is a deficiency in amounts required to pay interest and/or principal on the Insured Bonds, the Trustee will (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such Owners of the Insured Bonds in any legal proceeding related to the payment and assignment to BAM of the claims for interest on the Insured Bonds, (ii) receive as designee of the respective Owners (and not as paying agent) in accordance with the tenor of the Insurance Policy payment from BAM with respect to the claims for interest so assigned, and (iii) disburse the same to such respective Owners; and

(ii) If there is a deficiency in amounts required to pay principal of the Insured Bonds, the Trustee will (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such Owner of the Insured Bonds in any legal proceeding related to the payment of such principal and an assignment to BAM of the Insured Bonds surrendered to BAM, (ii) receive as designee of the respective Owners (and not as paying agent) in accordance with the tenor of the Insurance Policy payment therefore from BAM, and (iii) disburse the same to such Owners.

(5) The Trustee will designate any portion of payment of principal on Insured Bonds paid by BAM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Bonds registered to the then current Owner, whether DTC or its nominee or otherwise, and will issue a replacement Insured Bond to BAM, registered in the name directed by BAM, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Bond will have no effect on the amount of principal or interest payable by the Successor Agency on any Insured Bond or the subrogation or assignment rights of BAM.

(6) Payments with respect to claims for interest on and principal of Insured Bonds disbursed by the Trustee from proceeds of the Insurance Policy will not be considered to discharge the obligation of the Successor Agency with respect to such Insured Bonds, and BAM will become the owner of such unpaid Insured Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

(7) Irrespective of whether any such assignment is executed and delivered, the Successor Agency and the Trustee agree for the benefit of BAM that:

(i) They recognize that to the extent BAM makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Insured Bonds, BAM will be subrogated to the rights of such Owners to receive the amount of such principal and interest from the Successor Agency, with interest thereon, as provided and solely from the sources stated in the Indenture and the Insured Bonds; and

(ii) They will accordingly pay to BAM the amount of such principal and interest, with interest thereon as provided in the Indenture and the Insured Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Bonds to Owners, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.

(8) The Successor Agency agrees unconditionally that it will pay or reimburse BAM on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that BAM may pay or incur, including, but not limited to, fees and expenses of BAM's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Indenture or the Insurance Policy ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of BAM spent in connection with the actions described in the preceding sentence. The Successor Agency agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, defined in the Indenture, compounded semi-annually, from the date that payment is first due to BAM until the date BAM is paid in full.

(9) Notwithstanding anything in the Indenture to the contrary, the Successor Agency agrees to pay to BAM (i) a sum equal to the total of all amounts paid by BAM under the Insurance Policy (the "Insurance Policy Payment"); and (ii) interest on the Insurance Policy Payments from the date paid by BAM until payment thereof in full by the Successor Agency, payable to BAM at the Late Payment Rate per annum (collectively, "BAM Reimbursement Amounts") compounded semi-annually. The Successor Agency hereby covenants and agrees that the BAM Reimbursement Amounts are secured by a lien on and pledge of the Tax Revenues and payable from such Tax Revenues on a parity with debt service due on the Series 2016 Bonds. The Indenture shall not be discharged until all Administrative Costs and BAM Reimbursement Amounts owing to BAM shall have been paid in full, and such obligation shall expressly survive the discharge and defeasance in full of the Series 2016 Bonds.

(b) Provisions Relating to Series 2016 Surety Bond. So long as the Series 2016 Reserve Policy remains in force and effect or any amounts are owed in connection therewith, the following provisions of the Indenture shall govern, notwithstanding anything to the contrary contained in the Indenture:

(1) The Successor Agency shall repay any draws under the Series 2016 Reserve Policy and pay all related reasonable expenses incurred by BAM. Interest shall accrue and be payable on such draws and expenses from the date of payment by BAM at the Late Payment Rate. For purposes of this Section, "Late Payment Rate" means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (the "Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2014 Bonds, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce

its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as BAM in its sole and absolute discretion shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to BAM shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to BAM on account of principal due, the coverage under the Series 2016 Reserve Policy will be increased by a like amount, subject to the terms of the Series 2016 Reserve Policy. The obligation of the Successor Agency to pay Policy Costs shall be secured by a valid lien on all Tax Revenues and other collateral pledged as security for the Series 2016 Bonds (which lien shall be subordinate only to the lien securing the Series 2016 Bonds and any Parity Debt and which lien shall be on a parity with the lien securing the obligation of the Successor Agency to replenish the reserve account for any Parity Debt and to reimburse the provider of a letter of credit, surety bond or similar instrument related to the debt service reserve fund for any Parity Debt).

All cash and investments in the Reserve Account established for the Series 2016 Bonds and all other available amounts in any funds available to pay debt service on the Series 2016 Bonds shall be transferred to the Debt Service Fund for payment of the debt service on the Series 2016 Bonds before any drawing may be made on the Series 2016 Reserve Policy or any other Qualified Reserve Account Credit Instrument on deposit in the 2016 Reserve Subaccount in lieu of cash.

Payment of any Policy Cost shall be made prior to replenishment of any cash amounts into the Reserve Account. Draws on all Qualified Reserve Account Credit Instruments (including the Series 2016 Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Qualified Reserve Account Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable Qualified Reserve Account Credit Instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(2) Draws under the Series 2016 Reserve Policy may only be used to make payments on the Series 2016 Bonds.

(3) If the Successor Agency shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above, BAM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Series 2016 Bonds, or (ii) remedies which would adversely affect Owners of the Series 2016 Bonds.

(4) The Indenture shall not be discharged until all Policy Costs owing to BAM shall have been paid in full. The Successor Agency's obligation to pay such amount shall expressly survive payment in full of the Series 2016 Bonds.

(5) The Trustee shall ascertain the necessity for a claim upon the Series 2016 Reserve Policy in accordance with the provisions of the Indenture and provide notice to BAM at least three (3) Business Days prior to each date upon which interest or principal is due on the Series 2016 Bonds.

(6) The Series 2016 Reserve Policy shall expire on the earlier of the date the Series 2016 Bonds are no longer outstanding and the final maturity date of the Series 2016 Bonds.

Additional Rights of BAM; Notices and Other Information to be Provided to BAM.

In addition to the rights set forth in the Indenture, BAM shall have the additional rights set forth below. The terms and provisions of the Indenture, shall govern and control, notwithstanding anything to the contrary set forth in the Indenture.

(a) BAM is recognized as and shall be deemed to be a third party beneficiary under the Indenture and may enforce the provisions of the Indenture as if it were a party under the Indenture.

(b) The Successor Agency agrees, consents and will cooperate in good faith to provide information reasonably requested by BAM and will further provide appropriately designated individuals and officers to discuss the affairs, finance and accounts of the Successor Agency or any other matter as BAM may reasonably request.

(c) The Successor Agency will provide BAM with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Certificate and (ii) to the Owners of Series 2016 Bonds or the Trustee under the Indenture. BAM will receive copies of all notices and amendments relating to the Series 2016 Bonds.

The notice address of BAM is: Build America Mutual Assurance Company, 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, NY 10281, Attention: Surveillance, Re: Policy Nos. 2016B0103 and 2016B0102, Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: notices@buildamerica.com. In each case in which notice or other communication refers to an event of default or a claim on the Insurance Policy, then a copy of such notice or other communication will also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and will be marked to indicate "URGENT MATERIAL ENCLOSED."

(d) BAM will receive prior written notice of any name change of the Trustee for the Series 2016 Bonds or the resignation or removal of the Trustee. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$75,000,000 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by BAM in writing.

(e) No removal, resignation or termination of the Trustee will take effect until a successor, acceptable to BAM, will be qualified and appointed. BAM will have the right to direct the replacement of the Trustee upon the occurrence of an event of a default on the Series 2016 Bonds and any event of default under any senior or subordinate obligations to the extent BAM determines in its sole discretion that there exists or could exist a conflict of interest.

(f) The Successor Agency will send copies of any amendments or supplements to BAM and the rating agencies that have assigned a rating to the Series 2016 Bonds. The prior written consent of BAM is required for any amendments or supplements to the Indenture with the exception of amendments or supplements:

(i) To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the Indenture, or

(ii) To grant or confer upon the Owners of the Series 2016 Bonds any additional rights, remedies, powers, Successor Agency or security that may lawfully be granted to or conferred upon the Owners of the Series 2016 Bonds, or

(iii) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the Indenture other conditions, limitations and restrictions thereafter to be observed, or

(iv) To add to the covenants and agreements of the Successor Agency in the Indenture other covenants and agreements thereafter to be observed by the Successor Agency or to surrender any right or power therein reserved to or conferred upon the Successor Agency.

(g) Any amendment, supplement, modification to, or waiver of, the Indenture that requires the consent of Owners of the Series 2016 Bonds or adversely affects the rights or interests of BAM will be subject to the prior written consent of BAM.

(h) Any reorganization or liquidation plan with respect to the Successor Agency must be acceptable to BAM. In the event of any reorganization or liquidation of the Successor Agency, BAM will have the right to file a claim, object to and vote on behalf of all Owners of the Series 2016 Bonds absent a continuing failure by BAM to make a payment under the Insurance Policy. The Successor Agency will provide BAM with immediate written notice of any insolvency event that causes the Successor Agency to be unable to pay its obligations as and when they become due. In the event of a receivership or out-of-court restructuring, BAM will have the right to negotiate and speak on behalf of and bind the Owners of the Insured Bonds and any agreements reached must be acceptable to BAM.

(i) Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, BAM will be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Insured Bonds or the Trustee for the benefit of the Owners of the Insured Bonds under the Indenture. The Trustee may not waive any default or event of default without BAM's written consent.

(j) Upon the occurrence and continuance of a default or an Event of Default, BAM shall be deemed to be the sole owner of the Insured Bonds for all purposes under the Indenture, including, without limitations, for purposes of exercising remedies and approving amendments.

(k) BAM's prior written consent is required as a condition precedent to and in all instances of acceleration of the Series 2016 Bonds.

(l) No grace period will be permitted for payment defaults on the Series 2016 Bonds. No grace period for a covenant default relating to the Series 2016 Bonds will exceed 30 days without the prior written consent of BAM.

(m) If an Insurer Default (as defined below) shall occur and be continuing, then, notwithstanding anything in paragraphs (e)-(i) above to the contrary, (1) if at any time prior to or following an Insurer Default, BAM has made payment under the Insurance Policy, to the extent of such payment BAM will be treated like any other Owner of the Insured Bonds for all purposes, including giving of consents, and (2) if BAM has not made any payment under the Insurance Policy, BAM shall have no further consent rights until the particular Insurer Default is no longer continuing or BAM makes a payment under the Insurance Policy, in which event, the foregoing clause (1) will control. For purposes of this paragraph (l), "Insurer Default" means: (A) BAM has failed to make any payment under the Insurance Policy when due and owing in accordance with its terms; or (B) BAM shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of

creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).

(n) The rights granted to BAM under the Indenture to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the Insurance Policy. Any exercise by BAM of such rights is merely an exercise of the BAM's contractual rights and will not be construed or deemed to be taken for the benefit, or on behalf, of the Owners of the Insured Bonds and such action does not evidence any position of BAM, affirmative or negative, as to whether the consent of the Owners of the Insured Bonds or any other person is required in addition to the consent of BAM.

(o) BAM will be entitled to pay principal or interest on the Insured Bonds that become Due for Payment but are unpaid by reason of nonpayment by the Successor Agency (as such terms are defined in the Insurance Policy) and any amounts due on the Insured Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not BAM has received a claim upon the Insurance Policy.

OTHER COVENANTS OF THE SUCCESSOR AGENCY

Punctual Payment

The Successor Agency shall punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Series 2016 Bonds and Parity Debt in strict conformity with the terms of the Series 2016 Bonds and of the Indenture. The Successor Agency shall faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures. Nothing contained in the Indenture shall prevent the Successor Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to therein.

Continuing Disclosure

The Successor Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed and delivered by the Successor Agency. Notwithstanding any other provision of the Indenture, failure of the Successor Agency to comply with such Continuing Disclosure Certificate shall not constitute an Event of Default thereunder; provided, however, that any Participating Underwriter (as such term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Series 2016 Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its obligations under the Indenture.

Limitation on Additional Indebtedness

The Successor Agency covenants that so long as any of the Series 2016 Bonds remain Outstanding, the Successor Agency shall not issue any bonds, notes or other obligations which are otherwise secured on a basis which is senior to the pledge and lien which secures the Series 2016 Bonds, except refunding bonds of the Senior Bonds with Additional Senior Bonds, if any. The Successor Agency hereby covenants that it shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Pledged Tax Revenues, excepting only the Series 2016 Bonds and Parity Debt, and any Subordinate Debt.

Extension of Payment of Series 2016 Bonds

The Successor Agency shall not directly or indirectly extend or assent to the extension of the maturity of any of the Series 2016 Bonds or the time of payment of any claims for interest by the purchase of such Series 2016 Bonds or by any other arrangement, and in case the maturity of any of the Series 2016 Bonds or the time of

payment of any such claims for interest shall be extended, such Series 2016 Bonds or claims for interest shall not be entitled, in case of any 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 Outstanding Series 2016 Bonds and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture shall be deemed to limit the right of the Successor Agency to issue bonds for the purpose of refunding any Outstanding Series 2016 Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Series 2016 Bonds.

Payment of Claims

The Successor Agency shall pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Successor Agency or upon the Pledged Tax Revenues or any part thereof, or upon any funds held by the Trustee pursuant hereto, or which might impair the security of the Series 2016 Bonds or any Parity Debt. Nothing contained in the Indenture shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said claims.

Books and Accounts; Financial Statements

The Successor Agency shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City of Stanton, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Pledged Tax Revenues and the Redevelopment Obligation Retirement Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Owners of not less than ten percent (10%) in aggregate principal amount of the Series 2016 Bonds then Outstanding, or their representatives authorized in writing and BAM (or BAM's agents or representatives who have been duly authorized in writing).

The Successor Agency will cause to be prepared and delivered to the Trustee and the Insurer annually, within two hundred and ten (210) days after the close of each Fiscal Year so long as any of the Series 2016 Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Pledged Tax Revenues, all disbursements from the Redevelopment Obligation Retirement Fund and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Successor Agency shall furnish a copy of such statements to any Owner upon reasonable request and at the expense of such Owner. The Successor Agency will permit BAM to discuss the affairs, finances and accounts of the Successor Agency or any information BAM may reasonably request regarding the security for the Series 2016 Bonds with appropriate officials of the Successor Agency.

Protection of Security and Rights of Owners

The Successor Agency will preserve and protect the security of the Series 2016 Bonds and the rights of the Owners. From and after the date of issuance of any Series 2016 Bonds, such Series 2016 Bonds shall be incontestable by the Successor Agency. Each of the Successor Agency and Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the Pledged Tax Revenues under applicable law.

Payments of Taxes and Other Charges

The Successor Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Successor Agency or the properties then owned by the Successor Agency in the Project Area, when the same shall become due. Nothing contained in the Indenture shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said taxes, assessments or charges. The Successor Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

Disposition of Property

Except as otherwise required by the Dissolution Act, the Successor Agency will not participate in the disposition of any land or 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 property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Indenture) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in the Project Area unless such disposition is permitted as provided in the Indenture. If the Successor Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Fiscal Consultant to report on the effect of said proposed disposition. If the report of the Independent Fiscal Consultant concludes that the security of the Bonds or the rights of the Owners will not be materially adversely impaired by said proposed disposition, the Successor Agency may thereafter make such disposition. If such report concludes that such security will be materially adversely impaired by the proposed disposition, the Successor Agency shall not approve the proposed disposition.

Maintenance of Pledged Tax Revenues

The Successor Agency shall comply with all requirements of the Redevelopment Law and the Dissolution Act to insure the allocation and payment to it of the Pledged Tax Revenues. In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions, provisions of the Redevelopment Law or the equivalent become applicable to the Bonds, the Successor Agency shall comply with all requirements of the Redevelopment Law or the equivalent to insure the allocation and payment to it of the Pledged Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State of California. The Successor Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Pledged Tax Revenues in the amounts and at the times required to enable the Successor Agency to pay the principal of and interest and premium (if any) on the Series 2016 Bonds, amounts owing to the Insurer under the Indenture, and any Parity Debt when due.

Compliance with the Law; Recognized Obligation Payment Schedules

(a) The Successor Agency will take all actions required under the Dissolution Act to file a Recognized Obligation Payment Schedule by February 1 in each year, commencing February 1, 2017, in accordance with Section 34177(0) of the Redevelopment Law. Each such Recognized Obligation Payment Schedule for the semiannual period ending each June 30 shall request the payment to the Successor Agency of an amount of Pledged Tax Revenues which is at least equal to the following:

- (1) 100% of the amount of principal of and interest on the Senior Bonds coming due and payable on the next succeeding June 1 and December 1,
- (2) 100% of the amount of interest on the Bonds and all Outstanding Parity Debt coming due and payable on the next succeeding June 1,
- (3) 50% of the amount of principal on the Bonds and all Outstanding Parity Debt coming due and payable on the next succeeding December 1,
- (4) any amount then required to replenish the full amount of the Reserve Requirement in the Reserve Account and to replenish the amount in any reserve account established for outstanding Senior Bonds or Parity Debt; and
- (5) any amount then required to make payments due to the Bond Insurer in respect of the Policy or the Reserve Policy.

(b) Each Recognized Obligation Payment Schedule for the semiannual period ending each December 31 shall request the payment to the Successor Agency of an amount of Pledged Tax Revenues which is at least equal to the following:

- (1) 100% of the interest due on the Bonds and all Outstanding Parity Debt coming due and payable on the next succeeding December 1,
- (2) the remaining principal due on the Bonds and all Outstanding Parity Debt coming due and payable on the next succeeding December 1 and not reserved in the period ending June 30; and
- (3) reserves and amounts due to any bond insurer as described under (d) and (e) above.

(c) These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to comply with the Indenture and to provide for the payment of principal and interest under the Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under the Indenture for the next payment due thereunder in the following six-month period.

In the event the Successor Agency fails to provide the Oversight Board for approval, or provide the DOF with an Oversight Board approved Recognized Obligation Payment Schedule by the statutory deadlines relating to the Insured Bonds for any period, the Successor Agency designates BAM as its attorney in fact with the power to request that the Oversight Board approve, or provide the DOF with an Oversight Board approved Recognized Obligation Payment Schedule using the format and website application prescribed by the DOF relating to the Insured Bonds.

The Successor Agency will not, without the prior written consent of BAM, approve or submit for approval by the Oversight Board of the Successor Agency or the DOF any Last and Final Recognized Obligation Payment Schedule.

In the event that the Successor Agency defeases any Senior Bonds with funds on hand, or refinances any Senior Bonds the amount of any annual debt service savings as a result of such defeasance or refunding will be required to be requested in the Recognized Obligation Payment Schedule period beginning January 2 of each year to first be used to pay the June 1 debt service on the Bonds and any Parity Debt, pro rata, not already funded in accordance with paragraphs (a) above, and then as a reserve for the timely payment of principal and interest due on the Bonds and any Parity Debt, pro rata, on December 1 of such year, and the amounts requested in paragraph (b) above shall be reduced by the same amount.

(d) The Successor Agency shall provide BAM with copies of all Recognized Obligation Payment Schedule submitted and any and all correspondence received from the DOF upon receipt. Documents which are posted by DOF under their existing procedures on the DOF website shall meet this requirement. In the event that the Successor Agency is a party to a meet and confer with the DOF that relates to an item of debt service insured by BAM, the Successor Agency shall timely notify BAM and, if the subject of the meet and confer could impact the payment of or security for the Insured Bonds or Policy Costs, BAM shall have the right to participate in the meet and confer process either by appearance with the Successor Agency at the meet and confer or through written submission as BAM determines in its discretion. In the event the Successor Agency receives a denial of the Recognized Obligation Payment Schedule, whether relating to the Insured Bonds or not, and such denial could delay the receipt of tax revenues necessary to pay debt service, Policy Costs, or BAM Reimbursement Amounts relating to the Insured Bonds, the Successor Agency agrees to cooperate in good faith with BAM and BAM shall receive prompt notice of any such event and shall be permitted to attend any meetings with the Successor Agency and the DOF and to discuss such matters with the DOF directly.

Tax Covenants Relating to the Series 2016A Bonds

(a) Private Activity Bond Limitation. The Successor Agency shall assure that the proceeds of the Series 2016A Bonds are not so used as to cause Series 2016A Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Successor Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Series 2016A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Successor Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Series 2016A Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Series 2016A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

(d) Maintenance of Tax-Exemption. The Successor Agency shall take all actions necessary to assure the exclusion of interest on the Series 2016A Bonds from the gross income of the Owners of the Series 2016A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date. This covenant shall remain in full force and effect following defeasance of Series 2016A Bonds pursuant to the Indenture.

(e) Rebate Requirement. The Successor Agency shall take any and all actions necessary to assure compliance with Section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Series 2016A Bonds.

The Trustee shall have no duty to monitor the compliance by the Successor Agency with any of the covenants contained in the Indenture.

Notice of Insufficiency

The Successor Agency covenants that it will, on or before May 1 and December 1 of each year, file a Notice of Insufficiency with the County Auditor-Controller if the amount of Pledged Tax Revenues available to the Successor Agency from the Redevelopment Property Tax Trust Fund on the upcoming July 1 or January 2, as applicable, is insufficient to pay debt service on the Series 2016 Bonds, to pay debt service on any Parity Bonds, to deposit into the Reserve Account an amount required in order to maintain in the Reserve Account the amount of the Reserve Requirement and to pay amounts due and owing to the Insurer pursuant to the Insurance Policies, the Reserve Policy and the Indenture.

Further Assurances

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

THE TRUSTEE

Duties, Immunities and Liabilities of Trustee

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants or duties shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such

of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

(b) The Successor Agency may, with the prior written consent of the Insurer, remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by the Insurer or, with the prior written consent of the Insurer, an instrument or concurrent instruments in writing signed by the Owners of not less than a majority of the principal amount of the Series 2016 Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of 30 days' written notice of such removal by the Successor Agency to the Trustee, whereupon the Successor Agency shall appoint a successor Trustee by an instrument in writing.

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

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Successor Agency and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee under the Indenture, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the Successor Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Successor Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Indenture, the Successor Agency shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Indenture to S&P and Moody's, and to the Owners and BAM at the addresses shown on the Registration Books. If the Successor Agency fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Successor Agency.

(e) Any Trustee appointed under the provisions of the Indenture in succession to the Trustee shall (i) be a company or bank having trust powers, (ii), shall have an office in the State of California or such other state as shall be acceptable to the Successor Agency, (iii) have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least Seventy Five Million Dollars (\$75,000,000), and (iv) be subject to supervision or examination by federal or state authority. If such bank or 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 the Indenture the combined capital and surplus of such bank or company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture, the Trustee shall promptly resign in the manner and with the effect specified in the Indenture.

Merger or Consolidation

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

Liability of Trustee

(a) The recitals of facts in the Indenture and in the Series 2016 Bonds contained shall be taken as statements of the Successor Agency, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of any offering memorandum, the Indenture or of the Series 2016 Bonds nor shall incur any responsibility in respect thereof, other than as expressly stated in the Indenture. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Series 2016 Bonds. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee shall not be liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of any Series 2016 Bonds with the same rights it would have if they were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority of the principal amount of the Series 2016 Bonds then Outstanding. The Trustee, either as principal or agent, may engage in or be entrusted in any financial or other transaction with the Successor Agency.

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

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Successor Agency, accompanied by an opinion of Bond counsel, or in accordance with direction of the Owners of not less than a majority of the principal amount of the Series 2016 Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

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

(e) The Trustee shall not be deemed to have knowledge of any Event of Default under the Indenture unless and until a responsible officer of the Trustee shall have actual knowledge thereof, or the Trustee shall have received written notice thereof at its Office. Except as otherwise expressly provided in the Indenture, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Indenture or of any of the documents executed in connection with the Series 2016 Bonds, or as to the existence of an Event of Default thereunder. The Trustee shall not be responsible for the Successor Agency's payment of principal and interest on the Series 2016 Bonds, the observance or performance by the Successor Agency of any other covenants, conditions or terms contained in the Indenture, or the validity

or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee pursuant to the Indenture and may rely conclusively on the Request of the Successor Agency accompanying such financial statements to establish the Successor Agency's compliance with its financial covenants thereunder, including, without limitation, its covenants regarding the deposit of Pledged Tax Revenues into the Redevelopment Obligation Retirement Fund and the investment and application of moneys on deposit in the Redevelopment Obligation Retirement Fund (other than its covenants to transfer such moneys to the Trustee when due under the Indenture).

(f) No provision in the Indenture shall require the Trustee to risk, expend, or advance its own funds or otherwise incur any financial liability thereunder. However, if the Trustee elects to advance funds, it shall be entitled to receive interest on any moneys advanced by it under the Indenture, at the maximum rate permitted by law.

(g) The Trustee may establish additional accounts or subaccounts of the funds established under the Indenture as the Trustee deems necessary or prudent in furtherance of its duties under the Indenture.

(h) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Series 2016 Bonds.

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

(j) The Trustee shall not be considered in breach of or in default in its obligations under the Indenture or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(k) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the Indenture provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (ii) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (iii) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

Right to Rely on Documents

The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the Successor Agency, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee under the Indenture in accordance therewith.

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

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Request of the Successor Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Request of the Successor Agency, but in its discretion the Trustee may (but shall have no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or Report of any Independent Accountant or Independent Fiscal Consultant appointed by the Successor Agency.

Preservation and Inspection of Documents

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

Compensation and Indemnification

The Successor Agency shall pay to the Trustee from time to time compensation for all services rendered under the Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under the Indenture.

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

Accounting Records and Financial Statements

The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee pursuant to the Indenture. Such books of record and account shall be available for inspection by the Successor Agency at reasonable hours, during regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the Successor Agency, at least monthly, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to the Indenture.

Appointment of Co-Trustee or Agent

It is the purpose of the Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under the Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies in the

Indenture granted to the Trustee or hold title to the properties, in trust, as granted in the Indenture, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co-Trustee. The provisions of the Indenture are adopted to these ends.

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

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

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

No Liability for Agency Performance

The Trustee shall have no liability or obligation to the Bond Owners with respect to the payment of debt service by the Successor Agency or with respect to the observance or performance by the Successor Agency of the other conditions, covenants, and terms contained in the Indenture, or with respect to the investment of any moneys in any fund or account established, held, or maintained by the Successor Agency pursuant to the Indenture

MODIFICATION OR AMENDMENT OF THE INDENTURE

Authorized Amendments

The Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, with the consent of the Insurer (except no consent is required with respect to such amendments as listed in the Indenture), but without the consent of any Owners, to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Successor Agency contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved in the Indenture to or conferred upon the Successor Agency provided such addition, limit, or surrender shall not materially adversely effect the interest of the Owners as determined by the Successor Agency and certified to the Trustee; or

(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 any other respect whatsoever as the Successor Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners; or

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

(d) to amend any provision of the Indenture to assure the exclusion from gross income of interest on the Series 2016 Bonds for federal income tax purposes, in the opinion of Bond Counsel filed with the Successor Agency and the Trustee; or

(e) to comply with the requirements of the provider of a Qualified Reserve Account Credit Instrument.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Insurer and the written consents of the Owners of a majority of the principal amount of the Bonds then Outstanding are delivered to the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premium (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee. Any modification to the Indenture shall be accompanied with an opinion of counsel to the effect that such supplemental Indenture is a valid and bonding obligation of the Successor Agency and that the amendments do not adversely affect the tax-exempt status of the Series 2016A Bonds.

Promptly following the adoption of any Supplemental Indenture pursuant to the written consent of the Insurer, the Successor Agency shall deliver a copy of the executed Supplemental Indenture to S&P.

As long as an Insurer is not in default under the terms of its Insurance Policy, it shall be deemed the owner of all of the Series 2016 Bonds or Parity Debt insured by its Insurance Policy for all purposes of the Indenture.

Effect of Supplemental Indenture

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

Endorsement or Replacement of Bonds After Amendment

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

Amendment by Mutual Consent

The provisions of the Indenture shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

Trustee's Reliance

The Trustee may conclusively rely, and shall be protected in relying, upon an opinion of counsel stating that all requirements of the Indenture relating to the amendment or modification of the Indenture have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Owners.

EVENTS OF DEFAULT AND REMEDIES

Events of Default and Acceleration of Maturities

Each of the following events shall constitute an Event of Default under the Indenture:

(a) Failure to pay any installment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Failure by the Successor Agency to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Successor Agency by the Trustee or the Insurer; provided, however, if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Successor Agency within such thirty (30) day period and the Successor Agency shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

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

Subject in all respects to the provisions of the Indenture, if an Event of Default has occurred and is continuing, the Trustee may, and if requested in writing by the Owners of a majority of the principal amount of the Bonds then Outstanding the Trustee with the written consent of BAM shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) upon receipt of indemnity satisfactory to it from any liability or expense, including payment of the fees and expenses of its counsel and agents, exercise any other remedies available to the Trustee and the Owners in law or at equity. The Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers for the Pledged Tax Revenues, if appropriate, and for the revenues, income, product, and profits thereon, if any, ex parte, and without notice, and the Successor Agency consents to the appointment of such receiver upon the occurrence of an Event of Default. If any receivership, bankruptcy, insolvency, or reorganization or other judicial proceedings affecting the Successor Agency is filed, the Trustee shall be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Trustee and Owners allowed in such proceedings for the entire amount due and payable under the Indenture at the time of the institution of such proceedings, and also for any additional amount which may become due and payable after such date, without prejudice to the right of any Owner to file a claim on his own behalf. The Trustee shall

not be obligated to take any such action unless offered compensation, indemnity for its potential liability, and reimbursement for its legal fees and expenses in accordance with the Indenture.

Promptly upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided in the Indenture for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Successor Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the weighted average interest rate then borne by the Outstanding Bonds, and the fees and expenses of the Trustee, including any fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of a majority of the principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration

All of the Pledged Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee thereunder, shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any reasonable fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the reasonable fees, costs and expenses of the Trustee (including reasonable fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under the Indenture, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law;

(b) To the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by the Outstanding Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

Power of Trustee to Control Proceedings

In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority of the principal amount of the Bonds then Outstanding, it shall have

full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority of the principal amount of the Bonds then Outstanding opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation accompanied, if requested by the Trustee, by indemnity or confirmation of indemnity as described in the Indenture.

Limitation on Owners' Right to Sue

No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority of the principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds.

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

Non-waiver

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

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

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Trustee, Successor Agency, or Owners, the Successor Agency, Trustee, 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 similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of the Indenture.

Remedies Not Exclusive

No remedy conferred upon in the Indenture or reserved to the Trustee or 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.

Rights of the Insurer

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies (including the right to require a declaration of acceleration) granted thereunder to the Bond Owners, or to the Trustee for the benefit of the Bond Owners, including but not limited to rights and remedies granted pursuant to the Indenture and including but not limited to the right to approve all waivers of any Events of Default. The rights granted to the Insurer under the Indenture shall be deemed terminated and shall not be exercisable by the Insurer during any period during which the Insurer shall be in default under the Insurance Policies.

So long as BAM shall be in compliance with its payment obligations under the Insurance Policy, BAM shall be deemed to be the sole owner of the Insured Bonds for purposes of all provisions relating to an event of default with respect to the Insured Bonds, except with respect to the giving of notice of such an Event of Default. BAM shall be included as a party in interest and as a party entitled to (1) notify the Trustee of the occurrence of an Event of Default and (2) request the Trustee to intervene in judicial proceedings that affect the Bonds or the security therefor. In addition, the provisions in the Indenture requiring the consent, approval or direction of BAM shall be applicable only at such time as BAM shall be in compliance with its payment obligations under the Insurance Policy and the Series 2016 Reserve Policy.

DEFEASANCE OF BONDS

(a) If the Successor Agency shall pay and discharge the entire indebtedness on any Bonds or any portion thereof, in any one or more of the following ways:

(i) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;

(ii) by irrevocably depositing with the Trustee or another fiduciary, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;

(iii) by irrevocably depositing with the Trustee or another fiduciary, in trust, non-callable Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts

established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or

(iv) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Successor Agency, and notwithstanding that any such Bonds shall not have been surrendered for payment, the pledge of the Pledged Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Successor Agency under the Indenture with respect to such Bonds shall cease and terminate, except only (A) the obligations of the Successor Agency under the Indenture, (B) the obligation of the Trustee to transfer and exchange Bonds under the Indenture, (C) the obligation of the Successor Agency to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and (D) the obligations of the Successor Agency to compensate and indemnify the Trustee pursuant to the Indenture. Notice of such election shall be filed with the Trustee. In the event the Successor Agency shall, pursuant to the foregoing provisions, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Successor Agency all such instruments as may be necessary or desirable to evidence such discharge, including without limitation, selection by lot of Bonds of any maturity of the Bonds that the Successor Agency has determined to pay and discharge in part. Any funds thereafter held by the Trustee, which are not required for said purpose, shall be paid over to the Successor Agency.

(b) Notwithstanding the provisions of the Indenture, in the event that the principal, interest and premium (if any) on the Series 2016A Bonds or the Series 2016B Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the obligations of the Trustee and the Successor Agency under the Indenture shall continue in full force and effect and the Insurer shall be fully subrogated to the rights of all Owners of the Series 2016 Bonds so paid.

(c) In the event that any portion or all of the Bonds are to be paid and discharged pursuant to the Indenture, the Insurer shall be notified and provided with a draft copy of any proposed escrow agreement establishing the trust, the form of the Independent Certified Public Accountant's Certificate, the Preliminary Official Statement of the refunding issue (if applicable) and the form of approving opinion of bond counsel. These materials shall be delivered to the Insurer by the Successor Agency no less than three (3) Business Days prior to the scheduled payment and discharge.

In addition, the escrow agreement will provide that:

(i) Any substitution of securities will require the delivery of an Independent Certified Public Accountant's Certificate, an opinion of nationally-recognized bond counsel that such substitution will not adversely affect the exclusion from gross income of the Owners of the Series 2016 Bonds of the interest on the Series 2016 Bonds for federal income tax purposes and the prior written consent of BAM.

(ii) The Successor Agency will not exercise any prior optional redemption of Insured Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (a) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (b) as a condition to any such redemption there will be provided to BAM a report of an Independent Certified Public Accountant as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(iii) The Successor Agency will not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of BAM.

APPENDIX B

CITY OF STANTON INFORMATION STATEMENT

The following information concerning the City of Stanton is presented as general background data. The Bonds are payable solely from Pledged Tax Revenues, as described in the Official Statement. The Bonds are not an obligation of the City, and the taxing power of the City is not pledged to the payment of the Bonds.

General Information

The City of Stanton was incorporated on June 4, 1956 as a general law city and operates under the council-manager form of government. The City encompasses 3.1 square miles and is located in central Orange County, approximately 23 miles southeast of Los Angeles and 9 miles northwest of Santa Ana. Nearby cities include Anaheim, Buena Park, Garden Grove, Cypress, and La Palma.

Governmental Services

Stanton provides a broad range of municipal services to its citizens, including planning, zoning and building safety, code enforcement, parking control, recreation and community services, engineering, public works, streets and park maintenance, street sweeping, graffiti abatement and general administration. Police and fire service are provided by contracts with the Orange County Sheriff's Department and Orange County Fire Authority, respectively. The public library located in Stanton is a part of the Orange County Library System.

Stanton is served by the Garden Grove Unified School District, the Magnolia Elementary School District, the Savanna School District, and the Anaheim Union High School District. The Garden Grove Unified School District provides access to four elementary schools, one middle school and two high schools for Stanton residents. The Magnolia Elementary School District provides access to four elementary schools for Stanton residents. The Savanna School District provides access to four elementary schools for Stanton residents. The Anaheim Union High School District provides access to three junior high and middle schools and one high school for Stanton residents. There is also one parochial school in Stanton serving the area.

Transportation

Stanton's location near two interstate freeways and two highways affords easy access to the extensive Southern California freeway network. The City is in close proximity to four freeways: the Garden Grove Freeway (State Highway 22) passes just south of the City; the San Gabriel River Freeway (Interstate 605) runs north and south to the west of the City; the Santa Ana Freeway (Interstate 5) runs in a northwest-southeast course to the east of the City; and the Artesia Freeway (State Highway 91) runs east and west about two and a half miles north of the City.

Population

The following table provides population growth for the City of Stanton and Orange County between 2011 and 2015.

**TABLE NO. B-1
CHANGE IN POPULATION
CITY OF STANTON AND ORANGE COUNTY
2011 – 2015**

January 1 Year	<u>CITY OF STANTON</u>		<u>ORANGE COUNTY</u>	
	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>
2011	38,312		3,028,846	
2012	38,514	0.5%	3,057,233	0.9%
2013	38,835	0.8%	3,087,715	1.0%
2014	38,954	0.3%	3,114,209	0.9%
2015	39,219	0.7%	3,147,655	1.1%
% Change Between 2011 - 2015		2.4%	3.9%	

Source: State of California, Department of Finance, “E-4 Population Estimates for Cities, Counties and the State, 2011-2015, with 2010 Census Benchmark” Sacramento, California, May 2015.

Per Capita Personal Income

Per capita personal income information for Orange County, the State of California and the United States are summarized in the following table. Per capita personal income for the City is not available.

**TABLE NO. B-2
PER CAPITA PERSONAL INCOME
ORANGE COUNTY, STATE OF CALIFORNIA AND UNITED STATES
2010 – 2014**

<u>Year</u>	<u>Orange County</u> ⁽¹⁾	<u>State of California</u> ⁽¹⁾	<u>United States</u> ⁽¹⁾
2010	\$48,007	\$42,411	\$40,277
2011	50,547	44,852	42,453
2012	53,390	47,614	44,266
2013	53,128	48,125	44,438
2014	55,096	49,985	46,049

⁽¹⁾ For Orange County, State of California and United States, per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2014 reflect county population estimates available as of March 2015.

Note: All dollar estimates are in current dollars (not adjusted for inflation).

Last updated: November 19, 2015, new estimates for 2014; revised estimates for 2001-2013.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

As of July 2015, the civilian labor force for the City was approximately 19,500 of whom 18,200 were employed. The unadjusted unemployment rate as of July 2015 was 6.2% for the City as compared to 4.7% for the County and 6.5% for the State. Civilian labor force, employment and unemployment statistics for the City, County, the State and the nation, for the years 2010 through 2014 are shown in the following table:

**TABLE NO. B-3
CITY OF STANTON
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES**

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<u>2010</u>				
City of Stanton	18,900	16,500	2,400	12.6%
Orange County	1,538,600	1,388,900	149,700	9.7%
California	18,336,300	16,091,900	2,244,300	12.2%
United States	153,889,000	139,064,000	14,825,000	9.6%
<u>2011</u>				
City of Stanton	19,000	16,800	2,200	11.7%
Orange County	1,548,100	1,408,300	139,800	9.0%
California	18,419,500	16,260,100	2,159,400	11.7%
United States	153,617,000	139,869,000	13,747,000	8.9%
<u>2012</u>				
City of Stanton	19,200	17,200	2,000	10.2%
Orange County	1,566,100	1,443,400	122,700	7.8%
California	18,554,800	16,630,100	1,924,700	10.4%
United States	154,975,000	142,469,000	12,506,000	8.1%
<u>2013</u>				
City of Stanton	19,100	17,500	1,600	8.5%
Orange County	1,566,800	1,464,900	101,900	6.5%
California	18,671,600	17,002,900	1,668,700	8.9%
United States	155,389,000	143,929,000	11,460,000	7.4%
<u>2014</u>				
City of Stanton	19,100	17,700	1,400	7.2%
Orange County	1,575,600	1,489,200	86,400	5.5%
California	18,811,400	17,397,100	1,414,300	7.5%
United States	155,922,000	146,305,000	9,617,000	6.2%

Source: California State Employment Development Department.

Industry

The City is located in the Anaheim-Santa Ana-Irvine Metropolitan Division. Six major job categories constitute 80.1% of the work force. They are professional and business services (18.2%), service producing (15.4%), leisure and hospitality (12.9%), educational and health services (12.8%), manufacturing (10.5%), and government (10.3%). The November 2015 unemployment rate in the Anaheim-Santa Ana-Irvine Metropolitan Division was 4.2%. The State of California November 2015 unemployment rate (unadjusted) was 5.7%.

TABLE NO. B-4
ANAHEIM-SANTA ANA-IRVINE METROPOLITAN DIVISION
WAGE AND SALARY WORKERS BY INDUSTRY ⁽¹⁾
(in thousands)

<u>Industry</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Government	153.9	151.5	153.1	156.7	162.3
Other Services	43.4	45.1	46.1	48.7	51.0
Leisure and Hospitality	176.0	182.2	188.8	194.6	202.8
Educational and Health Services	169.2	179.0	188.6	196.5	201.6
Professional and Business Services	252.1	269.8	272.0	283.0	286.1
Financial Activities	105.7	110.9	113.7	115.9	114.8
Information	23.9	24.6	24.6	23.9	23.7
Transportation, Warehousing and Utilities	27.6	28.3	27.0	27.3	28.4
Service Producing					
Retail Trade	148.8	151.2	152.6	155.9	156.9
Wholesale Trade	76.3	78.5	80.3	82.6	84.3
Manufacturing					
Nondurable Goods	43.8	43.8	42.6	43.0	43.4
Durable Goods	113.1	115.5	116.3	117.4	121.1
Goods Producing					
Construction	70.4	73.7	79.6	85.3	93.5
Mining and Logging	0.6	0.6	0.7	0.7	0.6
Total Nonfarm	<u>1,404.8</u>	<u>1,454.7</u>	<u>1,486.0</u>	<u>1,531.5</u>	<u>1,570.5</u>
Farm	<u>2.7</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>
Total (all industries)	<u>1,407.5</u>	<u>1,457.2</u>	<u>1,488.5</u>	<u>1,534.0</u>	<u>1,573.0</u>

⁽¹⁾ Annually, as of November.

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: State of California Employment Development Department, Labor Market Information Division, "Industry Employment & Labor Force - by month, March 2014 Benchmark."

**TABLE NO. B-5
CITY OF STANTON
MAJOR EMPLOYERS**

The major employers operating within the City and their respective number of employees as of June 30, 2015 are as follows:

<u>Name of Company</u>	<u>Employment</u>	<u>Type of Business/Service</u>
Rowntree Gardens (formerly Quaker Gardens)	312	Senior Living Community
Sam's Club	200	Discount Retailer
USS Cal Builders	200	General Contractor
CR &R	190	Waste Disposal
Home Depot	144	Home Improvement Retailer
All Metals Processing	132	Fabricated Metal Products
Custom Pipe & Coupling	120	Pipe Bending and Fabricating
Adventure City	100	Amusement Park
Food 4 Less	68	Grocery Store
City of Stanton	53	Government

Source: City of Stanton.

Commercial Activity

The following table summarizes the volume of retail sales and taxable transactions for the City of Stanton for 2009 through 2013 (the most recent year for which statistics are available from the State Board of Equalization for the full year).

**TABLE NO. B-6
CITY OF STANTON
TOTAL TAXABLE TRANSACTIONS
(in \$ thousands)
2009 – 2013**

<u>Year</u>	<u>Retail and Food Services</u>		<u>Retail and Food Services</u>		<u>Total Taxable Transactions</u>		<u>Issued Sales</u>	
	<u>(\$000's)</u>	<u>% Change</u>	<u>Permits</u>	<u>(\$000's)</u>	<u>% Change</u>	<u>Permits</u>		
2009	\$212,785		444	\$267,005		755		
2010	220,158	3.5%	452	272,830	2.2%	747		
2011	244,816	11.2%	437	301,045	10.3%	727		
2012	261,097	6.7%	465	321,040	6.6%	751		
2013	271,452	4.0%	484	338,677	5.5%	763		

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

Taxable transactions by type of business for the City of Stanton for 2009 through 2013 (the most recent year for which statistics are available from the State Board of Equalization for the full year) are summarized in Table No. B-7.

**TABLE NO. B-7
CITY OF STANTON
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(in \$ thousands)
2009 – 2013**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<i>Retail and Food Services</i>					
Clothing and Clothing					
Accessories Stores	\$ 2,257	\$ 2,090	\$ 2,183	\$ 3,011	\$ 4,299
Food and Beverage Stores	16,477	17,496	18,605	19,009	22,455
Food Services and Drinking Places	39,017	39,137	41,383	43,192	45,083
Building Materials and Garden					
Equipment and Supplies	40,582	42,946	44,454	46,118	47,856
Motor Vehicle and Parts Dealers	26,142	23,583	28,286	26,986	32,828
Gasoline Stations	41,349	49,636	62,754	69,675	66,319
Other Retail Group #	<u>46,959#</u>	<u>45,271#</u>	<u>47,151#</u>	<u>53,107#</u>	<u>52,612#</u>
Total Retail and Food Services	212,785	220,158	244,816	261,097	271,452
<i>All Other Outlets</i>					
	<u>54,220</u>	<u>52,671</u>	<u>56,230</u>	<u>59,942</u>	<u>67,225</u>
Total All Outlets	<u>\$267,005</u>	<u>\$272,830</u>	<u>\$301,045</u>	<u>\$321,040</u>	<u>\$338,677</u>

Includes general merchandise stores and home furnishings and appliance stores.

Note: Detail may not compute to total due to rounding.

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

Building Activity

The following table summarizes building activity valuations for the City of Stanton for the five fiscal years 2010/11 through 2014/15.

**TABLE NO. B-8
CITY OF STANTON
BUILDING ACTIVITY AND VALUATION
2010/11 - 2014/15**

	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>
Estimated Valuation	\$10,819,846	\$6,824,061	\$8,011,040	\$12,151,759	\$9,628,253
Building Permits Issued	274	244	211	262	338

Source: Community Development Department, City of Stanton.

APPENDIX C
SUCCESSOR AGENCY AUDITED
FINANCIAL STATEMENTS FOR THE FISCAL
YEAR ENDED JUNE 30, 2015

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**SUCCESSOR AGENCY TO THE
STANTON REDEVELOPMENT AGENCY
(A PRIVATE-PURPOSE TRUST FUND OF
THE CITY OF STANTON, CALIFORNIA)**

**WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

FOR THE YEAR ENDED JUNE 30, 2015

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

Oversight Board of the Successor Agency
to the Stanton Redevelopment Agency
Stanton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Successor Agency to the Stanton Redevelopment Agency (the Successor Agency) as of and for the year ended June 30, 2015, and the related notes to the basic financial statements, which collectively comprise the Successor Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Successor Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Successor Agency as of June 30, 2015 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1a, the financial statements present only the Successor Agency and do not purport to, and do not fairly present, the financial position of the City of Stanton, California as of June 30, 2015 and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 6, the Asset Transfer Review performed by the State Controller's Office should have resulted in a transfer of land into the Successor Agency from the City of Stanton in fiscal year 2013-2014. Accordingly, net position has been restated to reflect this transfer. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the Successor Agency's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
November 30, 2015

BASIC FINANCIAL STATEMENTS

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

ASSETS:

CURRENT ASSETS:

Cash and investments held by City of Stanton (Note 2)	\$ 14,200,171
Interest receivable	2,227
Notes and loans receivable (Note 3)	23,072
Restricted assets:	
Cash held by fiscal agent (Note 2)	14,435,157
TOTAL CURRENT ASSETS	<u>28,660,627</u>

NONCURRENT ASSETS:

Capital assets, not being depreciated	10,192,858
TOTAL NONCURRENT ASSETS	<u>10,192,858</u>

TOTAL ASSETS	<u>38,853,485</u>
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LIABILITIES:

CURRENT LIABILITIES:

Accounts payable	1,829
Interest payable	357,984
Tax allocation bonds, current portion (Note 4)	1,850,000
TOTAL CURRENT LIABILITIES	<u>2,209,813</u>

LONG-TERM LIABILITIES:

Advance from the City of Stanton	7,189,010
Tax allocation bonds (Note 4)	71,865,683
TOTAL LONG-TERM LIABILITIES	<u>79,054,693</u>

TOTAL LIABILITIES	<u>81,264,506</u>
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NET POSITION:

Net investment in capital assets	10,192,858
Net deficit held in trust	<u>(52,603,879)</u>
TOTAL NET POSITION	<u>\$ (42,411,021)</u>

See accompanying notes to basic financial statements.

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2015

ADDITIONS:

Taxes	\$ 7,200,326
Investment income	56,364
TOTAL ADDITIONS	<u>7,256,690</u>

DEDUCTIONS:

Urban development	240,673
Contractual services	33,545
Interest and fiscal charges	4,576,341
TOTAL DEDUCTIONS	<u>4,850,559</u>

CHANGE IN NET POSITION 2,406,131

NET POSITION - JULY 1, 2014, AS RESTATED (NOTE 6) (44,817,152)

NET POSITION - JUNE 30, 2015 \$ (42,411,021)

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES:

a. Reporting Entity:

The Stanton Redevelopment Agency (the “Former RDA” or the “Successor Agency”) was established pursuant to the State of California Health and Safety Code, Section 33000 entitled “Community Redevelopment Law”. The primary purpose of the Former RDA was to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1x 26 that provided for the dissolution of all redevelopment agencies in the State of California as of February 1, 2012, at which time the City of Stanton took over as the Successor Agency.

The assets and liabilities of the Former RDA were transferred to the Successor Agency on February 1, 2012 as a result of the dissolution of the Former RDA. The Successor Agency acts in a fiduciary capacity to wind down the affairs of the Former RDA which includes disposing of the assets and liabilities and is reported as a private purpose trust fund. (See Note 5 for additional information).

The financial statements present only the Successor Agency and do not purport to, and do not fairly present, the financial position of the City of Stanton, California as of June 30, 2015 and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

b. Basis of Presentation:

Fiduciary Fund:

Private-Purpose Trust Fund - This fund is used to account for the assets, liabilities, additions and deductions made on behalf of the Former RDA.

c. Measurement Focus and Basis of Accounting:

Measurement Focus:

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

The financial statements are presented using the economic resources measurement focus. Under the economic measurement focus, all (both current and long-term) economic resources are reported in the financial statements.

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Measurement Focus and Basis of Accounting (Continued):

Basis of Accounting:

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

The financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Successor Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

d. New Accounting Pronouncements:

Current Year Standards:

GASB 68 - "*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*", required to be implemented in the current fiscal year did not impact the Successor Agency.

GASB 69 - "*Government Combinations and Disposals of Government Operations*", required to be implemented in the current fiscal year did not impact the Successor Agency.

GASB 71 - "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*", required to be implemented in the current fiscal year did not impact the Successor Agency.

Pending Accounting Standards:

GASB has issued the following statements which may impact the Successor Agency's financial reporting requirements in the future:

- GASB 72 - "*Fair Value Measurement and Application*", effective for periods beginning after June 15, 2015.

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

Pending Accounting Standards (Continued):

- GASB 73 - “*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*”, effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, effective for periods beginning after June 15, 2016.
- GASB 75 - “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”, effective for periods beginning after June 15, 2017.
- GASB 76 - “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”, effective for periods beginning after June 15, 2015.

e. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. The Successor Agency does not have deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Successor Agency does not have deferred inflows of resources.

f. Investments:

Investments are stated at fair value (quoted market price or best available estimate thereof).

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

g. Property Tax Calendar:

Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	January 1
Levy Date	July 1 to June 30
Due Date	November 1 - 1st Installment March 1 - 2nd Installment
Delinquent Date	December 10 - 1st Installment April 10 - 2nd Installment

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the agencies based on complex formulas prescribed by state statutes. The Successor Agency will be allocated its share of property taxes based on its need to pay for enforceable obligations as defined in AB 1x26 as modified by AB 1484.

h. Estimates:

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

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS:

Cash and Investments:

The Successor Agency's cash and investments are presented on the accompanying statement of net position as follows:

Cash and investments held by City of Stanton	\$ 14,200,171
Restricted cash held by fiscal agent	<u>14,435,157</u>
Total Cash and Investments	<u>\$ 28,635,328</u>

At June 30, 2015, cash and investments consisted of deposits and investments as follows:

Deposits	\$ 14,200,171
Cash with fiscal agent	<u>14,435,157</u>
Total Cash and Investments	<u>\$ 28,635,328</u>

Equity in Cash and Investments Pool of the City of Stanton:

A portion of the Successor Agency's cash and investments are maintained in an investment pool managed by the City of Stanton. The Successor 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 Stanton. The Successor Agency has not adopted an investment policy separate from that of the City of Stanton. The fair value of the Successor Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Successor 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.

At June 30, 2015 the City was holding \$14,200,171 in cash and investments on deposit for the Successor Agency which is reflected in the City's Basic Financial Statements. The monies on deposit with the City of Stanton are not categorized.

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements:

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	None	None	None
United States Government Sponsored Agency Securities	None	None	None
Banker's Acceptances	270 days	None	None
Commercial Paper	180 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Interest-bearing Deposit Accounts	N/A	None	None

N/A - Not Applicable

At June 30, 2015, substantially all cash with fiscal agent of \$14,435,157 was held in interest-bearing deposit accounts.

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 City of Stanton 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.

At June 30, 2015, the Successor Agency held cash with fiscal agent in interest-bearing deposit accounts in the amount of \$14,435,157 under the bond indentures that was available on demand.

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued):

Information about the Successor Agency's exposure to interest rate risk as a result of its equity in the cash and investment pool of the City of Stanton in the amount of \$14,200,171 is provided by disclosures in the notes to the basic financial statements of the City of Stanton that shows the distribution of the City's investments by maturity.

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. The minimum ratings required by (where applicable) the California Government Code and the City of Stanton's Investment Policy and the actual ratings as of year-end for the investment in the City of Stanton is provided by disclosures in the notes to the basic financial statements of the City of Stanton. Restricted cash held in interest-bearing deposit accounts is held in a trust and is not rated.

Concentration of Credit Risk:

Investments in any one issuer (other than U.S. Treasury securities, mutual funds and investment pools) that represent 5% or more of total investments for the entire entity (or for each separate major fund or for other governmental funds in the aggregate) are disclosed in the notes to the basic financial statements of the City of Stanton.

Custodial Credit Risk:

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk (Continued):

The California Government Code and the City of Stanton's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Successor Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Any deposits in excess of depository insurance limits at year end are collateralized by securities held at the depository financial institutions' trust department with the exception of cash held by fiscal agent. The cash with fiscal agent balance as of June 30, 2015 was neither insured by the Federal Deposit Insurance Corporation (FDIC) nor collateralized as required under California Law.

3. NOTES AND LOANS RECEIVABLE:

In April 2005, the Agency entered into a loan agreement with the Boys and Girls Club of Stanton to develop a new Teen Center. Under the terms of the agreement, the Agency loaned \$180,000 to the Boys and Girls Club. Annual payments of interest and principal shall be forgiven at the end of each 12 month period that the Boys and Girls Club of Stanton continues operations. The note commenced on June 16, 2005 and bears interest at 6% per year. The total amount outstanding including accrued interest at June 30, 2015 was \$23,072.

4. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Balance at July 1, 2014			Balance at June 30, 2015			Due Within One Year	Due in More Than One Year
	July 1, 2014	Additions	Deletions	June 30, 2015	One Year	One Year	One Year	One Year
Bonds Payable:								
Tax allocation bonds, (TAB)								
2005 Series A	\$ 14,730,000	\$ -	\$ (270,000)	\$ 14,460,000	\$ 280,000	\$ -	\$ 14,180,000	\$ -
TAB, 2005 Series B	8,675,000	-	(195,000)	8,480,000	200,000	-	8,280,000	-
Less: Issuance discounts	(151,552)	-	7,217	(144,335)	-	-	(144,335)	-
TAB, 2010 Series A	24,425,000	-	(315,000)	24,110,000	875,000	-	23,235,000	-
Add: Bond premium	3,268	-	(126)	3,142	-	-	3,142	-
TAB, 2011 Series A	15,330,000	-	(235,000)	15,095,000	245,000	-	14,850,000	-
TAB, 2011 Series B	12,480,000	-	-	12,480,000	250,000	-	12,230,000	-
Less: Issuance discounts	(798,849)	-	30,725	(768,124)	-	-	(768,124)	-
Total Bonds Payable	<u>\$ 74,692,867</u>	<u>\$ -</u>	<u>\$ (977,184)</u>	<u>\$ 73,715,683</u>	<u>\$ 1,850,000</u>	<u>\$ -</u>	<u>\$ 71,865,683</u>	<u>\$ -</u>

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

4. LONG-TERM LIABILITIES (CONTINUED):

Tax Allocation Bonds, 2005 Series A:

On July 1, 2005, the Agency issued Tax Allocation Bonds, 2005 Series A, in the amount of \$16,500,000. The purpose of the Bonds was to finance redevelopment activities of the Agency within, or of benefit to, the Agency's Stanton Consolidated Redevelopment Project, fund a portion of the reserve fund for the Bonds, and provide for the costs of issuing Series A Bonds.

The Bonds bear interest rates between 4.40% to 5.20% due June 1 and December 1 of each year and mature December 1, 2035. The Bonds maturing on or after December 1, 2016, are subject to optional redemption prior to maturity at the option of the Agency on any date on or after December 1, 2015, as a whole or in part at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. The Bonds are subject to mandatory sinking account redemption in amounts ranging from \$190,000 to \$1,070,000 as outlined in the official statements.

Tax revenues are pledged for the payment of principal and interest on the Bonds until the Bonds and any Parity Debt have been paid, or until monies have been set-aside irrevocably for that purpose. A reserve account has been established to be held by the Trustee to further secure the timely payment of principal and interest on the Bonds. The amount required to be maintained by the trustee for the Bonds is \$1,261,450. At June 30, 2015, this reserve was fully funded with a balance of \$1,264,031.

The outstanding balance of the Bonds was \$14,460,000 at June 30, 2015.

The annual debt service requirements on these bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 280,000	\$ 732,360	\$ 1,012,360
2017	305,000	718,575	1,023,575
2018	315,000	703,075	1,018,075
2019	565,000	681,075	1,246,075
2020	590,000	652,200	1,242,200
2021 - 2025	3,160,000	2,788,250	5,948,250
2026 - 2030	3,570,000	1,957,935	5,527,935
2031 - 2035	4,605,000	900,770	5,505,770
2036	<u>1,070,000</u>	<u>27,820</u>	<u>1,097,820</u>
Totals	<u>\$ 14,460,000</u>	<u>\$ 9,162,060</u>	<u>\$ 23,622,060</u>

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

4. LONG-TERM LIABILITIES (CONTINUED):

Taxable Tax Allocation Bonds, 2005 Series B:

On July 1 2005, the Agency issued Tax Allocation Bonds, 2005 Series B, in the amount of \$10,000,000. The purpose of the Bonds was to finance redevelopment activities of the Agency within or of benefit to the Agency's Stanton Consolidated Redevelopment Project, fund the remaining portion of the reserve fund for the Bonds, and provide for the costs of issuing the Series B Bonds.

The Bonds bear interest rates between 3.50% to 4.25% due June 1 and December 1 of each year and mature December 1, 2035. The Bonds maturing on or after December 1, 2016, are subject to optional redemption prior to maturity at the option of the Agency on any date on or after December 1, 2015, as a whole or in part at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. The Bonds are subject to mandatory sinking account redemption in amounts ranging from \$430,000 to \$580,000 as outlined in the official statements.

The Tax Revenues are pledged for the payment of principal and interest on the Bonds until the Bonds and any Parity Debt have been paid, or until monies have been set-aside irrevocably for that purpose. A reserve account has been established to be held by the Trustee to further secure the timely payment of principal and interest on the Bonds. The amount required to be maintained by the trustee for the Bonds is \$698,766. At June 30, 2015, this reserve was fully funded with a balance of \$701,903.

The outstanding balance of the Bonds was \$8,480,000 at June 30, 2015.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 200,000	\$ 358,208	\$ 558,208
2017	215,000	350,630	565,630
2018	220,000	342,473	562,473
2019	355,000	331,370	686,370
2020	370,000	317,048	687,048
2021 - 2025	1,925,000	1,342,543	3,267,543
2026 - 2030	2,065,000	929,538	2,994,538
2031 - 2035	2,550,000	426,066	2,976,066
2036	580,000	13,048	593,048
Totals	<u>\$ 8,480,000</u>	<u>\$ 4,410,924</u>	<u>\$ 12,890,924</u>

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

4. LONG-TERM LIABILITIES (CONTINUED):

Tax Allocation Bonds, 2010 Series A:

On October 28, 2010, the Agency issued Tax Allocation Bonds, 2010 Series A, in the amount of \$25,280,000. The purpose of the Bonds was to refinance certain outstanding obligations of the Agency, finance public facilities, capitalize a portion of interest with respect to the Bonds, satisfy the reserve requirement of the Bonds, and provide for the costs of issuing the Bonds.

The Bonds bear interest rates between 2.00% to 5.00% due June 1 and December 1 of each year and mature December 1, 2040. The Bonds maturing on or after December 1, 2021, are subject to optional redemption prior to maturity at the option of the Agency on any date on or after December 1, 2020, as a whole or in part at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. The Bonds are subject to mandatory sinking account redemption in amounts ranging from \$565,000 to \$2,095,000 as outlined in the official statements.

Tax revenues are pledged for the payment of principal and interest on the Bonds until the Bonds and any Parity Debt have been paid, or until monies have been set-aside irrevocably for that purpose. A reserve account has been established to be held by the Trustee to further secure the timely payment of principal and interest on the Bonds. The amount required to be maintained by the trustee for the Bonds is \$1,561,680. At June 30, 2015, this reserve was fully funded with a balance of \$1,561,914.

The outstanding balance of the Bonds was \$24,110,000 at June 30, 2015.

The annual debt service requirements on these bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 875,000	\$ 1,053,444	\$ 1,928,444
2017	880,000	1,027,119	1,907,119
2018	915,000	995,619	1,910,619
2019	410,000	969,119	1,379,119
2020	425,000	952,419	1,377,419
2021 - 2025	2,820,000	4,481,069	7,301,069
2026 - 2030	4,190,000	3,757,350	7,947,350
2031 - 2035	3,390,000	2,904,081	6,294,081
2036 - 2040	8,110,000	1,676,216	9,786,216
2041	<u>2,095,000</u>	<u>52,375</u>	<u>2,147,375</u>
Totals	<u>\$ 24,110,000</u>	<u>\$ 17,868,811</u>	<u>\$ 41,978,811</u>

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

4. LONG-TERM LIABILITIES (CONTINUED):

Taxable Housing Tax Allocation Bonds, 2011 Series A:

On March 1, 2011, the Agency issued Tax Allocation Bonds, 2011 Series A, in the amount of \$15,330,000. The purpose of the Bonds was to finance low-and moderate-income housing activities of the Agency, satisfy the reserve requirement for the Bonds, and provide for the costs of issuing the Bonds.

The Bonds bear interest rates between 4.85% to 9.00% due June 1 and December 1 of each year and mature December 1, 2040. The Bonds maturing on or after December 1, 2022, are subject to optional redemption prior to maturity at the option of the Agency on any date on or after December 1, 2021, as a whole or in part at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. The Bonds are subject to mandatory sinking account redemption in amounts ranging from \$385,000 to \$1,065,000 as outlined in the official statements.

Housing tax revenues are pledged for the payment of principal and interest on the Bonds until the Bonds and any Parity Debt have been paid, or until monies have been set-aside irrevocably for that purpose. A reserve account has been established to be held by the Trustee to further secure the timely payment of principal and interest on the Bonds. The amount required to be maintained by the trustee for the Bonds is \$1,474,364. At June 30, 2015, this reserve was fully funded with a balance of \$1,474,585.

The outstanding balance of the Bonds was \$15,095,000 at June 30, 2015.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 245,000	\$ 1,295,587	\$ 1,540,587
2017	260,000	1,281,050	1,541,050
2018	275,000	1,264,312	1,539,312
2019	295,000	1,245,418	1,540,418
2020	315,000	1,224,438	1,539,438
2021 - 2025	1,955,000	5,708,569	7,663,569
2026 - 2030	2,945,000	4,668,638	7,613,638
2031 - 2035	4,525,000	3,013,875	7,538,875
2036 - 2040	3,450,000	1,192,950	4,642,950
2041	<u>830,000</u>	<u>37,350</u>	<u>867,350</u>
Totals	<u>\$ 15,095,000</u>	<u>\$ 20,932,187</u>	<u>\$ 36,027,187</u>

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

4. LONG-TERM LIABILITIES (CONTINUED):

Taxable Tax Allocation Bonds, 2011 Series B:

On March 1, 2011, the Agency issued Tax Allocation Bonds, 2011 Series B, in the amount of \$12,480,000. The purpose of the Bonds was to finance redevelopment activities of the Agency within, or of benefit to, the Agency's Stanton Consolidated Redevelopment Project Area, repay the outstanding loan from the City, together with accrued interest thereon, satisfy the reserve requirement for the Bonds, and provide for the costs of issuing the Bonds.

The Bonds bear interest rates between 5.50% to 9.00% due June 1 and December 1 of each year and mature December 1, 2030. The Bonds maturing on or after December 1, 2022, are subject to optional redemption prior to maturity at the option of the Agency on any date on or after December 1, 2021, as a whole or in part at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium. The Bonds are subject to mandatory sinking account redemption in amounts ranging from \$535,000 to \$1,400,000 as outlined in the official statements.

Tax revenues are pledged for the payment of principal and interest on the Bonds until the Bonds and any Parity Debt have been paid, or until monies have been set-aside irrevocably for that purpose. A reserve account has been established to be held by the Trustee to further secure the timely payment of principal and interest on the Bonds. The amount required to be maintained by the trustee for the Bonds is \$1,348,929. At June 30, 2015, this reserve was fully funded with a balance of \$1,349,131.

The outstanding balance of the Bonds was \$12,480,000 at June 30, 2015.

The annual debt service requirements on these bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 250,000	\$ 1,041,912	\$ 1,291,912
2017	310,000	1,025,738	1,335,738
2018	330,000	1,005,712	1,335,712
2019	535,000	974,925	1,509,925
2020	575,000	933,300	1,508,300
2021 - 2025	3,620,000	3,883,997	7,503,997
2026 - 2030	5,460,000	1,940,034	7,400,034
2031	<u>1,400,000</u>	<u>63,000</u>	<u>1,463,000</u>
Totals	<u>\$ 12,480,000</u>	<u>\$ 10,868,618</u>	<u>\$ 23,348,618</u>

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

4. LONG-TERM LIABILITIES (CONTINUED):

Issuance Discount:

The following is a summary of bond issuance discount at June 30, 2015:

	Balance at <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2015</u>
2005 Tax Allocation Bonds	\$ (151,552)	\$ -	\$ 7,217	\$ (144,335)
2011 Tax Allocation Bonds	<u>(798,849)</u>	<u>-</u>	<u>30,725</u>	<u>(768,124)</u>
Total	<u>\$ (950,401)</u>	<u>\$ -</u>	<u>\$ 37,942</u>	<u>\$ (912,459)</u>

Amortization expense for the year ended June 30, 2015 was \$37,942.

Issuance Premium:

The following is a summary of bond issuance premium at June 30, 2015:

	Balance at <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2015</u>
2010 Tax Allocation Bonds	<u>\$ 3,268</u>	<u>\$ -</u>	<u>\$ (126)</u>	<u>\$ 3,142</u>

Amortization expense for the year ended June 30, 2015 was \$126.

Advances:

The City of Stanton advanced a total of \$8,586,029 to the Successor Agency to the Stanton Redevelopment Agency. A loan of \$4,500,000 was made for purposes of carrying out activities of the Former Redevelopment Project Area. Another loan of \$4,086,029 was made for the purposes of paying the SERAF payment required by the State. The interest portion of the advance was calculated using the LAIF rate effective for the corresponding years through June 30, 2013. The City does not charge interest on the advance after June 30, 2013. Total accrued interest on the advance totals \$63,322 as of June 30, 2015. The outstanding balance as of June 30, 2015 was \$7,189,010.

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

5. COMMITMENTS AND CONTINGENCIES:

Recent Changes in Legislation Affecting California Redevelopment Agencies:

On June 29, 2011, Assembly Bills 1x 26 (the “Dissolution Act”) and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each a “Dissolved RDA”) was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On January 10, 2012, the City elected to serve as the Successor Agency of the Stanton Redevelopment Agency.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards is to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA’s housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The Housing Authority elected on January 10, 2012 to serve as the Housing Successor Agency.

After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Housing Authority special revenue fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

5. COMMITMENTS AND CONTINGENCIES (CONTINUED):

Recent Changes in Legislation Affecting California Redevelopment Agencies (Continued):

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the "DOF") and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations for the upcoming six-month period.

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

6. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS:

Restatement of the Successor Agency to the Stanton Redevelopment Agency Private-Purpose Trust Fund's net position as of July 1, 2014, is as follows:

Net position at July 1, 2014, as originally reported	\$ (51,269,857)
Transfer of land from the City to the Successor Agency as required by the SCO Asset Transfer Review	<u>6,452,705</u>
Net position at July 1, 2014, as restated	<u>\$ (44,817,152)</u>

SUCCESSOR AGENCY TO THE STANTON REDEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

7. SUBSEQUENT EVENTS:

In preparing these financial statements, the Successor Agency has evaluated events and transactions for potential recognition or disclosure through November 30, 2015, the date the financial statements were available to be issued.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Oversight Board of the Successor Agency
to the Stanton Redevelopment Agency
Stanton, California

We have audited, in accordance with the 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, the financial statements of the Successor Agency to the Stanton Redevelopment Agency (the Successor Agency) as of and for the year ended June 30, 2015, and the related notes to the basic financial statements, which collectively comprise the Successor Agency's basic financial statements, and have issued our report thereon dated November 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Successor Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Successor Agency's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Successor Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Successor Agency's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Successor Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White Nelson Dick Evans LLP

Irvine, California
November 30, 2015

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the Successor Agency to the Stanton Redevelopment Agency Stanton Consolidated Redevelopment Project (the “Issuer”) in connection with the issuance of its Subordinate Tax Allocation Refunding Bonds, 2016 Series A and Subordinate Taxable Tax Allocation Refunding Bonds, 2016 Series B (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of February 1, 2016, by and between U.S. Bank National Association, as trustee (the “Trustee”) and the Issuer (the “Indenture”). The Issuer covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Beneficial Owners and bondholders in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12.

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*” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

“*Dissemination Agent*” shall mean Harrell & Company Advisors, LLC, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation. In the absence of such a designation, the Issuer shall act as the Dissemination Agent.

“*EMMA*” or “*Electronic Municipal Market Access*” means the centralized on-line repository system located at www.emma.msrb.org for documents filed with the MSRB pursuant to the Rule, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

“*Listed Events*” shall mean any of the events listed in Section 5(a) and (b) of this Disclosure Certificate.

“*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, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Participating Underwriter*” shall mean Stifel, Nicolaus & Company, Incorporated, or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report to MSRB.* The Issuer shall, or shall cause the Dissemination Agent to, not later than February 28 in each year, commencing February 28, 2016 and to file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate; provided however, that the first Annual Report due on February 28, 2016 shall consist solely of a copy of the Official Statement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the Issuer’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than five days prior to the date specified in subsection (a) for providing the Annual Report to EMMA, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Issuer.

(d) *Report of Non-Compliance.* If the Issuer is unable to provide an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA in a timely manner in an electronic format prescribed by the MSRB.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

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

(a) Audited financial statements of the Issuer for the preceding fiscal year, prepared in accordance with the laws of the State and including all statements and information prescribed for inclusion therein by the Controller of the State. If the Issuer’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. The audited Financial Statements of the Issuer may be included in the City of Stanton’s Comprehensive Annual Financial Report if no separate Financial Statement is prepared for the Issuer.

(b) To the extent not included in the audited final statement of the Issuer, the Annual Report shall also include the following information for the prior fiscal year, insofar as available from public records:

- (i) Table Nos. 1 - 5 - Historical Assessed Valuations;

- (ii) Table No. 6 - Historical Tax Revenues;
- (iii) Table No. 7 - Redevelopment Property Tax Trust Fund Deposits;
- (iv) Table No. 8 - Ten Largest Taxpayers;
- (v) Table No. 9 - Tax Revenues; and
- (vi) Table No. 10 - Debt Service Coverage.

(c) 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 Issuer 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. The Issuer shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the Issuer shall provide such further information, if any, as may be necessary to make the specifically required statements or information (as set forth herein), in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) *Reportable Events.* The Issuer shall, or shall cause the Dissemination (if not the Agency) to, give notice of the occurrence of any of the following events with respect to the Bonds (in accordance with (e) below):

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Determination of Materiality of Listed Events.* Whenever the Issuer obtains knowledge of the occurrence of a Listed Event listed under Section 5(b), the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) *Notice to Dissemination Agent.* If the Issuer has determined that knowledge of the occurrence of a Listed Event listed under Section 5(b) would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent (if other than the Issuer) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d).

(e) *Notice of Listed Events.* The Issuer shall file, or cause the Dissemination Agent to file, a notice of the occurrence of a Listed Event listed in Section 5(a), and, listed in Section 5(b), if material, with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds.

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

Section 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The initial Dissemination Agent shall be Harrell & Company Advisors, LLC. The Issuer may, from time to time, appoint or engage a different 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. If the Dissemination Agent is not the Issuer, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent, if not the Issuer, shall be paid compensation by the Issuer for its services provided hereunder in accordance with its

schedule of fees as agreed to between the Dissemination Agent and the Issuer from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Issuer, Holders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the Issuer or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the Issuer.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the Issuer that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the Issuer shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer 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 Issuer 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 Issuer 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 Issuer to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. The sole remedy under this

Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. All of the immunities, indemnities, and exceptions from liability in Article IX of the Indenture insofar as they relate to the Trustee shall apply to the Dissemination Agent in this Disclosure Certificate. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of the disclosure of information pursuant to the Disclosure Certificate or arising out of or in the exercise of performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty of obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the owner of a Bond, or any other party. The Trustee shall have no liability to any party for any monetary damages or other financial liability of any kind whatsoever related to or arising from any breach of this Disclosure Certificate. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written direction from the Issuer or an opinion of Special Counsel. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent or the Trustee and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2016

SUCCESSOR AGENCY TO THE STANTON
REDEVELOPMENT AGENCY

By: _____
Its: Administrative Services Director

APPENDIX E

PROPOSED FORMS OF BOND COUNSEL OPINIONS

February 23, 2016

Successor Agency to the
Stanton Redevelopment Agency
7800 Katella Avenue
Stanton, CA 90680

Re: \$7,115,000 Successor Agency to the Stanton Redevelopment Agency Stanton Consolidated Redevelopment Project Subordinate Tax Allocation Refunding Bonds, 2016 Series A

Ladies and Gentlemen:

We have reviewed the Constitution and laws of the State of California and certain proceedings taken by the Successor Agency to the Stanton Redevelopment Agency (the "Agency") in connection with the issuance by the Agency of the Successor Agency to the Stanton Redevelopment Agency \$7,115,000 Stanton Consolidated Redevelopment Project Subordinate Tax Allocation Refunding Bonds, 2016 Series A (the "Bonds"), pursuant to the provisions of Article II (commencing with Section 53580) of Chapter 3 of Part I of Division 2 of Title 5 of the California Government Code (the "Refunding Law") and pursuant to an Indenture of Trust, dated as of February 1, 2016 (the "Indenture") by and between the Successor Agency to the Stanton Redevelopment Agency (the "Agency") and U.S. Bank National Association, as trustee thereto (the "Trustee"). The proceeds of the Bonds have been applied by the Agency to refinance certain redevelopment activities. We have also examined such certified proceedings and other papers and materials as we deem necessary to render this opinion.

In such connection, we have reviewed the Indenture, the tax certificate of the Agency for the Bonds dated the date hereof (the "Tax Certificate"), certificates of the Agency and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

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 events come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the 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 ensure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, 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 cities and their subordinate

entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents mentioned in the preceding sentence. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and express no opinion with respect thereto.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Agency is a successor agency duly organized and validly existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds;

2. The Bonds constitute the valid and legally binding special obligations of the Agency enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture;

3. The Indenture has been duly approved by the Agency and constitutes the valid and legally binding obligation of the Agency enforceable against the Agency in accordance with its terms except as such enforcement may be limited by bankruptcy, insolvency, moratorium, transfer or conveyance, or other laws affecting creditor's rights generally, or the exercise of judicial discretion in accordance with general principals of equity or otherwise in appropriate cases; provided, however, we express no opinion with respect to any indemnification, contribution, choice of law or waiver provisions contained therein;

4. The Indenture establishes a lien on and pledge of the Pledged Tax Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture;

5. Interest on the Bonds is exempt from California personal income taxation; and

6. Under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax provisions of the Code; it should be further noted, however, that, with respect to corporations, such interest will be included in adjusted current earnings when calculating corporate alternative minimum taxable income. Although the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds, or any portion thereof, may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our opinions, expressed herein, may be affected by action taken (or not taken) on events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur.

Respectfully submitted,

February 23, 2016

Successor Agency to the
Stanton Redevelopment Agency
7800 Katella Avenue
Stanton, CA 90680

Re: \$13,220,000 Successor Agency to the Stanton Redevelopment Agency Stanton Consolidated Redevelopment Project Subordinate Taxable Tax Allocation Refunding Bonds, 2016 Series B

Ladies and Gentlemen:

We have reviewed the Constitution and laws of the State of California and certain proceedings taken by the Successor Agency to the Stanton Redevelopment Agency (the "Agency") in connection with the issuance by the Agency of the Successor Agency to the Stanton Redevelopment Agency \$13,220,000 Stanton Consolidated Redevelopment Project Subordinate Taxable Tax Allocation Refunding Bonds, 2016 Series B (the "Bonds"), pursuant to the provisions of Article II (commencing with Section 53580) of Chapter 3 of Part I of Division 2 of Title 5 of the California Government Code (the "Refunding Law") and pursuant to an Indenture of Trust, dated as of February 1, 2016 (the "Indenture") by and between the Successor Agency to the Stanton Redevelopment Agency (the "Agency") and U.S. Bank National Association, as trustee thereto (the "Trustee"). The proceeds of the Bonds have been applied by the Agency to refinance certain redevelopment activities. We have also examined such certified proceedings and other papers and materials as we deem necessary to render this opinion.

In such connection, we have reviewed the Indenture, certificates of the Agency and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

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 events come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the 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. We call attention to the fact that the rights and obligations under the Bonds and the Indenture 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 cities and their subordinate entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents mentioned in the preceding sentence. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and express no opinion with respect thereto.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Agency is a successor agency duly organized and validly existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds;

2. The Bonds constitute the valid and legally binding special obligations of the Agency enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture;

3. The Indenture has been duly approved by the Agency and constitutes the valid and legally binding obligation of the Agency enforceable against the Agency in accordance with its terms except as such enforcement may be limited by bankruptcy, insolvency, moratorium, transfer or conveyance, or other laws affecting creditor's rights generally, or the exercise of judicial discretion in accordance with general principals of equity or otherwise in appropriate cases; provided, however, we express no opinion with respect to any indemnification, contribution, choice of law or waiver provisions contained therein;

4. The Indenture establishes a lien on and pledge of the Pledged Tax Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture;

5. Interest on the Bonds is exempt from California personal income taxation.

To ensure compliance with requirements imposed by the Internal Revenue Service, we inform you that any U.S. federal tax advice contained herein is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Our opinions, expressed herein, may be affected by action taken (or not taken) on events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur.

Respectfully submitted,

APPENDIX F

THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds 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 Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (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 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

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 a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on such 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 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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APPENDIX G
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



**MUNICIPAL BOND DEBT
SERVICE RESERVE
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$_____ in aggregate principal
amount of [NAME OF
TRANSACTION]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above under the Security Documents, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

BAM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of (i) the Business Day on which such principal and interest becomes Due for Payment and (ii) the first Business Day following the Business Day on which BAM shall have received a completed Notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of this paragraph, and BAM shall promptly so advise the Trustee or Paying Agent who may submit an amended Notice of Nonpayment.

Payment by BAM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of BAM under this Policy. Upon such payment, BAM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Security Documents and Debt Service Reserve Agreement, if any.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by and to the extent of any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such

payment (after taking into account the payment of interest and expenses) to BAM by or on behalf of the Issuer. Within three (3) Business Days of such reimbursement, BAM shall provide the

Trustee or the Paying Agent with Notice of Reinstatement, in the form of Exhibit A attached hereto, and such reinstatement shall be effective as of the date BAM gives such notice.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the end of the Term of this Policy or (b) Bonds that are not outstanding under the Security Documents. If the amount payable under this Policy is also payable under another BAM issued policy insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall BAM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other BAM issued insurance policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “**Business Day**” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as hereinafter defined) are authorized or required by law or executive order to remain closed. [“**Debt Service Reserve Agreement**” means the Debt Service Reserve Fund Agreement, if any, dated as of the effective date hereof, in respect of this Policy, as the same may be amended or supplemented from time to time.] “**Due for Payment**” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “**Nonpayment**” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “**Nonpayment**” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “**Notice**” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “**Owner**” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “**Owner**” shall not include the Issuer, the Member or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. “**Policy Limit**” means the dollar amount of the debt service reserve fund required to be maintained for the Bonds by the Security Documents from time to time (the “**Reserve Account Requirement**”), or the portion of the Reserve Account Requirement for the Bonds provided by this Policy as specified in the Security Documents or Debt Service Reserve Agreement, if any, but in no event shall the Policy Limit

exceed \$ _____. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of or, if this Policy is only providing a portion of the Reserve Account Requirement, in the same proportion as, each reduction in the

Reserve Account Requirement, as provided in the Security Documents or Debt Service Reserve Agreement. **“Security Documents”** means any resolution, ordinance, trust agreement, trust indenture, loan agreement and/or lease agreement and any additional or supplemental document executed in connection with the Bonds. **“Term”** means the period from and including the Effective Date until the earlier of (i) the maturity date for the Bonds and (ii) the date on which the Bonds are no longer outstanding under the Security Documents.

BAM may appoint a fiscal agent (the “Insurer’s Fiscal Agent”) for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer’s Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer’s Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer’s Fiscal Agent on behalf of BAM. The Insurer’s Fiscal Agent is the agent of BAM only, and the Insurer’s Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer’s Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy is being issued under and pursuant to and shall be construed under and governed by the laws of the State of New York, without regard to conflict of law provisions.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE
COMPANY

By: _____
Authorized Officer

SPECIMEN

Schedule

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

NOTICE OF REINSTATEMENT

[DATE]

[TRUSTEE][PAYING AGENT]
[INSERT ADDRESS]

Reference is made to the Municipal Bond Debt Service Reserve Insurance Policy, Policy No. _____ (the "Policy"), issued by Build America Mutual Assurance Company ("BAM"). The terms which are capitalized herein and not otherwise defined shall have the meanings specified in the Policy.

BAM hereby delivers notice that it is in receipt of payment from the [Issuer], or on its behalf, pursuant to the Security Documents or Debt Service Reserve Agreement, if any, and, as of the date hereof, the Policy Limit is \$ _____, subject to reduction as the Reserve Account Requirement for the Bonds is reduced in accordance with the terms set forth in the Security Documents.

BUILD AMERICA MUTUAL ASSURANCE
COMPANY

By: _____
Name:
Title:

SPECIAL AGENT



CALIFORNIA
ENDORSEMENT TO
MUNICIPAL BOND DEBT
SERVICE RESERVE
INSURANCE POLICY
NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer