

Insured Series 2014 Bonds (Insured Rating): "AA"

Series 2014A Bonds (Uninsured/Underlying Rating): "A"

Series 2014B Bonds (Uninsured/Underlying Rating): "A"

See "RATINGS" herein.

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



COUNTY OF LOS ANGELES REDEVELOPMENT REFUNDING AUTHORITY

Tax Allocation Revenue Refunding Bonds

\$33,215,000

Series 2014A (Tax-Exempt)

South Gate Redevelopment Project No. 1

Claremont Consolidated Redevelopment Project

\$3,920,000

Series 2014B (Federally Taxable)

South Gate Redevelopment Project No. 1

Dated: Date of Delivery

Due: September 1, As Shown on the Inside Cover Pages

The County of Los Angeles Redevelopment Refunding Authority (the "Authority") will issue its Tax Allocation Revenue Refunding Bonds, Series 2014A (Tax-Exempt) (the "Series 2014A Bonds") and its Tax Allocation Revenue Refunding Bonds, Series 2014B (Federally Taxable) (the "Series 2014B Bonds") and, together with the Series 2014A Bonds, the "Series 2014 Bonds" or, individually, a "Series") pursuant to separate Trust Agreements, each dated as of July 1, 2014 (each, a "Trust Agreement" and, together the "Trust Agreements"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). Concurrently with the issuance of the Series 2014 Bonds, the Agency Participants (as specified herein), each being a successor redevelopment agency located in the County of Los Angeles (each, an "Agency Participant" and, collectively, the "Agency Participants"), will issue one or more individual series of tax allocation refunding bonds (each a "Local Obligation" and, together, the "Local Obligations") pursuant to the respective indenture and supplemental indenture, each dated as of July 1, 2014 (each an "Agency Indenture" and, together, the "Agency Indentures"), by and between a respective Agency Participant and the respective bank trustees (each, an "Agency Trustee"), the proceeds of which will be used to refund all or portion of certain bonds and indebtedness of such Agency Participants as more fully described herein. Proceeds of each Series of the Series 2014 Bonds will be used to purchase the related Local Obligations.

For the identification of issuers of the Local Obligations and Project Areas relating to each Series of Series 2014 Bonds, see the inside cover page and the information under the caption "REFUNDING OF AGENCY OBLIGATIONS."

This Official Statement describes two Series of Series 2014 Bonds, each secured by and issued under its own Trust Agreement and secured by and payable from discrete Revenues and a discrete Trust Estate (each as defined herein). The general terms of the Trust Agreements are substantially similar and are discussed summarily herein except for Series specific terms for security, payment, redemption, Trust Estate (as relates to Local Obligations purchased and the related Agency Participants as issuers) and taxable status, which are detailed specifically, and this Official Statement must be considered in that context by potential purchasers in making an investment decision. Such terms, and terms with respect to the applicable Trustee, and terms for default and remedies should be considered on a Series specific basis. Series specific references, including those where the context reasonably suggests Series specific interpretation or application, are specific to a single Trust Agreement and related Revenues, and except as pooled under a Trust Agreement, are Agency Participant and are Project Area specific. There is no cross-collateralization among the Series of Series 2014 Bonds, the Local Obligations, Agency Indentures, the Project Areas or reserve accounts between Project Areas.

Each Series of the Series 2014 Bonds will be special, limited obligations of the Authority, payable from and secured by the applicable Revenues (as defined herein) of the Authority, consisting primarily of payments on the related Local Obligations to be purchased by the Authority under the related Trust Agreement and received by the Authority from the related Agency Participants. Each series of Local Obligations will be payable from and secured by designated property tax revenues (formerly tax increment revenues) related to one project area of an Agency Participant, which will include moneys deposited, from time to time, in the related Redevelopment Property Tax Trust Fund for the benefit of such Agency Participant as provided in the California Health and Safety Code as more fully described herein. Collectively, such designated property tax (each subject to certain statutory and contractual deductions specified in the applicable Agency Indenture) as pledged under an Agency Indenture is referred to herein as "Pledged Tax Increment." Payments on the Local Obligations to be purchased by the Authority under the related Trust Agreement are calculated to be sufficient to permit the Authority to pay the principal of, premium (if any) and interest on the related Series of Series 2014 Bonds when due. The Local Obligations will be registered in the name of the Trustee under the related Trust Agreement and payments on the related Local Obligations will be paid to the Trustee. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS."

The Series 2014 Bonds will be issued in Authorized Denominations of \$5,000 and any integral multiple thereof.

The Series 2014 Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2014 Bonds. Ownership interests in the Series 2014 Bonds may be purchased in book-entry form only. Principal of and interest and redemption premium, if any, on the Series 2014 Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Owners of the Series 2014 Bonds. See APPENDIX I – "BOOK-ENTRY ONLY SYSTEM" attached hereto.

The Series 2014 Bonds will be subject to redemption prior to maturity, as described herein. See "THE SERIES 2014 BONDS – Redemption" herein.

The scheduled payment of principal of and interest on the Insured Series 2014 Bonds (as shown on the inside cover pages herein) when due will be guaranteed pursuant to an insurance policy to be issued concurrently with the delivery of the Insured Series 2014 Bonds by Assured Guaranty Municipal Corp. See "BOND INSURANCE." The reserve accounts for all of the Local Obligations will be secured by Debt Service Reserve Policies as described herein.

THE SERIES 2014 BONDS WILL BE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE FROM AND SECURED AS TO THE PAYMENT OF THE PRINCIPAL THEREOF AND THE REDEMPTION PREMIUM, IF ANY, AND THE INTEREST THEREON IN ACCORDANCE WITH THEIR TERMS AND THE TERMS OF THE RELATED TRUST AGREEMENT, SOLELY FROM THE TRUST ESTATE ESTABLISHED UNDER SUCH TRUST AGREEMENT. THE SERIES 2014 BONDS SHALL NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AUTHORITY OR ANY OF ITS MEMBERS, AND UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE OBLIGATED TO PAY PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON ANY SERIES OF SERIES 2014 BONDS EXCEPT FROM THE RELATED TRUST ESTATE. NEITHER THE STATE NOR ANY PUBLIC AGENCY (OTHER THAN THE AUTHORITY) NOR ANY MEMBER OF THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2014 BONDS, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY PUBLIC AGENCY THEREOF OR ANY MEMBER OF THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2014 BONDS. THE PAYMENT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2014 BONDS DOES NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OR ANY PUBLIC AGENCY (OTHER THAN THE AUTHORITY) OR ANY MEMBER OF THE AUTHORITY.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2014 Bonds are offered when, as and if issued, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by County Counsel as Counsel to the Authority. Certain legal matters will be passed upon for the Agency Participants by designated general counsel of the Agency Participants. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. It is anticipated that the Series 2014 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about July 31, 2014.

STIFEL

Citigroup

Dated: July 17, 2014

MATURITY SCHEDULE

COUNTY OF LOS ANGELES REDEVELOPMENT REFUNDING AUTHORITY \$33,215,000

Tax Allocation Revenue Refunding Bonds Series 2014A (Tax-Exempt)

Successor Agency to the Community Development Commission of the City of South Gate –
South Gate Redevelopment Project No. 1

Successor Agency to the Claremont Redevelopment Agency – Consolidated Redevelopment Project

(Base CUSIP[†]: 54465A)

<i><u>Due</u></i> <i><u>(September 1)</u></i>	<i><u>Principal</u></i> <i><u>Amount</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Yield</u></i>	<i><u>CUSIP</u></i> [†]	<i><u>Due</u></i> <i><u>(September 1)</u></i>	<i><u>Principal</u></i> <i><u>Amount</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Yield</u></i>	<i><u>CUSIP</u></i> [†]
2015	\$ 2,645,000	2.000%	0.240%	CX8	2021*	\$ 3,475,000	5.000%	2.130%	DD1
2016	2,830,000	3.000	0.460	CY6	2022*	3,640,000	5.000	2.360	DE9
2017	2,910,000	4.000	0.730	CZ3	2023*	3,825,000	5.000	2.570	DF6
2018	3,030,000	4.000	1.100	DA7	2024*	4,015,000	5.000	2.730	DG4
2019	3,160,000	5.000	1.510	DB5	2025*	380,000	5.000	2.970	DH2
2020	3,305,000	5.000	1.810	DC3					

[†] Copyright American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc., and is set forth herein for convenience of reference only. The Authority, the County, the Agency Participants, the Underwriters and the Financial Advisor do not assume responsibility for the accuracy of such data.

* Insured Series 2014 Bonds.

MATURITY SCHEDULE
(continued)

\$3,920,000

Tax Allocation Revenue Refunding Bonds
Series 2014B (Federally Taxable)

Successor Agency to the Community Development Commission of the City of South Gate –
South Gate Redevelopment Project No. 1

(Base CUSIP[†]: 54465A)

<i><u>Due</u></i> <i><u>(September 1)</u></i>	<i><u>Principal</u></i> <i><u>Amount</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Yield</u></i>	<i><u>CUSIP[†]</u></i>	<i><u>Due</u></i> <i><u>(September 1)</u></i>	<i><u>Principal</u></i> <i><u>Amount</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Yield</u></i>	<i><u>CUSIP[†]</u></i>
2015	\$ 350,000	0.700%	0.730%	DJ8	2020	\$ 390,000	3.000%	3.120%	DP4
2016	365,000	1.200	1.210	DK5	2021*	400,000	3.250	3.470	DQ2
2017	370,000	1.750	1.760	DL3	2022*	415,000	3.625	3.800	DR0
2018	375,000	2.250	2.250	DM1	2023*	430,000	4.000	4.050	DS8
2019	380,000	2.700	2.720	DN9	2024*	445,000	4.000	4.230	DT6

[†] Copyright American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc., and is set forth herein for convenience of reference only. The Authority, the County, the Agency Participants, the Underwriters and the Financial Advisor do not assume responsibility for the accuracy of such data.

* Insured Series 2014 Bonds.

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COUNTY OF LOS ANGELES

County of Los Angeles Redevelopment Refunding Authority
Tax Allocation Revenue Refunding Bonds, Series 2014A (Tax-Exempt) and 2014B (Federally Taxable)

Board of Directors / County Board of Supervisors

Don Knabe
Fourth District, Chairman

Gloria Molina
First District

Mark Ridley-Thomas
Second District

Zev Yaroslavsky
Third District

Michael D. Antonovich
Fifth District

Sachi A. Hamai
*Executive Officer-Clerk
Board of Supervisors*

County Officials

William T Fujioka
Chief Executive Officer

John F. Krattli
County Counsel

Mark J. Saladino
Treasurer and Tax Collector

John Naimo
Acting Auditor-Controller

HdL Coren & Cone
Fiscal Consultant

KNN Public Finance, a division of Zions First National Bank
Financial Advisor

U.S. Bank National Association
Trustee

Grant Thornton LLP
Escrow Verification Agent

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County of Los Angeles, California (the "County"), the Authority or the Agency Participants named herein (the "Agency Participants"). This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2014 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Series 2014 Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information set forth in this Official Statement has been obtained from the Authority, the County, the Agency Participants, and other sources that are believed by the Authority, the County and the respective Agency Participants to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale of the Series 2014 Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency Participants, the County or the Authority since the date hereof. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the Authority and the Agency Participants. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2014 BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2014 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2014 BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGES HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." 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. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events or circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material. None of the Authority nor the Agency Participants plans to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur. All statements other than statements of historical facts included in this Official Statement, including Appendices A and B, including without limitation the statements included in such Appendices under the captions "THE PROJECT AREA" and "SECURITY FOR THE REFUNDING BONDS" regarding the financial position, capital resources and status of the respective project areas are forward-looking statements. Although each Agency Participant believes that the expectations reflected in its Forward-Looking Statements are reasonable, no assurance can be given that such expectations will prove to be correct. Important factors which could cause actual results to differ materially from expectations of the respective Agency Participants (collectively, the "Cautionary Statements") are disclosed under the captions "LIMITATIONS ON TAX REVENUES" and "RISK FACTORS" and in Appendices A and B under the caption "SPECIAL RISK FACTORS." All forward-looking statements attributable to the Agency Participants are expressly qualified in their entirety by the Cautionary Statements.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2014 Bonds (as shown on the inside cover pages herein) or the advisability of investing in the Series 2014 Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE" and in APPENDIX J – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

The County and the Agency Participants described in this Official Statement each maintain their own website. However, the information presented on such websites is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2014 Bonds.

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OFFICIAL STATEMENT

COUNTY OF LOS ANGELES REDEVELOPMENT REFUNDING AUTHORITY Tax Allocation Revenue Refunding Bonds

\$33,215,000

Series 2014A (Tax-Exempt)

*South Gate Redevelopment Project No. 1
Claremont Consolidated Redevelopment Project*

\$3,920,000

Series 2014B (Federally Taxable)

South Gate Redevelopment Project No. 1

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Series 2014 Bonds being offered, and a brief description of this Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California (the "State") and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in the forepart of this Official Statement and not otherwise defined herein have the respective meanings assigned to them in the related Trust Agreement. See APPENDIX E – "SUMMARY OF TRUST AGREEMENT" attached hereto. For information regarding the Agency Participants and the terms of the respective Agency Indenture for the related Local Obligations (each as defined below), see Appendices A and B under the caption "SECURITY FOR THE REFUNDING BONDS."

General

This Official Statement, including the cover page, the inside cover pages and the appendices attached hereto (the "Official Statement"), provides certain information concerning the sale and issuance by the County of Los Angeles Redevelopment Refunding Authority (the "Authority") of its Tax Allocation Revenue Refunding Bonds, Series 2014A (Tax-Exempt) (the "Series 2014A Bonds") and its Tax Allocation Revenue Refunding Bonds, Series 2014B (Federally Taxable) (the "Series 2014B Bonds" and, together with the Series 2014A Bonds, the "Series 2014 Bonds" or, individually, a "Series"). Each Series of the Series 2014 Bonds will be issued pursuant to a respective Trust Agreement relating to the applicable Series of Series 2014 Bonds, each dated as of July 1, 2014 (each, a "Trust Agreement" and, together the "Trust Agreements"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee") and the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the California Government Code, as amended from time to time.

For over 50 years, State law has provided for the creation of redevelopment agencies and redevelopment commissions in accordance with the Community Redevelopment Law (Part 1 of Division 24 of the California Health and Safety Code and referred to herein as the "Law"). Once created, each was authorized to transact business and exercise its powers, all under and pursuant to the Law, including the power to issue bonds and incur indebtedness for any of its corporate purposes. As part of an effort to address structural deficits in the State's general fund budgets for its fiscal years 2011-12 and 2012-13, the State Legislature and Governor serially enacted Assembly Bill X1 26 ("AB 26") and Assembly Bill 1484 ("AB 1484") as trailer bills necessary to implement provisions of the State's budget acts for such years.

In general, this legislation dissolved redevelopment agencies and redevelopment commissions (“Former RDAs”) and provided for the assumption of defined enforceable obligations by successor agencies and other designated authorities to such Former RDAs (the “Successor Agencies”) under limited powers and authority. AB 1484 was enacted on June 27, 2012 as part of the Fiscal Year 2012-13 State of California budget bill. AB 1484 modified and supplemented provisions of AB 26, including provisions related to the refunding of outstanding redevelopment agency bonds and other indebtedness, and the expenditure of remaining bond proceeds derived from redevelopment agency bonds issued on or before December 31, 2010. With respect to outstanding bonds and indebtedness, AB 1484 authorizes successor agencies to refund outstanding bonds or other indebtedness provided that (i) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (ii) the principal amount of the refunding bonds or other indebtedness shall not exceed the amount required to defease the bonds or other indebtedness as described herein, to establish customary debt service reserves, and to pay related costs of issuance. See Appendices A and B with respect to the respective refunding plans under the caption “THE REFUNDING PLAN.”

The County Refunding Program

The County of Los Angeles (the “County”) has developed a program (the “County Refunding Program”) and caused the formation of the Authority to assist successor agencies within the County to refund tax increment obligations pursuant to AB 1484 in order to provide debt service savings to such successor agencies and to increase property tax revenues available for distribution to affected taxing entities. Concurrently with the issuance of the Series 2014 Bonds, the participants in the County Refunding Program, each being a successor agency located in the County (each, an “Agency Participant” and, collectively, the “Agency Participants”), will issue one or more individual series of tax allocation refunding bonds (each a “Local Obligation” and, together, the “Local Obligations”) pursuant to the respective indenture and supplemental indenture, each dated as of July 1, 2014 (each an “Agency Indenture” and, together, the “Agency Indentures”), by and between a respective Agency Participant and the respective bank trustees (each, an “Agency Trustee”), the proceeds of which will be used to refund all or a portion of certain bonds and indebtedness relating to a redevelopment project area (a “Project Area”) of such Agency Participants, respectively, as more fully described herein. Proceeds of each Series of the Series 2014 Bonds will be used to purchase the related Local Obligations.

Concurrently with the issuance of the Series 2014 Bonds, the participants in the County Refunding Program, each being a Successor Agency located in the County, will issue one or more individual series of tax allocation refunding bonds pursuant to the respective indenture and supplemental indenture, by and between a respective Agency Participant and the respective bank trustees, the proceeds of which will be used to refund all or a portion of certain bonds and indebtedness of such Successor Agencies, respectively. From time to time and concurrently with the issuance of the Series 2014 Bonds, the Authority may issue additional series of the Authority’s Tax Allocation Revenue Refunding Bonds, each for the purpose of assisting Successor Agencies within the County to refund tax increment obligations by purchasing related Local Obligations. There is no cross-collateralization among the Series of Series 2014 Bonds, the Local Obligations, the Agency Indentures, the Project Areas or reserve accounts between Project Areas (including in the case where more than one Project Area secures a single Series or where one Project Area secures more than one Series of Series 2014 Bonds).

The Agency Participants and Project Areas relating to the Series 2014A Bonds will include:

- Successor Agency to the Community Development Commission of the City of South Gate (the “South Gate Successor Agency”) – South Gate Redevelopment Project No. 1.
- Successor Agency to the Claremont Redevelopment Agency (the “Claremont Successor Agency”) – Consolidated Redevelopment Project.

The Agency Participant and Project Area relating to the Series 2014B Bonds will include the Successor Agency to the Community Development Commission of the City of South Gate – South Gate Redevelopment Project No. 1.

Concurrently with the issuance of the Series 2014 Bonds, and from time to time, the Authority may issue other Tax Allocation Revenue Refunding Bonds, each under a separate trust agreement and offering document, for the purpose of assisting Successor Agencies within the County, which may include one or more Agency Participants, to refund tax increment obligations pursuant to AB 1484 by purchasing tax allocation refunding bonds issued by such Successor Agencies. There is no cross-collateralization among any of such Tax Allocation Revenue Refunding Bonds issued by the Authority.

For the identification of the Agency Participants as issuers of the Local Obligations and Project Areas relating to each Series of Series 2014 Bonds, see the inside cover page and the information under the caption “REFUNDING OF AGENCY OBLIGATIONS.” For detailed information regarding the Agency Participants and the terms of the respective Agency Indenture for the related Local Obligations, see Appendices A and B under the caption “SECURITY FOR THE REFUNDING BONDS.”

Each Series of the Series 2014 Bonds will be special, limited obligations of the Authority, payable from and secured by the applicable Revenues (as defined herein) of the Authority, consisting primarily of payments on the related Local Obligations to be purchased by the Authority under the related Trust Agreement and received by the Authority from the related Agency Participants. Each series of Local Obligations will be payable from and secured by designated property tax revenues (formerly tax increment revenues) related to one or more redevelopment project areas of an Agency Participant as specified in the related Agency Indenture, which will include, moneys deposited, from time to time, in the related Redevelopment Property Tax Trust Fund (“RPTTF”) attributable to such Agency Participant and related Project Area, as provided in the California Health and Safety Code as more fully described herein. Each Agency Indenture specifies such property tax revenues pledged and such terms, and competing pledges, for such revenues differ among Agency Indentures. Collectively, such designated property tax (each subject to certain statutory and contractual deductions specified in the applicable Agency Indenture) as pledged under an Agency Indenture are referred to herein as “Pledged Tax Increment.” Payments on the Local Obligations to be purchased by the Authority under the related Trust Agreement are calculated to be sufficient to permit the Authority to pay the principal of, premium (if any) and interest on the related Series of Series 2014 Bonds when due. The Local Obligations will be registered in the name of the Trustee and Local Obligation payments will be paid to the Trustee under the related Trust Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS.”

This Official Statement describes two Series of Series 2014 Bonds, each secured by and issued under its own Trust Agreement and secured by and payable from discrete Revenues and a discrete Trust Estate (each as defined herein). The general terms of the Trust Agreements are substantially similar and are discussed summarily herein except for Series specific terms for security, payment, redemption, Trust Estate (as relates to Local Obligations purchased and the related Agency Participants as issuers) and taxable status, which are detailed specifically, and this Official Statement must be considered in that context by potential purchasers in making an investment decision. Such terms, and terms with respect to

the applicable Trustee, and terms for default and remedies should be considered on a Series specific basis and statements herein considered in such contexts, both general and Series specific. Series specific references, including those where the context reasonably suggests Series specific interpretation or application, are specific to a single Trust Agreement and related Revenues, and except as pooled under a Trust Agreement, are Agency Participant and Project Area specific.

The County Intercept

In order to assist the Agency Participants, the County has accepted the irrevocable direction of each Agency Participant to transfer on or about each January 2 and June 1, commencing January 2, 2015, to an account of each Agency Participant and Project Area, held by the respective Agency Trustee under the Agency Indenture, all amounts set forth in any duly approved ROPS with respect to principal and interest payments due on the related Local Obligations and any senior and/or parity obligations, and any deficiency in the related reserve accounts for such related Local Obligations and parity obligations related thereto. Such transfers to the Agency Trustee shall be made after the payment of unsubordinated pass-through obligations to local taxing entities as provided in Section 34183(a) of the California Health and Safety Code. The Authority has covenanted to take such actions as may be reasonable and necessary to compel the County to comply with the irrevocable direction of the Agency Participants to make such transfers. However, no assurance can be given that a court would order the County to continue to make such transfers if the County refused to do so. The related Agency Participant remains obligated under each Agency Indenture to take all actions required under the Dissolution Act to include on its ROPS for each six-month period all payments expected to be made to each Agency Trustee in order to satisfy the requirements of the related Agency Indenture, including any amounts required to pay principal and interest payments due on the related Local Obligations, parity obligations, any deficiency in the related reserve accounts for such related Local Obligations and parity obligations to the applicable debt service reserve requirement, and any Compliance Costs (as defined in this Official Statement).

Terms of the Series 2014 Bonds

The Series 2014 Bonds will be issued in Authorized Denominations of \$5,000 and any integral multiple thereof. The Series 2014 Bonds will be dated the date of original delivery thereof and will bear interest payable semiannually on March 1 and September 1, commencing on March 1, 2015.

The Series 2014 Bonds will be issued in fully-registered form only, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2014 Bonds. Ownership interests in the Series 2014 Bonds may be purchased in book-entry form only. Principal of and interest on the Series 2014 Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Owners of the Series 2014 Bonds. See APPENDIX I – "BOOK-ENTRY ONLY SYSTEM" attached hereto.

The Series 2014 Bonds will be subject to redemption prior to maturity, as described herein. See "THE SERIES 2014 BONDS – Redemption" herein.

Security and Sources of Payment for the Series 2014 Bonds

The Series 2014 Bonds will be special obligations of the Authority, payable from and secured as to the payment of the principal, redemption premium (if any) and interest thereon in accordance with their terms and the terms of the related Trust Agreement, solely from (i) the Revenues (as defined below); (ii) the amounts in the funds and accounts established under and as specified in the related Trust Agreement (except amounts in the Rebate Fund held in connection with the Series 2014A Bonds), and

(iii) the Local Obligations purchased from proceeds of the related Series of Series 2014 Bonds (collectively, with respect to a Trust Agreement, the “Trust Estate”). Under the related Trust Agreement, “Revenues” is defined to mean all amounts received by the Trustee as the payment of interest or redemption premium on, or the equivalent thereof, and the payment or return of principal of, or the equivalent thereof, all Local Obligations purchased from proceeds of such Series of Series 2014 Bonds, whether as a result of scheduled payments or redemptions or remedial proceedings taken in the event of a default thereon, and all investment earnings on any moneys held in the funds or accounts established under the related Trust Agreement, except the Rebate Fund held in connection with the Series 2014A Bonds.

The Series 2014 Bonds shall not constitute a charge against the general credit of the Authority or any of its members, and under no circumstances shall the Authority be obligated to pay principal of, premium (if any) and interest on any Series of Series 2014 Bonds except from the related Trust Estate. Neither the State nor any public agency (other than the Authority) nor any member of the Authority is obligated to pay the principal of, premium (if any) and interest on the Series 2014 Bonds, and neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal of, premium (if any) and interest on the Series 2014 Bonds. The payment of the principal of, premium (if any) and interest on the Series 2014 Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Authority) or any member of the Authority. See APPENDIX E – “SUMMARY OF TRUST AGREEMENT” attached hereto.

Each series of Local Obligations will be special obligations of the respective Agency Participant and is payable, as to principal, redemption premium (if any) and interest thereon, exclusively from the Pledged Tax Increment under, and to the extent described in, the related Agency Indenture, and the respective Agency Participant is not obligated to pay such principal of, premium (if any) and interest on the related Local Obligations except from such Pledged Tax Increment. See Appendices A and B for a description of the lien of Pledged Tax Increment for each of the respective Project Areas, including a description of any superior or parity claims and liens on such Pledged Tax Increment. Each series of Local Obligations will be payable as set forth in the respective Agency Indenture, is not a debt of any respective Former RDA’s original sponsoring city, the County, the State or any other political subdivision of the State, and neither said city, the State, the County nor any of the State’s other political subdivisions is liable therefor, nor in any event shall a series of Local Obligations be payable out of any funds or properties other than those of the respective Agency Participant and Project Area pledged therefor as provided in the related Agency Indenture.

There is no cross-collateralization among the Series of Series 2014 Bonds, the Local Obligations, the Agency Indentures, the Project Areas or reserve accounts between Project Areas (including in the case where more than one Project Area secures a single Series or where one Project Area secures more than one Series of Series 2014 Bonds). All of the obligations of the respective Agency Participant and Project Area with respect to the Local Obligations are not general obligations of any respective Agency Participant or Former RDA, but are limited obligations of such Agency Participant and Project Area, payable solely from the Pledged Tax Increment under, and to the extent described in, the related Agency Indenture and the funds pledged therefor under the related Agency Indenture, as applicable. For information regarding the respective Agency Participants and related Agency Indenture, see Appendices A and B under the caption “SECURITY FOR THE REFUNDING BONDS.”

Reserve Accounts under Agency Indentures

Upon issuance of each series of Local Obligations, the amount on deposit in the reserve account established under the respective Agency Indenture will be equal to the debt service reserve requirement for such series of Local Obligations (with the terms of such debt service reserve requirement differing among Agency Indentures). The reserve requirement for the reserve account created under each Agency Indenture will be initially satisfied by depositing a debt service reserve policy therein. For information regarding reserve accounts relating to the Agency Indentures and the Project Areas, see Appendices A and B under the heading “Reserve Account” under the caption “SECURITY FOR THE REFUNDING BONDS.” The Agency Indentures do not require the Agency Participants to replace a debt service reserve surety with cash or a replacement reserve surety in the event AGM (defined below) is downgraded.

Municipal Bond Insurance and Debt Service Reserve Policies

The scheduled payment of principal of and interest on the Insured Series 2014 Bonds (as shown on the inside cover pages herein, the “Insured Series 2014 Bonds”) when due will be guaranteed pursuant to an insurance policy to be issued concurrently with the delivery of each Series of the Insured Series 2014 Bonds by Assured Guaranty Municipal Corp. (“AGM”). AGM will also issue its debt service reserve policies for all of the Local Obligations relating to the Series 2014 Bonds as described herein. The Local Obligations of the South Gate Successor Agency and the Local Obligation of the Claremont Successor Agency, respectively, will be secured by separate debt service reserve policies to be issued by AGM. See “BOND INSURANCE,” Appendices A and B under the heading “Reserve Account” under the caption “SECURITY FOR THE REFUNDING BONDS,” and APPENDIX J – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

Additional Bonds

The Trust Agreements do not authorize the issuance of additional bonds or parity debt. There is limited authority under the Agency Indentures for the Agency Participants to issue additional bonds. The Dissolution Act in its current form does not permit a successor agency issuing bonds or incurring other indebtedness for purposes other than refunding existing enforceable obligations or outstanding bonds of the agency resulting in savings. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS” herein and Appendices A and B under the heading “Parity Debt Limited to Refunding Bonds” under the caption “SECURITY FOR THE REFUNDING BONDS.”

The County

The County is located in the southern coastal portion of the State and covers 4,084 square miles. The County was established under an act of the State Legislature on February 18, 1850. It is the most populous county in the nation and is more populous than 43 states. The economy of the County is diversified and includes manufacturing, technology, world trade, financial services, motion picture and television production, and tourism.

The Authority

The Authority was formed pursuant to a Joint Exercise of Powers Agreement, dated August 6, 2013 (the “JPA Agreement”), by and between the County and the Los Angeles County Public Works Financing Authority, a joint exercise of powers authority formed pursuant to a Joint Exercise of Powers Agreement, dated May 18, 1993, as amended by a Certificate of Amendment dated April 26, 1994 and a Certificate of Amendment dated October 22, 1996, to purchase certain local tax allocation obligations issued by any successor agencies to former community redevelopment agencies within the County as described in Section 34173 of the California Health and Safety Code, as amended, and other purposes, including refunding any of its then-outstanding bonds.

Continuing Disclosure

Each respective Agency Participant will covenant and agree for the benefit of Owners and any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the respective series of Series 2014 Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) (the “Beneficial Owners”) to provide certain financial information and operating data relating to each such Agency Participant by not later than the first day of the month following the eighth month after the end of the respective Agency Participant’s fiscal year (presently June 30 in the case of each Agency Participant), which is March 1, in each year commencing with its report for the 2013-14 Fiscal Year. The Authority has agreed to assist the Agency Participants in providing notices of the occurrence of certain enumerated events. See “CONTINUING DISCLOSURE” and APPENDIX H – “FORM OF CONTINUING DISCLOSURE AGREEMENT.” For information regarding the respective Agency Participant and related Continuing Disclosure Agreement, see Appendices A and B under the heading “Continuing Disclosure” under the initial captions describing the respective Agency Participant.

The Authority as Dissemination Agent

The Authority has agreed to assist the Agency Participants in the preparation of annual updates of the information contained in the tables included in this Official Statement with respect to property tax revenues, collections, principal taxpayers, and, if applicable, plan limit calculations. The Authority will act as Dissemination Agent (the “Dissemination Agent”) and will file the annual reports, including audited financial statements prepared by the Agency Participants, and notices with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access system (“EMMA”), including notices of enumerated events. In carrying out the duties of Dissemination Agent, the Authority will adhere to the continuing disclosure procedures approved by the County Treasurer and Tax Collector.

REFUNDING OF AGENCY OBLIGATIONS

Proceeds of each Series of the Series 2014 Bonds will be used by the Authority to purchase the related Local Obligations. The Local Obligations are being issued to (i) refund certain existing indebtedness of the Agency Participants (the “Refunded Obligations”), (ii) purchase a debt service reserve policy for deposit to a reserve account under the respective Agency Indenture for the benefit of the related Series of Series 2014 Bonds, and (iii) pay costs of issuance of the Local Obligations and the related Series of Series 2014 Bonds. The Refunded Obligations were originally issued to finance or refinance improvements for the respective project areas of the Agency Participants. For information regarding the Agency Participants and the respective refunding plans, see Appendices A and B each under the caption “THE REFUNDING PLAN.”

The following tables detail with respect to the Agency Participants, the Project Areas and each Series of Series 2014 Bonds, the principal amount of each Local Obligation, final maturity of each Local Obligation, and the principal amount of Refunded Obligations to be refunded.

Series 2014A Bonds

<i>Agency Participant Project Area</i>	<i>Local Obligation Amount</i>	<i>Refunded Obligation Amount⁽¹⁾</i>	<i>Final Maturity</i>
South Gate Successor Agency – South Gate Redevelopment Project No. 1	\$29,835,000	\$40,335,000	2024
Claremont Successor Agency – Consolidated Redevelopment Project	3,380,000	3,985,000	2025
TOTALS	\$33,215,000	\$44,320,000	

Series 2014B Bonds

<i>Agency Participant Project Area</i>	<i>Local Obligation Amount</i>	<i>Refunded Obligation Amount⁽¹⁾</i>	<i>Final Maturity</i>
South Gate Successor Agency – South Gate Redevelopment Project No. 1	\$3,920,000	\$4,875,000	2024

⁽¹⁾ Amount at the prepayment date.

On the date of issuance of the Series 2014 Bonds and the Local Obligations, a portion of the proceeds will be transferred to an escrow agent (each, an “Escrow Agent”) for each respective series of Refunded Obligations for deposit into an escrow fund (each an “Escrow Fund”) established for the related Refunded Obligations, under an Escrow Agreement dated as of July 1, 2014 (each, an “Escrow Agreement”) by and between the respective Agency Participant and the respective Escrow Agent. The amount deposited under the Escrow Agreement, together with other available moneys, will be held uninvested, or invested in certain federal securities, and irrevocably pledged for the payment of the related Refunded Obligations on the first date for which redemption can be duly noticed. See Appendices A and B with respect to the respective refunding plans under the caption “THE REFUNDING PLAN.”

The amounts held and invested by the Escrow Agent for the respective Refunded Obligations in the Escrow Fund are pledged solely to the payment of amounts due and payable by any Agency Participant under the respective Refunded Obligations. Neither the funds deposited in the Escrow Fund for the Refunded Obligations nor the interest on the invested funds will be available for the payment of debt service on the Local Obligations or the Series 2014 Bonds.

See “ESTIMATED SOURCES AND USES OF PROCEEDS OF THE SERIES 2014 BONDS” below. See also “VERIFICATION OF MATHEMATICAL ACCURACY” below.

ESTIMATED SOURCES AND USES OF PROCEEDS OF THE SERIES 2014 BONDS

The proceeds of the Series 2014 Bonds are expected to be applied approximately as set forth below. Costs of issuance, which includes legal fees, printing costs, rating agency fees, underwriters' discount, and other miscellaneous expenses will be paid from proceeds of the Local Obligations.

	<i>Series 2014A Bonds</i>	<i>Series 2014B Bonds</i>	<i>Total</i>
<u>Sources of Funds:</u>			
Principal Amount of Series 2014 Bonds	\$33,215,000.00	\$3,920,000.00	\$37,135,000.00
Original Issue Premium (or Discount)	4,956,138.45	(23,757.30)	4,932,381.15
Underwriters' Discount	(191,577.29)	(27,349.19)	(218,926.48)
Amounts released from prior obligations ⁽¹⁾	7,969,172.72	1,233,312.64	9,202,485.36
TOTAL SOURCES	\$45,948,733.88	\$5,102,206.15	\$51,050,940.03
<u>Uses of Funds:</u>			
Purchase of Local Obligations ⁽²⁾	\$45,948,733.88	\$5,102,206.15	\$51,050,940.03
TOTAL USES	\$45,948,733.88	\$5,102,206.15	\$51,050,940.03

⁽¹⁾ Includes amounts released from indentures and other agreements securing certain of the Refunded Obligations including unspent bond proceeds and existing balances in the debt service reserve funds in excess of required reserves.

⁽²⁾ For more information, see the sources and uses of funds for each of the Local Obligations in the following two tables.

The proceeds of the Series 2014A Bonds are expected to be applied approximately as set forth below. Costs of issuance, which includes legal fees, printing costs, rating agency fees, underwriters' discount, and other miscellaneous expenses will be paid from proceeds of the Local Obligations.

	<i>South Gate Series 2014A</i>	<i>Claremont Series 2014A</i>	<i>Total</i>
<u>Sources of Funds:</u>			
Principal Amount of Series 2014A Bonds	\$29,835,000.00	\$3,380,000.00	\$33,215,000.00
Original Issue Premium	4,437,314.40	518,824.05	4,956,138.45
Original Purchaser's Discount	(149,854.03)	(41,723.26)	(191,577.29)
Amounts released from prior obligations ⁽¹⁾	7,617,866.29	351,306.43	7,969,172.72
TOTAL SOURCES	\$41,740,326.66	\$4,208,407.22	\$45,948,733.88
<u>Uses of Funds:</u>			
Deposit to Escrow Funds	\$41,380,893.76	\$4,076,303.13	\$45,457,196.89
Share of Costs of Issuance ⁽²⁾	359,432.90	132,104.09	491,536.99
TOTAL USES	\$41,740,326.66	\$4,208,407.22	\$45,948,733.88

⁽¹⁾ Includes amounts released from indentures and other agreements securing certain of the Refunded Obligations including unspent bond proceeds and existing balances in the debt service reserve funds in excess of required reserves.

⁽²⁾ Includes share of bond insurance and debt service reserve surety premiums, if applicable, trustee and escrow fees, rating agency fees, bond counsel fees, financial advisor fees, printing costs and other miscellaneous expenses.

The proceeds of the Series 2014B Bonds are expected to be applied approximately as set forth below. Costs of issuance, which includes legal fees, printing costs, rating agency fees, underwriters' discount, and other miscellaneous expenses will be paid from proceeds of the Local Obligations.

<i>South Gate Series 2014B</i>	
<u>Sources of Funds:</u>	
Principal Amount of Series 2014B Bonds	\$3,920,000.00
Original Issue Discount	(23,757.30)
Original Purchaser's Discount	(27,349.19)
Amounts released from prior obligations ⁽¹⁾	1,233,312.64
TOTAL SOURCES	\$5,102,206.15
<u>Uses of Funds:</u>	
Deposit to Escrow Funds	\$5,045,625.00
Share of Costs of Issuance ⁽²⁾	56,581.15
TOTAL USES	\$5,102,206.15

⁽¹⁾ Includes amounts released from the indentures securing certain of the Refunded Obligations including existing balances in the debt service reserve funds in excess of required reserves.

⁽²⁾ Includes bond insurance and debt service reserve surety premiums, trustee and escrow fees, rating agency fees, bond counsel fees, financial advisor fees, printing costs and other miscellaneous expenses.

DEBT SERVICE SCHEDULES

The following table sets forth the debt service schedules and aggregate debt service for the Series 2014A Bonds and the Series 2014B Bonds, assuming no prepayments or redemptions. Each series of Local Obligations has its own payment schedule which, in the aggregate, has been sized to equal debt service on the related Series of Series 2014 Bonds.

<i>Bond Year</i>	<i>Series 2014A Bonds</i>			<i>Series 2014B Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	\$ 2,645,000	\$1,591,587.22	\$ 4,236,587.22	\$ 350,000	\$ 115,938.29	\$ 465,938.29
2016	2,830,000	1,412,500.00	4,242,500.00	365,000	104,296.26	469,296.26
2017	2,910,000	1,327,600.00	4,237,600.00	370,000	99,916.26	469,916.26
2018	3,030,000	1,211,200.00	4,241,200.00	375,000	93,441.26	468,441.26
2019	3,160,000	1,090,000.00	4,250,000.00	380,000	85,003.76	465,003.76
2020	3,305,000	932,000.00	4,237,000.00	390,000	74,743.76	464,743.76
2021	3,475,000	766,750.00	4,241,750.00	400,000	63,043.76	463,043.76
2022	3,640,000	593,000.00	4,233,000.00	415,000	50,043.76	465,043.76
2023	3,825,000	411,000.00	4,236,000.00	430,000	35,000.00	465,000.00
2024	4,015,000	219,750.00	4,234,750.00	445,000	17,800.00	462,800.00
2025	380,000	19,000.00	399,000.00	--	--	--
Totals	\$33,215,000	\$9,574,387.22	\$42,789,387.22	\$3,920,000	\$739,227.11	\$4,659,227.11

Source: The Underwriters.

DEBT SERVICE COVERAGE FROM LOCAL OBLIGATIONS

The following tables set forth the debt service schedules and aggregate debt service for the Series 2014A Bonds and the Series 2014B Bonds, assuming no prepayments or redemptions.

Debt Service Coverage Table - Series 2014A Bonds

<i>Year Ending (September 1)</i>	<i>South Gate Redevelopment Project No. 1 Series 2014A Debt Service</i>	<i>Claremont Consolidated Redevelopment Project Series 2014A Debt Service</i>	<i>Total Local Obligation Debt Service</i>	<i>Total Series 2014A Bonds Debt Service</i>	<i>Debt Service Coverage</i>
2015	\$3,832,367	\$404,220	\$4,236,587	\$4,236,587	100%
2016	3,836,100	406,400	4,242,500	4,242,500	100
2017	3,834,000	403,600	4,237,600	4,237,600	100
2018	3,838,200	403,000	4,241,200	4,241,200	100
2019	3,843,000	407,000	4,250,000	4,250,000	100
2020	3,829,500	407,500	4,237,000	4,237,000	100
2021	3,834,500	407,250	4,241,750	4,241,750	100
2022	3,831,750	401,250	4,233,000	4,233,000	100
2023	3,831,250	404,750	4,236,000	4,236,000	100
2024	3,832,500	402,250	4,234,750	4,234,750	100
2025	-	399,000	399,000	399,000	100

Source: The Underwriters.

Debt Service Coverage Table - Series 2014B Bonds

<i>Year Ending (September 1)</i>	<i>South Gate Redevelopment Project No. 1 Series 2014B Debt Service</i>	<i>Total Series 2014B Bonds Debt Service</i>	<i>Debt Service Coverage</i>
2015	\$465,938	\$465,938	100%
2016	469,296	469,296	100
2017	469,916	469,916	100
2018	468,441	468,441	100
2019	465,004	465,004	100
2020	464,744	464,744	100
2021	463,044	463,044	100
2022	465,044	465,044	100
2023	465,000	465,000	100
2024	462,800	462,800	100

Source: The Underwriters.

As can be seen in the tables above, each series of Local Obligations has its own payment schedule which, in the aggregate, equals debt service on the related Series of Series 2014 Bonds. HdL Coren & Cone, Los Angeles, California (the “Fiscal Consultant”) has been retained to estimate the incremental taxable value for the Project Areas as set forth in the Fiscal Consultant’s Report appearing in Appendix C. See Appendices A and B under the caption “THE PROJECT AREA – Estimated Debt Service Coverage” for projections of tax increment revenues and debt service coverage on the respective Local Obligations.

To estimate the revenues available to pay debt service on the Local Obligations, the Fiscal Consultant has made certain assumptions with regard to the assessed valuations in each respective Project Area, future tax rates and percentage of taxes collected. Each Agency Participant believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates or the percentage of taxes collected are less than such assumptions, the Pledged Tax Increment available to pay debt service on its Local Obligations will likely be less than those projected. No assurance can be given that the aggregate coverage projections with respect to such Local Obligations as shown in Appendices A and B will be met.

THE SERIES 2014 BONDS

The following is a summary of certain provisions of the Series 2014 Bonds. Reference is made to the Series 2014 Bonds for the complete text thereof and to the related Trust Agreement for a more detailed description of such provisions. The discussion herein is qualified by such reference. See APPENDIX E – “SUMMARY OF TRUST AGREEMENT” attached hereto.

Authority for Issuance

Each Series of the Series 2014 Bonds will be special, limited obligations of the Authority payable from and secured by the applicable Revenues which will consist primarily of payments made on the Local Obligations to be purchased by the Authority under the related Trust Agreement. The Local Obligations will be purchased by the Authority pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the California Government Code, as amended from time to time (the “Marks-Roos Law”). The Series 2014 Bonds are being issued pursuant to the provisions of the Marks-Roos Law, a Resolution adopted by the Authority and the related Trust Agreement. The Local Obligations will be registered in the name of the Trustee and will be pledged under the related Trust Agreement to secure payment of the Series 2014 Bonds.

General

The Series 2014 Bonds will be issued in Authorized Denominations of \$5,000 and any integral multiple thereof. The Series 2014 Bonds will be dated the date of original delivery thereof and will bear interest payable semiannually on March 1 and September 1, commencing on March 1, 2015.

The Series 2014 Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2014 Bonds. Ownership interests in the Series 2014 Bonds may be purchased in book-entry form only. Principal of and interest and premium, if any, on the Series 2014 Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Direct Participants (defined herein) for subsequent disbursement to the Owners of the Series 2014 Bonds. See APPENDIX I – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

The principal of, premium (if any) and interest on the Series 2014 Bonds will be payable by check in lawful money of the United States of America. The Series 2014 Bonds will be issued as fully registered bonds in Authorized Denominations and will be numbered as the Authority will determine. The Series 2014 Bonds will bear interest from their date of initial delivery. Payment of the interest on any Bond will be made to the Person whose name appears on the Bond Register as the Owner thereof as of the Record Date, such interest to be paid by check mailed by first class mail on the Interest Payment Date to the Owner at the address which appears on the Bond Register as of the Record Date for that purpose; except that in the case of an Owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds, upon written request of such Owner to the Trustee under the applicable Trust

Agreement, in form satisfactory to the Trustee, received not later than the Record Date, such interest will be paid on the Interest Payment Date in immediately available funds by wire transfer. The principal and redemption premium (if any) on the Series 2014 Bonds will be payable at the Principal Corporate Trust Office of the Trustee upon presentation and surrender of such Bonds. Notwithstanding the foregoing, so long as DTC or its nominee is the registered owner of the Bonds, interest payments will be made as described in APPENDIX I – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

Redemption

The Series 2014A Bonds will not be subject to optional redemption prior to maturity.

Make Whole Redemption of Series 2014B Bonds from Optional Local Obligation Prepayments. The Series 2014B Bonds will be subject to redemption prior to their respective stated maturity dates, at the option of the Agency Participant, from any source of available funds, as a whole or in part on any date, at a redemption price equal to 100% of the principal amount of the Series 2014B Bonds to be redeemed plus the Make-Whole Premium (as defined herein), if any, together with accrued interest to the date fixed for redemption.

With respect to such Series 2014B Bonds, “Make-Whole Premium” means, as with respect to any related Local Obligation to be redeemed, an amount calculated by an Independent Banking Institution (as defined herein) equal to the positive difference, if any, between: (1) the sum of the present values, calculated as of the date fixed for redemption of: (a) each interest payment that, but for the redemption, would have been payable on the related Local Obligation or portion thereof being redeemed on each regularly scheduled Interest Payment Date for such Local Obligation occurring after the date fixed for redemption through the maturity date of such related Local Obligation (excluding any accrued interest for the period prior to the date fixed for redemption); provided, that if the date fixed for redemption is not a regularly scheduled Interest Payment Date with respect to such related Local Obligation, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such related Local Obligation to the date fixed for redemption; plus (b) the principal amount that, but for such redemption, would have been payable on the maturity date of the related Local Obligation or portion thereof being redeemed; minus (2) the principal amount of the related Local Obligation or portion thereof being redeemed. The present values of the interest and principal payments referred to in clause (1) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve (12) 30-day months) at a discount rate equal to the Comparable Treasury Yield (as defined herein), plus 25 basis points. For a summary of terms of redemption of the related Local Obligations, see Appendix A under the caption “THE REFUNDING BONDS – Redemption of the Refunding Bonds.”

Terms for Mandatory Redemption from Optional Local Obligation Prepayments. Each Agency Indenture provides, in order to effect such optional redemption of respective Local Obligations, that the respective Agency Participant will deliver to the respective Agency Trustee (i) a Written Request of such Agency Participant specifying (A) the maturity or maturities, and the principal amount or amounts (or portion thereof), of the Callable Authority Bonds to be mandatorily redeemed from such Prepayment, (B) the date on which such Callable Authority Bonds are to be mandatorily redeemed from such Prepayment (which redemption date will be a date on which such Callable Authority Bonds are subject to mandatory redemption from optional Local Obligation prepayments (the “Prepayments”)) pursuant to the related Trust Agreement, and (C) the amount of the Prepayment (or redemption price) necessary to cause such mandatory redemption of such Callable Authority Bonds, and (ii) a Cash Flow Certificate of an Independent Financial Consultant (A) demonstrating that, if such Prepayment is allocated and applied to the redemption of respective Local Obligations as provided in the paragraph immediately below, the debt

service on the respective Local Obligations, together with the debt service payable on all other Local Obligations (as defined in the related Trust Agreement), payable on each Interest Payment Date after such redemption date will be sufficient, but not materially more than sufficient, to pay debt service on the Series 2014B Bonds to be Outstanding on such Interest Payment Date, (B) specifying the principal amount, as of such redemption date, of the respective Local Obligations, or portion thereof, to the optional redemption of which such Prepayment is to be allocated and applied as provided in the paragraph immediately below, (C) specifying the amount of the redemption premium, if any, to be paid in connection with such optional redemption of such respective Local Obligations, or portion thereof, to which such Prepayment is to be allocated and applied as provided in the paragraph immediately below, and (D) specifying the principal amount as of such redemption date, of each respective Local Obligation that will remain Outstanding if such Prepayment is allocated and applied to the redemption of respective Local Obligations on such redemption date as provided in the paragraph immediately below, which Written Request of the Agency Participant and Cash Flow Certificate of such Independent Financial Consultant will be delivered to the respective Agency Trustee at least 35 days prior to such redemption date, or such later date as will be acceptable to the respective Agency Trustee.

No later than three (3) Business Days preceding the date specified in a Written Request of the related Agency Participant delivered pursuant to the paragraph immediately above as the date on which Callable Authority Bonds are to be mandatorily redeemed from optional Local Agency Prepayments pursuant to the related Trust Agreement, the respective Agency Participant will deliver to the respective Agency Trustee an amount equal to the amount of the Prepayment specified in such Written Request of the respective Agency Participant and, on such redemption date, the respective Agency Trustee will pay such amount to the Trustee under the applicable Trust Agreement, on behalf of the owners of such Callable Authority Bonds. Upon the payment by the respective Agency Trustee to the Trustee under the applicable Trust Agreement of such amount representing such Prepayment (i) the respective Local Obligations, or portion thereof, debt service on which would have, after such redemption date, been applied to the payment of debt service on such Callable Authority Bonds will, as of such redemption date, be deemed to have been optionally redeemed pursuant to the respective Agency Indenture, and will be considered to have been optionally redeemed pursuant to the respective Agency Indenture, in an amount equal to the principal amount of such respective Local Obligations, or portion thereof, as of such redemption date, and (ii) the remainder of (A) such Prepayment, less (B) accrued interest, if any, thereon and such principal amount of such respective Local Obligations, or portion thereof, as of such redemption date, will be deemed to be, and will be considered to be, the redemption premium paid in connection with such optional redemption of such respective Local Obligations, or portion thereof.

The Authority will give the Trustee written notice of the redemption of Series 2014B Bonds from optional Local Agency Prepayments not less than 35 days prior to the applicable redemption date, unless a later date is agreed to by the Trustee. Such written notice will be accompanied by the Written Request of the Agency Participant (as defined in the Agency Indenture) required to be delivered pursuant to, and the Cash Flow Certificate of an Independent Financial Consultant required to be filed pursuant to, the respective Agency Indenture, and no such redemption of Series 2014B Bonds will occur unless such written notice is so accompanied by such Written Request of the Agency Participant and such Cash Flow Certificate of an Independent Financial Consultant. In the event that the Agency Trustee will mail notice of the redemption of any Local Obligations that will produce Prepayments with respect to Local Obligations, the Trustee will concurrently mail notice of the redemption of Series 2014B Bonds from optional Local Agency Prepayments, such redemption to occur on the date fixed for such redemption of such Local Obligations. On the date of such redemption of the Local Obligations, the proceeds of such redemption will be applied by the Trustee to pay the redemption price of Series 2014B Bonds from optional Local Agency Prepayments.

“Comparable Treasury Yield” means the yield which represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated “H.15(519) Selected Interest Rates” under the heading “Treasury Constant Maturities,” or any successor publication selected by the Independent Banking Institution that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Series 2014B Bond being redeemed. The Comparable Treasury Yield will be determined as of the third business day immediately preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Series 2014B Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Series 2014B Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the Series 2014B Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward.

If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

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“Comparable Treasury Issue” means the United States Treasury security selected by the Independent Banking Institution as having a maturity comparable to the remaining term to maturity of the Series 2014B Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Series 2014B Bond being redeemed.

“Independent Banking Institution” means an investment banking institution of national standing which is a primary United States government securities dealer designated by the Agency Participant (which may be one of the Underwriters). If the Authority or the respective Agency Participant fails to appoint an Independent Banking Institution at least 45 days prior to the date fixed for redemption, or if the Independent Banking Institution appointed by the Authority or respective Agency Participant is unwilling or unable to determine the Comparable Treasury Yield, the Comparable Treasury Yield will be determined by an Independent Banking Institution designated by the Authority.

“Comparable Treasury Price” means, with respect to any date on which a Series 2014B Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Independent Banking Institution is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Independent Banking Institution, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Independent Banking Institution, at 5:00 p.m. New York City time on the third business day preceding the date fixed for redemption.

“Reference Treasury Dealer” means a primary United States Government securities dealer in the United States appointed by the Authority or respective Agency Participant and reasonably acceptable to the Independent Banking Institution (which may be one of the Underwriters). If the Agency Participant fails to select the Reference Treasury Dealers within a reasonable period of time, the Authority will select the Reference Treasury Dealers in consultation with the Agency Participant.

Mandatory Redemption as a Result of Acceleration. The Series 2014 Bonds may be subject to mandatory redemption, in whole or in part on any date, from and to the extent of any amounts received with respect to any Local Obligations relating to such Series 2014 Bonds as a result of the acceleration of amounts due on such Local Obligations upon an event of default under the related Agency Indenture, at a redemption price equal to the principal amount of the Series 2014 Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption. Whenever less than all of such Series of Series 2014 Bonds are to be redeemed as a result of acceleration, the Trustee will, on or prior to the redemption date, receive a Cash Flow Certificate specifying the maturity or maturities of such Series 2014 Bonds to be redeemed and showing that the remaining payments of principal of and interest on the related Local Obligations, together with other Revenues available under the applicable Trust Agreement, will be sufficient to pay on a timely basis the principal of and the interest on such Series 2014 Bonds not so redeemed when due.

Notice of Redemption. In the case of any redemption of Series 2014 Bonds, the Trustee will give notice under the related Trust Agreement that the Series 2014 Bonds, identified by CUSIP numbers, serial numbers and maturity date, have been called for redemption and, in the case of Series 2014 Bonds to be redeemed in part only, the portion of the principal amount thereof that has been called for redemption (or if all the Outstanding Series 2014 Bonds are to be redeemed, so stating, in which event such serial numbers may be omitted), that they will be due and payable on the date fixed for redemption (specifying such date) upon surrender thereof at the Principal Corporate Trust Office, at the redemption price (specifying such price), together with any accrued interest to such date, and that all interest on such Series 2014 Bonds, or portions thereof, so to be redeemed will cease to accrue on and after such date and that

from and after such date such Series 2014 Bond or such portion will no longer be entitled to any lien, benefit or security under the related Trust Agreement, and the Owner thereof will have no rights in respect of such redeemed Series 2014 Bond or such portion except to receive payment from such moneys of such redemption price plus accrued interest to the date fixed for redemption.

Such notice will be mailed by first class mail, postage prepaid, at least twenty (20) but not more than sixty (60) days before the date fixed for redemption, to the Security Depository, the MSRB and the Owners of such Series 2014 Bonds, or portions thereof, so called for redemption, at their respective addresses as the same will last appear on the Bond Register. No notice of redemption need be given to the Owner of a Series 2014 Bond to be called for redemption if such Owner waives notice thereof in writing, and such waiver is filed with the Trustee prior to the redemption date. Neither the failure of an Owner to receive notice of redemption of Series 2014 Bonds under the related Trust Agreement nor any error in such notice will affect the validity of the proceedings for the redemption of Series 2014 Bonds.

Any notice of redemption may be expressly conditional and may be rescinded by Written Order given to the Trustee under the applicable Trust Agreement not later than the date fixed for redemption. Upon receipt of such Written Order, the Trustee will promptly mail notice of such rescission to the same parties that were mailed the original notice of redemption.

Selection of Series 2014 Bonds for Redemption. Whenever less than all the Outstanding Series 2014 Bonds of any one maturity are to be redeemed on any one date, the Trustee will select the particular Series 2014 Bonds to be redeemed by lot and in selecting the Series 2014 Bonds for redemption the Trustee will treat each Series 2014 Bond of a denomination of more than five thousand dollars (\$5,000) as representing that number of Series 2014 Bonds of five thousand dollars (\$5,000) denomination which is obtained by dividing the principal amount of such Series 2014 Bond by five thousand dollars (\$5,000), and the portion of any Series 2014 Bond of a denomination of more than five thousand dollars (\$5,000) to be redeemed will be redeemed in an Authorized Denomination. The Trustee will promptly notify the Authority in writing of the numbers of the Series 2014 Bonds so selected for redemption in whole or in part on such date.

Payment of Redeemed Series 2014 Bonds. If notice of redemption has been given as summarized above, or waived, each as provided in the related Trust Agreement, the Series 2014 Bonds or portions thereof called for redemption will be due and payable on the date fixed for redemption at the redemption price thereof, together with accrued interest to the date fixed for redemption, upon presentation and surrender of the Series 2014 Bonds to be redeemed at the office specified in the notice of redemption. If there will be called for redemption less than the full principal amount of a Series 2014 Bond, the Authority will execute and deliver and the Trustee will authenticate, upon surrender of such Series 2014 Bond, and without charge to the Owner thereof, Series 2014 Bonds of like interest rate and maturity in an aggregate principal amount equal to the unredeemed portion of the principal amount of the Series 2014 Bonds so surrendered in such Authorized Denominations as will be specified by the Owner.

If any Series 2014 Bond or any portion thereof will have been duly called for redemption and payment of the redemption price, together with unpaid interest accrued to the date fixed for redemption, will have been made or provided for by the Authority, then interest on such Series 2014 Bond or such portion will cease to accrue from such date, and from and after such date such Series 2014 Bond or such portion will no longer be entitled to any lien, benefit or security under the related Trust Agreement, and the Owner thereof will have no rights in respect of such Series 2014 Bond or such portion except to receive payment of such redemption price, and unpaid interest accrued to the date fixed for redemption.

Purchase in Lieu of Redemption. In lieu of redemption of any Series 2014 Bond, amounts on deposit in the Principal Fund or in the Redemption Fund may also be used and withdrawn by the Trustee at any time prior to selection of Series 2014 Bonds for redemption having taken place with respect to such amounts, upon a Written Order for the purchase of such Series 2014 Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the Authority may in its discretion determine, but not in excess of the redemption price thereof plus accrued interest to the purchase date. All Series 2014 Bonds so purchased will be delivered to the Trustee under the applicable Trust Agreement for cancellation.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS

Special Obligations

The Series 2014 Bonds will be special obligations of the Authority, payable from and secured as to the payment of the principal, redemption premium (if any) and interest thereon in accordance with their terms and the terms of the related Trust Agreement, solely from the Trust Estate, which will consist primarily of principal and interest payments on the related Local Obligations to be purchased by the Authority under the related Trust Agreement and to be owned by the Authority as set forth in the respective Agency Indenture. The Series 2014 Bonds shall not constitute a charge against the general credit of the Authority or any of its members, and under no circumstances shall the Authority be obligated to pay principal of, premium (if any) and interest on any Series of Series 2014 Bonds except from the related Trust Estate. Neither the State nor any public agency (other than the Authority) nor any member of the Authority is obligated to pay the principal of, premium (if any) and interest on the Series 2014 Bonds, and neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal of, premium (if any) and interest on the Series 2014 Bonds. The payment of the principal of, premium (if any) and interest on the Series 2014 Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Authority) or any member of the Authority.

Each series of Local Obligations will be special obligations of the respective Agency Participant and are payable, as to principal, redemption premium (if any) and interest thereon, exclusively from the respective Pledged Tax Increment, and funds on deposit in certain funds and accounts established under and as specified in the related Agency Indenture, and the respective Agency Participant is not obligated to pay such principal of and interest on the related Local Obligations except from such Pledged Tax Increment. Each series of Local Obligations will be payable as set forth in the respective Agency Indenture, is not a debt of any respective Former RDA's original sponsoring city, the County, the State or any other political subdivision of the State, and neither said city, the State, the County nor any of the State's other political subdivisions is liable therefor, nor in any event shall a series of Local Obligations be payable out of any funds or properties other than those of the respective Agency Participant pledged therefor as provided in the related Agency Indenture.

Each Local Obligation has its own payment schedule which, in the aggregate, has been sized to pay debt service on the Series 2014 Bonds. There is no cross-collateralization among the Series of Series 2014 Bonds, the Local Obligations, the Agency Indentures, the Project Areas or reserve accounts between Project Areas (including in the case where more than one Project Area secures a single Series or where one Project Area secures more than one Series of Series 2014 Bonds). All of the obligations of the respective Agency Participant with respect to the Local Obligations are not general obligations of any respective Agency Participant or Former RDA, but are limited obligations of such Agency Participant and Project Area, payable solely from the Pledged Tax Increment under, and to the extent described in, the related Agency Indenture and the funds pledged therefor under the related Agency Indentures, as applicable.

In order to assist the Agency Participants, the County has accepted the irrevocable direction of each Agency Participant to transfer on or about each January 2 and June 1, commencing January 2, 2015, to an account of such Agency Participant, held by the respective Agency Trustee under each respective Agency Indenture, all amounts set forth in any duly approved ROPS with respect to principal and interest payments due on the related Local Obligations and any senior and/or parity obligations, and any deficiency in the related reserve accounts for such related Local Obligations and parity obligations related thereto. Such transfers to the Agency Trustee shall be made after the payment of unsubordinated pass-through obligations to local taxing entities as provided in Section 34183(a) of the California Health and Safety Code. The Authority has covenanted to take such actions as may be reasonable and necessary to compel the County to comply with the irrevocable direction of the related Agency Participant to make such transfers. However, no assurance can be given that a court would order the County to continue to make such transfers if the County refused to do so. Each Agency Participant remains obligated under its Agency Indenture or Indentures to take all actions required under the Dissolution Act to include on its Recognized Obligation Payment Schedule for each six-month period all payments expected to be made to each Agency Trustee in order to satisfy the requirements of the related Agency Indenture, including any amounts required to pay principal and interest payments due on the related Local Obligations, parity obligations, any deficiency in the related reserve accounts for such related Local Obligations and parity obligations to the applicable debt service reserve requirement, and any Compliance Costs. See Appendices A and B under the caption “SECURITY FOR THE REFUNDING BONDS” for a discussion of the specific claim and lien on Pledged Tax Increment for each respective Agency Participant and its respective Project Area.

Upon the issuance of each series of Local Obligations, the amount on deposit in the reserve account established under each respective Agency Indenture will be equal to the debt service reserve requirement for such series of Local Obligations (with the terms of such debt service reserve requirement differing among Agency Indentures). No deposit need be made in any such reserve account so long as there will be on deposit therein a sum equal to the debt service reserve requirement. For information regarding an Agency Participant’s reserve account, which may be cash funded or secured by a debt service reserve policy and secured on a stand-alone basis or in common with other parity bonds issued by such Agency Participant, see Appendices A and B under the heading “Reserve Account” under the caption “SECURITY FOR THE REFUNDING BONDS.”

Pledged Tax Increment

Under California law, the rate of *ad valorem* property taxes which may be levied with respect to property within a project area is generally limited to 1% of the “full cash” assessed value. In this Official Statement and in Appendices A and B such taxes are referred to as the “general levy” and are allocated to the State, the County, any respective Former RDA’s original sponsoring city, and all other taxing entities having jurisdiction over all or a portion of the respective redevelopment project area. The assessed values of property within such project area, as last equalized prior to adoption of the redevelopment plan, is the “base year” assessed values (the “Base Year”).

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

(a) *To Taxing Agencies:* That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the respective redevelopment 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 related redevelopment plan, or the respective effective dates of ordinances approving amendments to the related redevelopment plan that added territory to the respective redevelopment project area, as applicable (each, a “base year valuation”), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) *To the Respective Former RDA:* 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 will be allocated to, and when collected will be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the Plan Limit following the Delivery Date, when collected will be paid into a special fund of the former redevelopment agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the RPTTF attributable to such Agency Participant and project area will be deemed to be a special fund of each such Agency Participant to pay the debt service on indebtedness incurred by the former redevelopment agencies.

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

Taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due July 1 and become delinquent August 31. As of February 1, 2012, the allocation of tax increment revenue was dictated by the legislation adopted as AB 26. Revenue to successor agencies is now made on January 2 and June 1 of each fiscal year. All tax increment revenue is accumulated by the County Auditor-Controller in the RPTTF for allocation on these two dates. The tax increment revenue available for allocation on January 2 consists of revenues collected after June 1 of the previous fiscal year and for collections in November and December of the current fiscal year. The tax increment revenues available for allocation on June 1 include revenues collected from January 2 to June 1 of the current fiscal year.

From the amounts accumulated in the RPTTF for each allocation date, the County Auditor-Controller is to deduct its own administrative charges and is to calculate and deduct amounts (if not subordinated) owed to taxing entities for tax sharing agreements entered into pursuant to Section 33401 of the Law and for statutory tax sharing obligations required by Sections 33607.5 and 33607.7 of the Law that have not been subordinated to debt obligations, including debt service. The amount remaining after these reductions, if any, will be available for payment by the respective Agency Participant of debt obligations on a valid ROPS of the former redevelopment agency.

Prior to receiving revenues on January 2 and June 1, the respective Agency Participant must adopt a ROPS that lists the debt obligations of the former redevelopment agency that must be paid during the upcoming six month periods of January 1 through June 30 and July 1 through December 31. There is provision in the legislation for a respective Agency Participant to request additional amounts in one ROPS period to allow it to make payments that may be beyond the revenues available in the upcoming allocation cycle. The ROPS must be approved by an Oversight Board that is established in the legislation with membership consisting of representatives from various taxing entities. The ROPS must also receive approval from the State Department of Finance (the “DOF”).

Each respective Agency Participant is entitled to receive tax revenues to cover the administrative costs of winding down the business of the former redevelopment agency. This amount is set by the legislation at a minimum \$250,000 per year and a maximum that is 3% of the property tax revenues allocated to the Redevelopment Obligation Retirement Fund (established pursuant to the Dissolution Act) and allocated to the successor agency for each fiscal year. To the extent that revenues are insufficient to pay all of the approved ROPS obligations, each respective Agency Participant’s administrative cost allowance will be reduced or eliminated.

As to each respective Agency Participant, if there are RPTTF amounts remaining after reductions for county administrative charges, pass-through obligations, ROPS obligations and the respective Agency Participant’s administrative cost allowance, these remainder amounts are referred to as Residual Revenue. Residual Revenue for each ROPS cycle is proportionately allocated to the taxing entities and to the Educational Revenue and Augmentation Fund (“ERAF”).

Each of the Agency Participants has no power to levy and collect taxes, and any provision of law limiting property taxes or allocating additional sources of income to taxing agencies and having the effect of reducing the property tax rate must necessarily reduce the amount of tax increment revenues and, accordingly, Pledged Tax Increment that would otherwise be available to pay debt service on the respective Local Obligations. Likewise, broadened property tax exemptions could have a similar effect (see “LIMITATIONS ON TAX REVENUES” and “RISK FACTORS” below).

Conversely, any increase in the present tax rate or assessed valuation, or any reduction or elimination of present property tax exemptions, or the satisfaction of enforceable obligations, would increase the Pledged Tax Increment available to pay debt service on the respective Local Obligations (see “LIMITATIONS ON TAX REVENUES” and “RISK FACTORS” for discussion of the Constitutional constraints of increasing tax rates and assessed valuation).

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former RDA had the Former RDA not been dissolved pursuant to the operation of AB 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the RPTTF for each of the Agency Participants established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act further provides that any bonds authorized under its terms to be issued by each of the Agency Participants will be considered indebtedness incurred by the dissolved RDA, with the same legal effect as if the bonds had been issued prior to effective date of AB 26, in full conformity with the applicable provision of the Law that existed prior to that date, and debt service will be included in each of the Agency Participant’s ROPS. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Recognized Obligation Payment Schedule.”

The Dissolution Act further provides that bonds authorized under its terms to be issued by each of the Agency Participants will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the RPTTF attributable to such Agency Participant and Project Area, and that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the respective Local Obligations, are taxes allocated to each of the Agency Participants pursuant to the provisions of the Law and the State Constitution which provided for the allocation of tax increment revenues under the Law, as described in the foregoing paragraph.

See Appendices A and B under the caption “SECURITY FOR THE REFUNDING BONDS” for a discussion of the specific claim and lien on Pledged Tax Increment for each of the Agency Participants and their respective Project Area. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above.

In accordance with the Dissolution Act, the respective Local Obligations will be payable from and secured by, and Pledged Tax Increment will generally include, moneys deposited, from time to time, in the RPTTF attributable to the respective Agency Participant and Project Area, as provided in paragraph (2) of subdivision (a) of the California Health and Safety Code Section 34183. Each Local Obligation will be payable from and secured by certain Pledged Tax Increment subject to senior and/or parity obligations, if any, and any deficiency in the related reserve accounts for such related Local Obligations and parity obligations related thereto, certain deductions for unsubordinated pass-through payments to taxing entities, unsubordinated contractual obligations to third parties and County collection charges. See each of Appendices A and B for a description of the lien of Pledged Tax Increment for each of the respective Project Areas. The Agency Participants are not obligated to pay such principal of, premium (if any) and interest on the related Local Obligations except from such Pledged Tax Increment. See each of Appendices A and B for a description of the lien of Pledged Tax Increment for each of the respective Project Areas, including a description of any superior or parity claims and liens on such Pledged Tax Increment. As provided in each Agency Indenture, 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 Increment will include all tax revenues allocated to the payment of indebtedness pursuant to the California Health and 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, which prior to the adoption of the Dissolution Act were required to be deposited into the respective Former RDA’s low and moderate income housing fund pursuant to Sections 33334.2, 33334.3 and 33334.6 of the Law.

The Dissolution Act eliminates the characterization of certain tax increment revenues as Housing Set-Aside. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Housing Set-Aside.” All of the Local Obligations include a pledge of, or offset for a pledge of, any Housing Set-Aside. Accordingly, the Local Obligations will be payable from, and secured by, Pledged Tax Increment, including amounts constituting the former Housing Set-Aside.

Taxes levied on the property within a respective Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within such Project Area, to the extent they constitute Gross Tax Increment Revenues, as further described in Appendices A and B, respectively, will be deposited in the RPTTF for transfer by the County Auditor-Controller to the respective Agency Participant’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the respective Agency Participant’s ROPS in accordance with the requirements of the Dissolution Act (see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Recognized Obligation Payment Schedule”). Monies deposited by the County Auditor-Controller into each of the Agency Participant’s Redevelopment Obligation Retirement Fund will be transferred by the County

pursuant to an irrevocable direction of each Agency Participant directing the County to transfer to the Debt Service Fund or similar fund established under the respective Agency Indenture and administered by the respective Agency Trustee in accordance with the respective Agency Indenture.

Each of the Agency Participants has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Pledged Tax Increment available in any six-month period to pay the principal of and interest on indebtedness including, without limitation, the respective Local Obligations (see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Tax Allocation Financing” and “– Recognized Obligation Payment Schedule” and “RISK FACTORS” and “LIMITATIONS ON TAX REVENUES” in the forepart of this Official Statement). See also “SPECIAL RISK FACTORS” in Appendices A and B.

Tax increment revenues are computed based upon the annual incremental assessed value of the respective Project Area multiplied by a tax rate determined by the County Auditor-Controller. The tax rates which are applied to incremental taxable values consist of two components: the General Tax Rate of \$1.00 per \$100 of taxable values and the Override Tax Rate which is levied to pay voter approved indebtedness. The basic levy tax rate may not exceed 1% (\$1.00 of \$100 taxable value) in accordance with Article XIII A. An amendment to the Constitution prohibits redevelopment agencies from receiving taxes generated by new Override Tax Rates, which are reflective of debt approved after December 31, 1988. Based upon the County Auditor-Controller’s reliance to use the basic one percent tax rate in calculating the RPTTF allocation, a one percent levy is used in the revenue projections herein and in the Fiscal Consultant’s Report. See Appendices A and B under the caption “THE PROJECT AREA – Projected Tax Revenue” or “THE PROJECT AREA – Projected Pledged Revenue” for a discussion of the tax rate assumptions utilized by the Fiscal Consultant in projecting Gross Tax Revenues for the Project Areas.

Section 34183(a)(1) of the Redevelopment Law requires the Auditor Controller to allocate all revenues attributable to tax rates levied to make annual repayments of the principal and interest on any bonded indebtedness for the acquisition or improvement of real property to the taxing entity levying the tax rate. Under the County’s interpretation of this Section, revenues derived from over-ride tax rates levied for pension related obligations have been determined to not be for “annual repayments of the principal and interest on any bonded indebtedness for the acquisition or improvements of real property.” As a result, tax increment revenues derived from over-ride tax rates levied for pension related obligations within the Project Areas are included in the revenues distributed from the RPTTF. In Los Angeles County, there are thirteen cities that levy over-ride tax rates in order to fund pension fund obligations. However, none of the Agency Participants are related to any of these 13 cities.

Tax Allocation Financing

Prior to the enactment of AB 26, the Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies 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 designated property tax allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act authorizes refunding bonds, including the respective Local Obligations, to be secured by a pledge of monies deposited from time to time in a RPTTF attributable to such Successor Agency and project area 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 Law to the redevelopment agency and formerly authorized under the 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. Under the respective Agency Indenture, Pledged Tax Increment consists, as to each respective Agency Participant, of the amounts deposited from time to time in the RPTTF attributable to such Agency Participant and Project Area established pursuant to and as provided in the Dissolution Act, subject to certain deductions for unsubordinated pass-through payments to taxing entities, unsubordinated contractual obligations to third parties and County collection charges. See Appendices A and B under the captions describing Pass-Through Agreements and Statutory Pass-Through Amounts under the caption “SECURITY FOR THE REFUNDING BONDS” for a discussion of the specific claim and lien on Pledged Tax Increment for each of the Agency Participants and their respective Project Areas. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See “LIMITATIONS ON TAX REVENUES” and “RISK FACTORS.” See also “SPECIAL RISK FACTORS” in Appendices A and B.

The Law authorized redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project as described, respectively, in Appendices A and B under the captions describing Pass-Through Agreements and Statutory Pass-Through Amounts under the caption “SECURITY FOR THE REFUNDING BONDS.” Negotiated agreements for this purpose are generally described as pass-through or tax sharing agreements (“Pass-Through Agreements” in the forepart of this Official Statement). Additionally, Section 33607.5 and 33607.7 of the Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the “Statutory Pass-Through Amounts” in the forepart of this Official Statement). The Dissolution Act requires the county auditor-controller to distribute from the RPTTF amounts required to be distributed under the Pass-Through Agreements and for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the county auditor-controller from the RPTTF to each of the Agency Participant’s Redevelopment Obligation Retirement Fund each January 2 and June 1, unless (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the dissolved agency, as succeeded by each of the Agency Participants, (ii) each of the Agency Participants has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available from the RPTTF allocation to each of the Agency Participant’s Redevelopment Obligation Retirement Fund, from other funds transferred from the dissolved agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund each of the Agency Participant’s enforceable obligations, pass-through payments, and each of the Agency Participant’s administrative cost allowance for the applicable six-month period, and (iii) the State Controller has concurred with each of the Agency Participants that there are insufficient funds for such purposes for the applicable six-month period.

If the requirements stated 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 for such six-month period. To provide for calculated shortages to be paid to each of the Agency Participants 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 each of the Agency Participant’s enforceable obligations, pass-through payments, and each of the Agency Participant’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 each of

the Agency Participants for administrative costs for the applicable six-month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts remaining to be distributed to taxing entities under Pass-Through Agreements and for Statutory Tax Sharing Amounts, if such amounts have been subordinated to the payment of debt service on such bonded indebtedness, and if that amount is exhausted, from amounts available for distribution for administrative, but only after the amounts described in the previous two sentences and the amounts available for distribution for administrative costs have been exhausted.

The Dissolution Act provides for a procedure by which each of the Agency Participants may make Statutory Tax Sharing Amounts subordinate to the respective Local Obligations. A request for subordination has been made in accordance with the Law in connection with the South Gate Redevelopment Project No. 1, as described in Appendix A under the caption “SECURITY FOR THE REFUNDING BONDS,” in order to enhance the security for respective Local Obligations. In all other instances, the Agency Participants have determined to not undertake such procedure, and therefore, Statutory Tax Sharing Amounts are not subordinate to the respective Local Obligations, but may be subordinate to prior parity obligations. See Appendices A and B under the captions describing Pass-Through Agreements and Statutory Pass-Through Amounts under the caption “SECURITY FOR THE REFUNDING BONDS.”

None of the Agency Participants can guarantee that this process prescribed by the Dissolution Act of administering the tax increment revenues and the subordinations provided in the Law and the respective Pass-Through Agreements will effectively result in adequate tax increment revenues for the payment of principal of and redemption premium (if any) and interest on the respective Local Obligations when due. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Recognized Obligation Payment Schedule.” See also Appendices A and B under the captions describing Pass-Through Agreements and Statutory Pass-Through Amounts under the caption “SECURITY FOR THE REFUNDING BONDS” for additional information regarding the Pass-Through Agreements and the Statutory Tax Sharing Amounts applicable to each of the Agency Participants and the revenues derived from the respective Project Area.

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See “LIMITATIONS ON TAX REVENUES” and “RISK FACTORS” in the forepart of this Official Statement.

Housing Set-Aside

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

Impact of Dissolution Act. The Dissolution Act eliminates the characterization of certain tax increment revenues as Housing Set-Aside. All of the Local Obligations include a pledge of, or offset for a pledge of, any Housing Set-Aside. Accordingly, the Local Obligations will be payable from, and secured by, Pledged Tax Increment, including amounts constituting the former Housing Set-Aside. See also, “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Housing Set-Aside.”

Recognized Obligation Payment Schedule

Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the DOF for approval, a ROPS 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. A reserve may be included on the ROPS 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.

The Dissolution Act provides that, commencing on the date the first ROPS is valid, only those payments listed in the ROPS may be made by the successor agency from the funds specified in the ROPS.

Commencing with the ROPS with respect to the six-month period July 1, 2013 through December 31, 2013, the ROPS must be submitted by each of the Agency Participants, after approval by the Oversight Board, to the county administrative officer, the county auditor-controller, the DOF, and the State Controller no later than 90 days before the date of the next January 2 or June 1 property tax distribution. If successor agency does not submit an Oversight Board-approved ROPS by such deadlines, the successor agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the DOF. Additionally, each of the Agency Participant's administrative cost allowance is reduced by 25% if the successor agency does not submit an Oversight Board-approved ROPS by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the ROPS for subsequent six-month periods.

The Dissolution Act requires the DOF to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the ROPS is submitted. Within 5 business days of the determination by the DOF, successor agencies may request additional review by the department and an opportunity to meet and confer on disputed items, if any. The DOF will notify successor agencies and the county auditor-controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable. Additionally, the county auditor-controller may review a submitted ROPS and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items, provided that the county auditor-controller must provide notice of any such objections to successor agencies, the Oversight Board, and the DOF at least 60 days prior to the January 2 or June 1 date of property tax distribution, as applicable.

In connection with the allocation and distribution by the county auditor-controller of property tax revenues deposited in the RPTTF, 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 DOF no later than October 1 and April 1 of each year, as applicable. If, after receiving such estimate from the county auditor-controller, an Agency Participant determines and reports, no later than December 1 or May 1, as applicable (*i.e.*, by October 1, 2014 with respect to the ROPS for January 1, 2015 through June 30, 2015), that the total amount available from the

RPTTF allocation to each of the Agency Participant's Redevelopment Obligation Retirement Fund, from other funds transferred from a dissolved 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 a respective Agency Participant's enforceable obligations listed on the ROPS, and for such Agency Participant's administrative cost allowance, the county auditor-controller must notify the State Controller and the DOF no later than 10 days from the date of such Agency Participant'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.

The Dissolution Act provides that any bonds authorized under its terms to be issued by a successor agency will be considered indebtedness incurred by the related dissolved Former RDA, with the same legal effect as if the bonds had been issued prior to effective date of AB 26, in full conformity with the applicable provision of the Law that existed prior to that date, and debt service will be included in the related Agency Participant's ROPS. Additionally, if an enforceable obligation provides for an irrevocable commitment of property tax revenue and where allocation of revenues is expected to occur over time, the Dissolution Act provides that a successor agency may petition the DOF to provide written confirmation that its determination of such enforceable obligation as approved in a ROPS is final and conclusive, and reflects the department's approval of subsequent payments made pursuant to the enforceable obligation. If the confirmation is granted by the DOF, then the DOF's review of such payments in each future ROPS will be limited to confirming that they are required by the prior enforceable obligation.

Each of the Agency Participants has covenanted under the respective Agency Indenture to take all actions required under the Dissolution Act to include on the respective ROPS for each six-month period all payments to the applicable Agency Trustee to satisfy the requirements of the respective Agency Indenture and the related Local Obligations, any deficiency in the related reserve account established pursuant to such Local Obligations, any amounts required under an indenture or fiscal agent agreement securing parity indebtedness to replenish the reserve account established thereunder, if any, to its required level and any Compliance Costs related thereto.

Each of the Agency Participants has further covenanted under the respective Agency Indenture to comply with all other requirements of the Dissolution Act. Without limiting the generality of the foregoing, each of the Agency Participants covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by each of the Agency Participants with its covenants under the respective Agency Indenture. Further, each of the Agency Participants will take all actions required under the Dissolution Act to include scheduled debt service on the respective Local Obligations, including any amounts required under the respective Agency Indenture to replenish the related reserve account to the full amount of the related debt service reserve requirement, and any amounts required under an indenture or fiscal agent agreement securing parity indebtedness to replenish the reserve account established thereunder, if any, to its required level, and to pay Compliance Costs in the respective ROPS for each six-month period so as to enable the County Auditor-Controller to distribute from the RPTTF to each of the Agency Participant's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for each of the Agency Participants to pay principal of, and interest on, the respective Local Obligations coming due in the respective six-month period. These actions will include, without limitation, placing on the periodic ROPS for approval by the Oversight Board and the DOF, to the extent necessary, the amounts to be held by each of the Agency Participants as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest under the respective Agency Indenture and any amounts required under an indenture or fiscal agent agreement securing parity indebtedness, if any, when the next property tax allocation is projected to be insufficient to pay all obligations due under the respective Agency Indenture and any

amounts required under an indenture or fiscal agent agreement securing parity indebtedness, if any, for the next payment due in the following six-month period.

Local Obligations and the Agency Indentures

Subject only to the provisions of the respective Agency Indenture (including any obligations of an Agency Participant payable on a basis senior to or on a parity with the lien of its Local Obligations under its respective Agency Indenture) permitting the application thereof for the purposes and on the terms and conditions set forth in the Agency Indentures, all of the Pledged Tax Increment and all amounts on deposit from time to time in the funds and accounts established under the Agency Indentures (other than the Rebate Fund held in connection with the Series 2014A Bonds) will be pledged to the payment of the principal of and interest on the Outstanding Bonds as provided in the respective Agency Indenture. Each respective Agency Participant will irrevocably grant to the Agency Trustee for the benefit of the Owners of the Outstanding Bonds (subject to any obligations of an Agency Participant payable on a basis senior to or on a parity with the lien of its Local Obligations under its respective Agency Indenture) a first charge and lien on, and a security interest in, and will pledge and assign, the Pledged Tax Increment, whether held by each Agency Participant, the County Auditor-Controller, the County Treasurer and Tax Collector or the Agency Trustee, and all amounts in the funds and accounts established under the respective Agency Indenture (other than the Rebate Fund held in connection with the Series 2014A Bonds) with respect to the Local Obligations.

Pursuant to the laws of the State, including California Health and Safety Code Sections 34183 and 34170.5(b), the County Auditor-Controller is obligated to deposit the Pledged Tax Increment into the RPTTF attributable to the respective Agency Participant and Project Area. Each Agency Participant shall take all steps to ensure that the County Auditor-Controller (1) deposits the Pledged Tax Increment into the RPTTF, (2) allocates funds for the principal and interest payments due on the Outstanding Bonds, any deficiency in the related reserve account pursuant to each valid ROPS in accordance with the Dissolution Act and as provided in the respective Agency Indenture and any deficiency in the related reserve account pursuant to each valid ROPS in accordance with the Dissolution Act and as provided in the respective Agency Indenture, and any Compliance Costs, and (3) make the transfers to the respective Agency Trustee required thereunder.

In order to assist the Agency Participants, the County has accepted the irrevocable direction of each Agency Participant to transfer on or about each January 2 and June 1, commencing January 2, 2015, to an account of such Agency Participant, held by the respective Agency Trustee under the respective Agency Indenture, all amounts set forth in any duly approved ROPS with respect to principal and interest payments due on the related Local Obligations and any senior and/or parity obligations, and any deficiency in the related reserve accounts for such related Local Obligations and parity obligations related thereto. The Authority has covenanted to take such actions as may be reasonable and necessary to compel the County to comply with the irrevocable direction of the related Agency Participant to make such transfers. However, no assurance can be given that a court would order the County to continue to make such transfers if the County refused to do so. Each Agency Participant remains obligated under its Agency Indenture or Indentures to take all actions required under the Dissolution Act to include on its Recognized Obligation Payment Schedule for each six-month period all payments expected to be made to each Agency Trustee in order to satisfy the requirements of the related Agency Indenture, including any amounts required to pay principal and interest payments due on the related Local Obligations, parity obligations, any deficiency in the related reserve accounts for such related Local Obligations and parity obligations to the applicable debt service reserve requirement, and any Compliance Costs (as defined in this Official Statement).

As to each of the Local Obligations, in accordance with the Dissolution Act, the Agency Participant may pledge to the refunding bonds or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, and that pledge, when made in connection with the issuance of such refunding bonds or other indebtedness, shall have the same lien priority as the pledge of the bonds or other obligations to be refunded, and shall be valid, binding, and enforceable in accordance with its terms. Each Agency Participant has repeated such prior pledges in connection with the issuance of the Local Obligations.

As provided in the Agency Indentures, each respective Agency Participant will take all actions required under the Dissolution Act to include on its ROPS for each six-month period (the second of which may include only claims for insufficient receipts under the respective January 1 ROPS) all payments expected to be made to the applicable Agency Trustee in order to satisfy the requirements of the respective Agency Indenture, including any amounts required to pay principal and interest payments due on the related Local Obligations, parity obligations, any deficiency in the related reserve accounts for such related Local Obligations and parity obligations to the applicable debt service reserve requirement, and any Compliance Costs (as defined in this Official Statement). Each respective Agency Participant shall include in its ROPS the amounts described below to be transmitted to the applicable Agency Trustee for the applicable six month period. See Appendices A and B under the caption "SECURITY FOR THE REFUNDING BONDS." Each respective Agency Participant shall submit an Oversight Board-approved ROPS to the County Auditor-Controller and the DOF (with a copy to the Authority) at least ninety (90) days prior to the January 2 RPTTF distribution and at least ninety (90) days prior to the June 1 RPTTF distribution, as applicable.

Further, in accordance with California Health and Safety Code Section 34183(b) on or before each May 1 and December 1, each Agency Participant shall determine and report to the County Auditor-Controller and the Authority any insufficiencies in the RPTTF to fund payments in accordance with the respective Agency Indenture, and cooperate with the County Auditor-Controller for its distribution of funds in accordance with California Health and Safety Code Section 34183.

All Pledged Tax Increment received by each Agency Participant (1) during the period commencing on June 2 of the prior calendar year and ending January 2 of the then current calendar year in excess of the amount required, as provided in this section, to be deposited under the related Agency Indenture on January 2, and (2) during the period commencing on January 3 of the then current calendar year and ending June 1 of such calendar year in excess of the amount required, as provided in this section, to be deposited under the related Agency Indenture on June 1, shall, immediately following the deposit with the Trustee of the amounts required to be so deposited as provided in this section on each such date, be released from the pledge, security interest and lien under the respective Agency Indenture for the security of the Outstanding Bonds, and may be applied by each Agency Participant for any lawful purpose of each Agency Participant, including but not limited to the payment of subordinate debt, or the payment of any amounts due and owing to the United States of America pursuant to the respective Agency Indenture. Prior to the payment in full of the principal of, premium (if any) and interest on the Outstanding Bonds and the payment in full of all other amounts payable under the respective Agency Indenture and under any Supplemental Indentures, each Agency Participant shall not have any beneficial right or interest in the moneys on deposit under the related Agency Indenture, except as may be provided in the respective Agency Indenture and in any Supplemental Indenture.

Reserve Accounts Under Agency Indentures

Upon the issuance of each series of Local Obligations, the amount on deposit in the reserve account established under the respective Agency Indenture will be equal to the debt service reserve requirement for such series of Local Obligations (with the terms of such debt service reserve requirement differing among Agency Indentures). No deposit need be made in any such reserve account so long as there will be on deposit therein a sum equal to the debt service reserve requirement. The reserve requirement for the reserve account created under each Agency Indenture will be initially satisfied by depositing a debt service reserve policy therein. For information regarding reserve accounts relating to the Agency Indentures and the Project Areas, which may be cash funded or secured by a debt service reserve policy and secured on a stand-alone basis or in common with other parity bonds issued by the respective Agency Participant for such Project Area, see Appendices A and B under the heading "Reserve Account" under the caption "SECURITY FOR THE REFUNDING BONDS." There is no cross collateralization of reserve accounts between Project Areas in support of payment on the Series 2014 Bonds.

Defaults and Remedies Under Agency Indentures

In addition to the terms specifying the pledge and security for payment of the Local Obligations, the Agency Indentures each specify events of default which generally include payment defaults and certain covenant defaults with respect to the related bonds and the commencement by the Agency Participant of bankruptcy proceedings. Upon such event, and in general terms, the Agency Trustee may, or at the written request of the Authority, as owner of the related Local Obligations, shall, subject to terms for indemnification of the Agency Trustee, take legal action to protect and enforce any of the rights vested in the Agency Trustee or the Authority, as owner of the related Local Obligations, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Agency Indenture.

In some instances, the provider of a policy of municipal bond insurance, or debt service reserve policy, for the related Local Obligations shall be deemed to be the sole bondowner for purposes of direction of remedies and consent rights.

No delay or omission of the Agency Trustee or of any Owner to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein; and every power and remedy given by the provisions of the Agency Indenture to the Agency Trustee and to the Authority, as owner of the related Local Obligations, respectively, may be exercised from time to time and as often as may be deemed expedient.

Any moneys received by the Agency Trustee pursuant to the provisions of the Agency Indenture shall, after payment of all fees and expenses of the Agency Trustee, and the reasonable fees and expenses of its outside counsel, if any, incurred in connection with the performance of the Agency Trustee's duties under the Agency Indenture, be applied to the payment of the Authority, as owner of the unpaid principal, interest and redemption premium, if any, and any of the related Local Obligations which shall have become due.

Copies of the Local Obligations and the Agency Indenture may be obtained upon request from the Agency Trustee, U.S. Bank National Association at: 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Administration.

Municipal Bond Insurance and Debt Service Reserve Policies

The scheduled payment of principal of and interest on the Insured Series 2014 Bonds when due will be guaranteed pursuant to an insurance policy to be issued concurrently with the delivery of each Series of the Insured Series 2014 Bonds by AGM. AGM will also issue its debt service reserve fund policies for all the Local Obligations relating to the Series 2014 Bonds as described herein. See “BOND INSURANCE,” Appendices A and B under the heading “Reserve Account” under the caption “SECURITY FOR THE REFUNDING BONDS,” and APPENDIX J – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

Approval by Oversight Board and Department of Finance

Before the issuance of refunding bonds under the Dissolution Act, a Successor Agency must obtain the approval of the Oversight Board, by resolution. Such Oversight Board resolution (as with all Oversight Board resolutions) does not become effective unless it has been approved, or deemed approved, by the DOF. The issuance of the Local Obligations by each of the Agency Participants has been approved by their respective Oversight Boards. Additionally, on June 27, 2014 the DOF issued letters with respect to the Agency Participants and the respective Oversight Boards (the “DOF Letters”) indicating the DOF’s approval of each of the Oversight Board approvals of the issuance of the Local Obligations over which it had jurisdiction. The DOF Letters conditioned such approval on the understanding that the 2014 Bonds will meet the limitations in Health and Safety Code Section 34177.5. See APPENDIX G – “STATE DEPARTMENT OF FINANCE LETTERS.”

Pursuant to Health and Safety Code Section 34177.5(f), once the DOF has given its approval to the Oversight Board resolutions approving the issuance of the Local Obligations, the scheduled payments on the Local Obligations must be listed on the Successor Agency’s ROPS (see “Recognized Obligation Payment Schedule” above) and will not be subject to further review and approval by the DOF or the State Controller. Furthermore, pursuant to Health and Safety Code Section 34177.5(f), once the Local Obligations are issued with an Oversight Board’s approval, such Oversight Board will not be permitted to unilaterally approve any amendments to or early termination of the bonds, indebtedness, or enforceable obligation.

The Dissolution Act also provides that, notwithstanding any other State law, an action to challenge the issuance of bonds under the Dissolution Act must be brought within 30 days after the date on which the oversight board approves the resolution of the successor agency approving the issuance of the bonds. More than 30 days have expired between the adoption of the Oversight Board resolutions approving the issuance of the Local Obligations and the date of this Official Statement. During this interim, none of the Authority, the County or the Agency Participants has received notice of any action challenging the issuance of the Local Obligations.

Due Diligence Reviews

Pursuant to the Dissolution Act, each Agency Participant was required to retain independent accountants to conduct two reviews, known as due diligence reviews (each, a “DDR”): one for the Housing Fund and the other for all of the other funds and accounts (the “Other Funds”). The purpose of the DDRs was to determine the unobligated balance (the “Unobligated Balance”), if any, of the Housing Fund and the Other Funds, as of June 30, 2012, so that such Unobligated Balance would be distributed to the taxing agencies. Pursuant to the general procedure for determining the Unobligated Balances set forth in the Dissolution Act, legally restricted funds (including bond proceeds), value of assets that are not cash or cash equivalents (such as land and equipment) and amounts that are needed to satisfy obligations listed on an approved ROPS were excluded from the Unobligated Balance.

With respect to each DDR, the Agency Participant was required to and did submit such DDR, after review and approval by the related Oversight Board, to the DOF.

Because each Agency Participant has made the remittances required by the DOF's final determination concerning the DDRs, as well as certain other amounts previously required to be remitted pursuant to the Dissolution Act, the DOF issued a "Finding of Completion" to each Agency Participant. Upon receipt of such Finding of Completion, each Agency Participant in receipt of such determination is authorized to proceed with actions permitted under certain provisions of the Dissolution Act, such as the disposition of real property assets following Oversight Board and DOF approval of a Long Range Property Management Plan.

Additional Bonds

The Trust Agreements do not authorize the issuance of additional bonds or parity debt. There is limited authority under the Agency Indentures for the Agency Participants to issue additional bonds. The Dissolution Act in its current form does not permit a successor agency issuing bonds or incurring other indebtedness for purposes other than refunding existing enforceable obligations or outstanding bonds of the agency resulting in savings. See "SECURITY FOR THE REFUNDING BONDS – Parity Debt Limited to Refunding Bonds" in Appendices A and B for a description of the conditions precedent for the issuance of indebtedness on a parity basis with the Local Obligations.

Covenants of the Agency Participants

The following is a general description of covenants and terms that will be included in Agency Indentures, including Agency Indentures executed as a parity debt instrument supplemental to an indenture or fiscal agent agreement securing existing parity debt of a respective Agency Participant and Project Area. This description is intended to be general and a summary statement of terms which necessarily vary.

Punctual Payment. Each Agency Participant will agree under its respective Agency Indenture to punctually pay the principal of, premium (if any) and interest on the related Local Obligations in conformity with the terms of the related Local Obligations and of the respective Agency Indenture and will faithfully satisfy, observe and perform all conditions, covenants and requirements of the related Local Obligations and of the respective Agency Indenture.

Against Encumbrances. Each Agency Participant will agree under its respective Agency Indenture to not mortgage or otherwise encumber, pledge or place any charge upon any of the Pledged Tax Increment, except as provided in the respective Agency Indenture, and will not issue any obligation or security superior to or on a parity with then Outstanding Bonds payable in whole or in part from the Pledged Tax Increment (other than additional bonds or other parity indebtedness in accordance with the respective Agency Indenture).

Payment of Claims. Subject to the terms of the Dissolution Act, each Agency Participant will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by each Agency Participant or upon the Pledged Tax Increment or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the related Local Obligations; provided that the respective Agency Indenture will not be required to make any such payments so long as each Agency Participant in good faith will contest the validity of any such claims.

Protection of Security and Rights of Owners. Each Agency Participant will agree under its respective Agency Indenture to preserve and protect the security of the related Local Obligations and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by each Agency Participant, such Bonds will be incontestable by each Agency Participant.

Amendment of Redevelopment Plan. Plan amendments are limited by the terms of the Dissolution Act and generally require the report of an independent consultant which demonstrates that Pledged Tax Increment will not be materially reduced by such proposed amendment.

Pledged Tax Increment. Each Agency Participant will agree under its respective Agency Indenture to comply with applicable requirements of the Law to ensure the allocation and payment to it of the Pledged Tax Increment, including without limitation the timely filing of any necessary ROPS. Each Agency Participant will represent and agree under its respective Agency Indenture that the pledge, payment and setting aside of Pledged Tax Increment as provided for in the respective Agency Indenture is not subject to any limitation contained in Article XIIB of the Constitution of the State of California.

For purposes of the projections in the forepart of this Official Statement (with respect to debt service coverage) and in Appendices A and B and in the Fiscal Consultant's Report appearing in Appendix C, it is assumed that all redevelopment plan limits will be enforced. For information regarding the respective Agency Participants and covenants with respect to such limitations under the related Agency Indentures, see Appendices A and B under the description of project area plan limitations under the caption "THE REDEVELOPMENT PLAN." See also, Appendices A and B under the captions "THE PROJECT AREA – Estimated Debt Service Coverage" for projections of debt service coverage on the respective Local Obligations.

Tax Covenants; Rebate Fund. As may be relevant to the Series 2014A Bonds, each Agency Participant relating thereto will agree under its Agency Indenture to not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on any of the Series 2014A Bonds under Section 103 of the Code, and to pay from time to time its share of amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Series 2014A Bonds from time to time.

Compliance with the Dissolution Act. Each Agency Participant will agree under its respective Agency Indenture that it will comply with all requirements of the Dissolution Act. Without limiting the generality of the foregoing, each Agency Participant will covenant and agree to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by each Agency Participant with its covenants under the respective Agency Indenture. Further, each Agency Participant will take all actions required under the Dissolution Act to include scheduled debt service on the related Local Obligations, as well as any amount required under the respective Agency Indenture to replenish the related reserve account in ROPS for each six-month period so as to enable the County Auditor-Controller to distribute from the RPTTF to each Agency Participant's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for each Agency Participant to pay the principal of, premium (if any) and interest on the Local Obligations coming due in the respective six-month period. These actions will include, without limitation, placing on the periodic ROPS for approval by the Oversight Board and the DOF, to the extent necessary, the amounts to be held by each Agency Participant as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of the principal of, premium (if any) and interest due under the respective Agency Indenture when the next

property tax allocation is projected to be insufficient to pay all obligations due under the respective Agency Indenture for the next payment due in the following six-month period.

Credits to Redevelopment Obligation Retirement Fund. Each Agency Participant will agree under its respective Agency Indenture to credit all Pledged Tax Increment withdrawn from the RPTTF by the County Auditor-Controller and remitted to the applicable Agency Trustee for the payment of the related Local Obligations to the Redevelopment Obligation Retirement Fund established pursuant to Section 34170.5 of the California Health and Safety Code.

Limited Obligations of the Agency Participants

The respective Local Obligations are not a debt of the County, or any respective Former RDA's original sponsoring city referenced in this Official Statement, the State or any of its political subdivisions, and neither the cities referenced in this Official Statement, the State nor any of its political subdivisions, other than each of the Agency Participants, is liable in any way for the respective Local Obligations. The principal of, premium (if any) and interest on the respective Local Obligations are payable solely from the Pledged Tax Increment under, and to the extent described in, the related Agency Indenture and the funds pledged therefor under the related Agency Indenture, as applicable. The respective Local Obligations are limited obligations of such Agency Participant and Project Area payable solely from and secured by the Pledged Tax Increment to be derived from the respective redevelopment project area, and from the amounts on deposit in certain funds as further described in Appendices A and B. In some instances, payment of the principal of, premium (if any) and interest on the respective Local Obligations is subordinate to payment of principal of, premium (if any) and interest on certain other outstanding obligations of such Agency Participant. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Pledged Tax Increment" for a description of existing indebtedness with a lien on Pledged Tax Increment on a basis senior to or on a parity with the lien of its Local Obligations under its respective Agency Indenture. Each of the Agency Participants will covenant and agree under its respective Agency Indenture to not issue obligations with a lien on Pledged Tax Increment on a basis senior to or on a parity with the lien of its Local Obligations (except for refunding bonds) in accordance with its respective Agency Indenture. The respective Local Obligations are issued pursuant to the respective Agency Indenture.

BOND INSURANCE

The scheduled payment of principal of and interest on the Insured Series 2014 Bonds (as shown on the inside cover pages herein) when due will be guaranteed pursuant to insurance policies to be issued concurrently with the delivery of each Series of the Insured Series 2014 Bonds by AGM. The following disclosure has been provided by AGM as issuer of such policy.

Bond Insurance Policy

Concurrently with the issuance of the Series 2014 Bonds, AGM will issue its Municipal Bond Insurance Policy for the Insured Series 2014 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Series 2014 Bonds when due as set forth in the form of the Policy included as an exhibit 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.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody’s issued a rating action report stating that it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Capitalization of AGM

At March 31, 2014, AGM’s policyholders’ surplus and contingency reserve were approximately \$3,621 million and its net unearned premium reserve was approximately \$1,869 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, of AGM’s wholly owned subsidiary Assured Guaranty (Europe) Ltd., and 60.7% of AGM’s indirect subsidiary Municipal Assurance Corp.; after giving effect to certain intercompany eliminations; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (filed by AGL with the SEC on February 28, 2014); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 (filed by AGL with the SEC on May 9, 2014).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Insured Series 2014 Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Insured Series 2014 Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Insured Series 2014 Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Series 2014 Bonds or the advisability of investing in the Series 2014 Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading “BOND INSURANCE”.

LIMITATIONS ON TAX REVENUES

Property Tax and Spending Limitations

Article XIII A of the California Constitution. Section 1(a) of Article XIII A of the California Constitution limits the maximum *ad valorem* tax on real property to one percent of full cash value, to be collected by the counties and apportioned according to law. Section 2 of Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the California Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above.

In the general elections of 1986, 1988, and 1990, the voters of the State approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a “purchase” or “change of ownership” triggering reassessment under Article XIII A. This amendment will reduce the tax increment of each of the Agency Participants. Other amendments permitted the Legislature to allow persons over 55 who sell their residence and on or after November 5, 1986, to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence, and permitted the Legislature to authorize each county under certain circumstances to adopt an ordinance making such transfers or assessed value applicable to situations in which the replacement dwelling purchased or constructed after November 8, 1988, is located within that county and the original property is located in another county within California.

In the June 1990 election, the voters of the State approved additional amendments to Article XIII A permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for replacement dwellings purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of “new construction” triggering reassessment improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of “new construction” seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Both the California Supreme Court and the United States Supreme Court have upheld the constitutionality of Article XIII A.

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

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds.

Effective September 30, 1980, the California Legislature added Section 33678 to the Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by the agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B or any statutory provision enacted in implementation thereof, including Section 33678 of the Law. The constitutionality of Section 33678 has been upheld by the Second and Fourth District Courts of Appeal in two decisions: *Bell Community Redevelopment Agency v. Woosely* and *Brown v. Community Redevelopment Agency of the City of Santa Ana*. On the basis of these decisions, the Agency Participants have not adopted an appropriations limit.

Proposition 218. On November 5, 1996, the voters of the State approved Proposition 218, the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the public agencies to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C removes limitations on the initiative power in matters of local taxes, special taxes, assessments, fees and charges. While the matter is not free from doubt, it is likely that a court would hold that the initiative power cannot be used to reduce or repeal the levy of property taxes or to materially affect the collection and pledge of Pledged Tax Increment.

The interpretation and application of the initiative provisions of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and while it is not possible at this time to predict with certainty the outcome of such determination, each of the Agency Participants does not believe that Proposition 218 will materially affect its ability to pay the principal of or interest on the respective Local Obligations.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in Appendices A and B and in the Fiscal Consultant’s Report appearing in Appendix C is shown at 100% of assessed value and all general tax rates reflect the \$1.00 per \$100 of taxable value. Tax rates for bond debt service and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of “base” revenue from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year. Neither the Authority nor any of the Agency Participants is able to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Redevelopment Plan Limits

Certain Agency Participant Project Areas are subject to respective dates for the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt that may be relevant to the payment of debt service on the Series 2014 Bonds. The expiration date of the respective redevelopment plans is as described in Appendices A and B under the caption “THE REDEVELOPMENT PLAN – Financial Limitations.” For purposes of the projections in the forepart of this Official Statement (with respect to debt service coverage) and in Appendices A and B and in the Fiscal Consultant’s Report appearing in Appendix C, it is assumed that all redevelopment plan limits will be enforced.

There is a question on the applicability of tax increment limits as to time and amounts established under redevelopment plans after the adoption of AB 26 and AB 1484. Further, under AB 1484 and by application of the ROPS structure, a successor agency’s receipt of revenues for purposes of interpretation of the project area plan limit, such as the escrow following the receipt of 90% of the aggregate amount of Pledged Tax Increment above, is a matter of potential dispute. This is because while under the redevelopment plans and prior law, practitioners considered all revenues of a project area for purposes of interpretation of the project area plan limit, the current constraint on a successor agency’s receipt of revenues limited by ROPS yields an odd result which may require clarifying legislation and one not considered by the Fiscal Consultant. The DOF has expressed its view to certain Successor Agencies that tax increment limits are no longer applicable. However, each of these matters remains subject to further guidance from the DOF, legislation and interpretation by the courts. If the cumulative tax increment limit is deemed to no longer be applicable, covenants with respect to such limitations under the related Agency Indentures will be terminated as inapplicable.

Unitary Property

Assembly Bill 2890 (Statutes of 1986, Chapter 1457), which added Section 98.9 to the California Revenue and Taxation Code, provided that, commencing with the Fiscal Year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) was to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property was changed from March 1 to January 1.

Assembly Bill 454 (Statutes of 1987, Chapter 921) further modified the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provided for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provided for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county as follows: for revenues generated from the 1% tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage up to 102% of its prior year State-assessed unitary revenue; and if county-wide revenues generated for unitary property are greater than 102% of the previous year’s unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, further, each jurisdiction will receive a percentage share of revenue based on the jurisdiction’s annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

The intent of Chapters 1457 and 921 was to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization.

Each of the Agency Participants has projected the amount of unitary revenues to be allocated for the fiscal year 2013-14 within the respective Project Area. See Appendices A and B respectively for such information. Neither the Authority nor any Agency Participant can predict the effect of any future litigation or settlement agreements on the amount of unitary tax revenues received or to be received nor the impact on unitary property tax revenues of any transfer of electrical transmission lines to tax-exempt agencies.

Tax Rates

As an additional limitation, tax increment revenues are computed based upon the annual incremental assessed value of the respective project area multiplied by a tax rate determined by the County Auditor-Controller. The tax rates which are applied to incremental taxable values consist of two components: the General Tax Rate of \$1.00 per \$100 of taxable values and the Override Tax Rate which is levied to pay voter approved indebtedness. The basic levy tax rate may not exceed 1% (\$1.00 of \$100 taxable value) in accordance with Article XIII A. An amendment to the Constitution prohibits redevelopment agencies from receiving taxes generated by new Override Tax Rates, which are reflective of debt approved after December 31, 1988. Based upon the County Auditor-Controller's reliance to use the basic one percent tax rate in calculating the RPTTF allocation, a one percent levy is used in the revenue projections herein and in the Fiscal Consultant's Report.

See Appendices A and B under the caption "THE PROJECT AREA – Projected Tax Revenues" or "THE PROJECT AREA – Projected Pledged Revenues," as applicable, for a discussion of the tax rate assumptions utilized by the Fiscal Consultant for the related Project Area in projecting Gross Tax Revenues.

Assessed Value Appeals and Proposition 8 Adjustments

Pursuant to State law, property owners may apply for a reduction of their property tax assessment by filing a written appeal. After the applicant and the assessor have presented their arguments, the applicable local appeals board makes a final decision on the proper assessed value. The appeals board may rule in the assessor's favor, rule in the applicant's favor, or set its own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion. Any reduction in the assessment ultimately granted applies to the year for which the application is made and may also affect the values in subsequent years. Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Current year values may also be adjusted as a result of a successful appeal of prior year values. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date. A base year assessment appeal has significant future revenue impacts because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the two percent inflation factor, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Section 51 of the Revenue and Taxation Code permits a reduction (a “Proposition 8 Adjustment”) in the assessed value if the full cash value of the property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. During the recent real estate market downturn which started 2006 and appears to have ended in the past three years, the County Assessor’s Office initiated proactive reviews of single family homes, condominiums, townhomes, multifamily and commercial and industrial properties, which result in Proposition 8 Adjustments for many properties in the County.

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

The taxable value of unitary property may be contested by utility companies and railroads to the State Board of Equalization. Generally, the impact of utility appeals is on the statewide value of a utility determined by the State Board of Equalization. As a result, the successful appeal of a utility may not impact the taxable value of a project area but could impact a project area’s allocation of unitary property tax revenues.

Any assessment appeal that is pending or which may be filed in the future, if successful, will result in a reduction of the assessed value of the subject property. A reduction of assessed valuation due to appeals, if significant, and the resulting property tax refunds could adversely impact the amount of Pledged Tax Increment available to pay debt. See Appendices A and B and in the Fiscal Consultant’s Report appearing in Appendix C.

Additional Limitation on Pledged Tax Increment

On November 8, 1988 the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the California Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on bonded indebtedness approved by the voters of the taxing entity after January 1, 1989 will be allocated to the taxing entity and not to the redevelopment agency. None of the Agency Participants projects the receipt of any tax increment revenues as a result of general obligation bonds which may be approved on or after January 1, 1989.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Series 2014 Bonds and the credit quality of the respective Local Obligations. The following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Series 2014 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. For a discussion of certain matters that will or could cause reductions in the Pledged Tax Increment available in future years, see “LIMITATIONS ON TAX REVENUES” in the forepart of this Official Statement. See also “SPECIAL RISK FACTORS” in Appendices A and B for a discussion of additional risk factors specific to the respective Agency Participants and Project Areas.

Limited Special Obligations

The Series 2014 Bonds will be special obligations of the Authority, payable from and secured as to the payment of the principal, redemption premium (if any) and interest thereon in accordance with their terms and the terms of the related Trust Agreement, solely from the Trust Estate, which will consist primarily of principal and interest payments on the related Local Obligations to be purchased by the Authority under the related Trust Agreement and to be owned by the Authority as set forth in the respective Agency Indenture. The Series 2014 Bonds shall not constitute a charge against the general credit of the Authority or any of its members, and under no circumstances shall the Authority be obligated to pay principal of, premium (if any) and interest on any Series of Series 2014 Bonds except from the related Trust Estate. Neither the State nor any public agency (other than the Authority) nor any member of the Authority is obligated to pay the principal of, premium (if any) and interest on the Series 2014 Bonds, and neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal of, premium (if any) and interest on the Series 2014 Bonds. The payment of the principal of, premium (if any) and interest on the Series 2014 Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Authority) or any member of the Authority.

Risks of Real Estate Secured Investments Generally

The Owners and Beneficial Owners of the Series 2014 Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (a) adverse changes in local market conditions, such as changes in the market value of real property within and in the vicinity of the respective project areas, the supply of or demand for competitive properties in such project areas, and the market value of competitive properties in the event of sale or foreclosure, (b) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies, and (c) natural disasters (including, without limitation, earthquakes, fires, droughts and floods), which may result in uninsured losses.

Pledged Tax Increment

Pledged Tax Increment, which secure the respective Local Obligations, is determined by the incremental assessed value of taxable property in the respective Project Area, the current rate or rates at which property in the respective Project Area is taxed, and the percentage of taxes collected in the respective Project Area. Several types of events which are beyond the control of the Agency Participants could occur and cause a reduction in available Pledged Tax Increment and, potentially, Revenues under the related Trust Agreement. A reduction of taxable values of property in the respective Project Area or a reduction of the rate of increase in taxable values of property in the respective Project Area caused by economic or other factors beyond each of the Agency Participant's control (such as a relocation out of the respective Project Area by one or more major property owners, successful appeals by property owners for a reduction in a property's assessed value, a reduction in the rate of transfers of property, construction activity or other events that permit reassessment of property at lower values, or the destruction of property caused by natural or other disasters, including earthquakes) could occur, thereby causing a reduction in Pledged Tax Increment and, potentially, Revenues under the related Trust Agreement. This risk increases in proportion to the percent of total assessed value attributable to any single assessee in the respective Project Area and in relation to the concentration of property in such Project Area in terms of size or land use. Certain of the Project Areas have large concentrations of ownership among the largest property taxpayers in such Project Area. See "THE PROJECT AREA – General" and "SPECIAL RISK FACTORS – Concentration of Ownership" in each of Appendices A and B herein.

Any reduction in the tax rate applicable to property in the respective project area, by reason of discontinuance of certain override tax levies in excess of the 1% basic levy, will reduce the Pledged Tax Increment and, potentially, Revenues under the related Trust Agreement. The tax rates which are applied to incremental taxable values consist of two components: the General Tax Rate of \$1.00 per \$100 of taxable values and the Override Tax Rate which is levied to pay voter approved indebtedness. The basic levy tax rate may not exceed 1% (\$1.00 of \$100 taxable value) in accordance with Article XIII A. An amendment to the Constitution prohibits redevelopment agencies from receiving taxes generated by new Override Tax Rates, which are reflective of debt approved after December 31, 1988. As mentioned in the Fiscal Consultant's Report, many issues involved in the dissolution of redevelopment agencies have yet to be resolved including the continuation of plan limits, override revenues and the treatment of ERAF. Additionally approximately 100 lawsuits have been filed on various aspects of AB 26 and AB 1484 which could impact the dissolution of redevelopment agencies. The projections herein could be impacted as a result of future court decisions.

Each of the Agency Participants and the Fiscal Consultant have based their projections herein on certain assumptions with regard to the respective Project Area, growth in assessed values and tax increment revenue growth. These projections assume that assessed value will increase by 0.454% for fiscal year 2014-15 and 2% annually thereafter. A 2% growth rate is the maximum inflationary growth rate permitted by law. For summary information regarding such projections and projected growth rate of the Agency Participants, see Appendices A and B under the caption "THE PROJECT AREA" and the Fiscal Consultant's Report appearing in Appendix C. There can be no assurance, however that assessed values will increase as projected, if at all.

Any reduction in assessed value in the respective Project Area, reduction in tax rates or reduction in taxes collected would reduce the Pledged Tax Increment available to pay debt service on the respective Local Obligations. See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES – Assessed Value Appeals and Proposition 8 Adjustments." See also Appendices A and B under the caption "THE PROJECT AREA" hereto for a summary of historical assessed valuation of property in the respective project area, current assessment appeals and historical delinquencies.

Successor Agency Powers and Resources Are Limited

Each Successor Agency was created pursuant to the Dissolution Act to wind down the affairs of a Former RDA. Its powers are limited to those granted under the Dissolution Act. It has no power to levy and collect property taxes. It does not have any legal authority to participate in redevelopment activities, except to complete work related to enforceable obligations, as defined in the Dissolution Act. Many Successor Agency actions are subject to the review or the directions of its Oversight Board and the DOF and, in some cases, the County Auditor-Controller and the State Controller. California Health and Safety Code Section 34173(e) states that the liability of the Successor Agency, acting pursuant to the powers granted under the Dissolution Act, is limited to the extent of the total sum of property tax revenues it receives pursuant to the Dissolution Act and the value of assets transferred to it as a Successor Agency for the Former RDA.

Prior to dissolution, each Former RDA retained funds on hand, accumulated from prior years, that were available for use if short-term cash flow issues arose. In the event of a delay in the receipt of tax increment in any given year, such Former RDA could (though it was not obligated to) use such other available funds to make payments on debt obligations when due. Under the Dissolution Act, a Successor Agency is required to seek prior approval from its Oversight Board (and, therefore, the DOF because all Oversight Board actions are subject to DOF's review) in order to pay an enforceable obligation from a source of funds that is different than the one identified on the ROPS. As the result of procedures already completed under the Dissolution Act, such as the due diligence reviews (see "SECURITY AND

SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Due Diligence Reviews”), the Successor Agency virtually has no alternative resources available to make payment on enforceable obligations if there is a significant delay with respect to scheduled RPTTF disbursements or if the amount from RPTTF disbursements is not sufficient for the required payment on the enforceable obligations.

The Dissolution Act expressly provides that a Former RDA’s original sponsoring city and the Successor Agency are separate public entities. The liabilities of the Former RDA are not transferred to any respective Former RDA’s original sponsoring city by the virtue of its election to serve as the Successor Agency. The liabilities of the Successor Agency are not the liabilities of the Former RDA’s original sponsoring city.

Limited Application of Project Area Pledged Tax Increment

Tax increment revenues allocated to a Project Area and pledged to pay debt service on one or more series of refunding bonds issued by an Agency Participant with respect to such Project Area are, unless in the case of a common or parity lien, not available to pay debt service on any other series of bonds issued by an Agency Participant. Debt service payable on each Series of the Series 2014 Bonds has been calculated based on the assumption that each related Agency Participant and Project Area will generate sufficient Pledged Tax Increment to timely pay debt service on its series of Local Obligations with respect to such Project Area and that the aggregate of the debt service on all Local Obligations relating to a Series of Series 2014 Bonds will be available in an amount sufficient to timely pay debt service on such Series of the Series 2014 Bonds. Accordingly, if there should be a substantial decline in the amount of Pledged Tax Increment available with respect to one or more Agency Participants or Project Areas causing a default in the payment of one or more of the Local Obligations, and should the debt service reserve account established for such Local Obligations become depleted as a result of such default or defaults in the payment of the respective series of Local Obligations, the Authority may be unable to pay debt service on the related Series of the Series 2014 Bonds.

Change in Law

In addition to the other limitations on Pledged Tax Increment, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing Pledged Tax Increment payable to each of the Agency Participants. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce the Pledged Tax Increment and adversely affect the security of the respective Local Obligations.

Reduction in Inflationary Rate

As described in greater detail below, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. See “LIMITATIONS ON TAX REVENUES” for a discussion of how this measure or other initiative measures adopted by the California electorate could reduce Pledged Tax Increment and, potentially, Revenues under the related Trust Agreement.

Levy and Collection

Each of the Agency Participants has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Pledged Tax Increment, and accordingly, could have an adverse impact on the ability of each of the Agency Participants to pay debt service on the respective Local Obligations. Likewise, the County has not implemented a Teeter Plan with respect to the collection and distribution of taxes and delinquencies in the payment of property taxes could have an adverse effect on each of the Agency Participant's ability to make timely debt service payments. See "Property Tax Collection Procedures" below.

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state-assessed public utilities' property and property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured properties are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. Collections are the responsibility of the County Treasurer and Tax Collector.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each 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 property on the secured roll with respect to which taxes are due is delinquent on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector.

Historically, property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A ten percent (10%) penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting 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. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

The County has not implemented a Teeter Plan with respect to the collection and distribution of taxes. See Appendices A and B under the caption “THE PROJECT AREA” hereto for a summary of historical assessed valuation of property in the respective project area, current assessment appeals and historical delinquencies.

Natural Disasters; Seismic Hazards

Natural disasters, including floods and earthquakes, could damage improvements and/or property in the respective Project Area, or impair the ability of landowners within a Project Area to further develop their properties or to pay property taxes.

There are several identified faults within close proximity to or within the boundaries of the respective Project Areas, including the Southern Segment of the San Andreas Fault that could potentially result in damage to buildings, roads, bridges, and property within the respective Project Areas in the event of an earthquake. For summary information regarding natural disasters and seismic hazards concerning the respective Project Areas, see Appendices A and B under the caption “SPECIAL RISK FACTORS – Natural Disasters; Seismic Hazards.” If an earthquake or other natural disaster were to substantially damage or destroy taxable property within a Project Area, the assessed valuation of such property would be reduced. Such a reduction of assessed valuations could result in a reduction of the Pledged Tax Increment that secure the respective Local Obligations.

Hazardous Substances

An environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of hazardous substances that would limit the beneficial use of a property within the respective Project Areas. 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 Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated 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 respective Project Areas be affected by a hazardous substance, would be to reduce the marketability and value of the property by the costs of remedying the condition, since the purchaser, upon becoming an owner, will become obligated to remedy the condition just as is the seller.

Assessment Appeals

Property taxable values may be reduced as a result of a successful appeal of the taxable value determined by the County Assessor. An appeal may result in a reduction to the Assessor’s original taxable value and a tax refund to the applicant property owner. A reduction in taxable values within the respective Project Area and the refund of taxes which may arise out of successful appeals by property owners will affect the amount of Pledged Tax Increment and, potentially, Revenues under the related Trust Agreement. Each of the Agency Participants has in the past experienced reductions in its Pledged Tax Increment as a result of assessment appeals. The actual impact to tax increment is dependent upon the actual revised value of assessments resulting from values determined by the County Assessment Appeals Board or through litigation and the ultimate timing of successful appeals. For a discussion of historical assessment appeals in the respective Project Areas and summary information regarding pending and resolved assessment appeals for each of the Agency Participants, see Appendices A and B under the caption “THE PROJECT AREA” and the Fiscal Consultant’s Report appearing in Appendix C.

Litigation

Certain litigation may affect the distribution of property tax revenues or other monies to the Agency Participants, which may affect the amounts available to pay debt service on a Series of Series 2014 Bonds. See “LITIGATION” herein.

Economic Risks

Each of the Agency Participant’s ability to make payments on the respective Local Obligations will be partially dependent upon the economic strength of the related Project Area. If there is a decline in the general economy of the related Project Area, the owners of property may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of tax increment revenues. In the event of decreased values, Pledged Tax Increment and, potentially, Revenues may decline as a result.

State Budget Deficits

AB 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State’s budget acts for its fiscal years 2011-12 and 2012-13, respectively, as efforts to address structural deficits in the State general fund budget. In general terms, these bills implemented a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (then projected savings of \$1.5 billion). There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or tax increment revenues, including Pledged Tax Increment.

On June 20, 2014, the Governor signed into law the State budget for fiscal year 2014-15 (the “2014-15 Budget”). The following information is drawn from the State Department of Finance’s summary of the 2014-15 Budget. The 2014-15 Budget is based on revenue projections previously included in the Governor’s May revision to the proposed budget for fiscal year 2014-15. For fiscal year 2013-14, the 2014-15 Budget projects total State general fund revenues of \$102.2 billion, and total State general fund expenditures of \$100.7 billion. The 2014-15 Budget projects that the State will end the 2013-14 fiscal year with a \$2.9 billion general fund surplus. For fiscal year 2014-15, the 2014-15 Budget projects total State general fund revenues of \$109.4 billion and total State general fund expenditures of \$108 billion, leaving the State with a projected general fund surplus for fiscal year 2014-15 of approximately \$2.1 billion. This projected reserve is a combination of \$449 million in the State’s general fund traditional reserve, and an authorized deposit of \$1.6 billion into the Budget Stabilization Account established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

The full text of each Assembly Bill cited above may be obtained from the “Official California Legislative Information” website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://www.leginfo.ca.gov/bilinfo.html>. Information about the State budget and State spending is available at various State maintained websites. Text of the 2014-15 Budget and other documents related to the State budget may be found at the website of the State Department of Finance, www.dof.ca.gov. A nonpartisan analysis of the budget is posted by the Legislative Analyst’s Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov.

None of the websites or webpages referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. None of the Authority or the Agency Participants can make any representation whatsoever as to the accuracy or completeness of any of the information on such websites.

Certain litigation is challenging some of the terms of the Dissolution Act, and it is anticipated that there will be additional future legislation in this area. Each of the Agency Participants cannot predict what measures may be proposed or implemented for the current fiscal year or in the future.

Direct and Overlapping Indebtedness

The ability of land owners within the respective project area to pay property tax installments as they come due could be affected by the existence of other taxes and assessments, imposed upon the land. In addition, other public agencies whose boundaries overlap those of the respective project area could, without consent of each of the Agency Participants, and in certain cases without the consent of the owners of the land within the respective Project Area, impose additional taxes or assessment liens on the property to finance public improvements. See “Bankruptcy and Foreclosure” below.

Bankruptcy and Foreclosure

The payment of property taxes by owners may be limited by bankruptcy, insolvency, or other laws generally affecting creditor’s rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the issuance of the Series 2014 Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the property tax obligation of a landowner to become extinguished, such bankruptcy could result in a delay in collection of Pledged Tax Increment, and would increase the likelihood of a delay or default in payment of the principal of and interest on the respective Local Obligations.

Future Legislation and Initiatives

Article XIII A, Article XIII B and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, further affecting revenues of each of the Agency Participants or each of the Agency Participant’s ability to expend revenues. In addition, there are currently a number of proposed legislative changes to the Dissolution Act which, if adopted, would also affect revenues of each of the Agency Participants or each of the Agency Participant’s ability to expend revenues. The nature and impact of these measures cannot currently be anticipated.

TAX MATTERS

Series 2014A Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State

of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2014A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that interest on the Series 2014A Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX F – “FORM OF OPINIONS OF BOND COUNSEL.”

To the extent the issue price of any maturity of the Series 2014A Bonds is less than the amount to be paid at maturity of such Series 2014A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2014A Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2014A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2014A Bonds is the first price at which a substantial amount of such maturity of the Series 2014A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2014A Bonds accrues daily over the term to maturity of such Series 2014A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2014A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2014A Bonds. Beneficial Owners of the Series 2014A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2014A Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2014A Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2014A Bonds is sold to the public.

Series 2014A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2014A Bonds. The Authority and the Agency Participants have each made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2014A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2014A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2014A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2014A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2014A Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2014A Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2014A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the Series 2014A Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the Series 2014A Bonds to some extent for high income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2014A Bonds. Prospective purchasers of the Series 2014A Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2014A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2014A Bonds ends with the issuance of the Series 2014A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the Series 2014A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2014A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2014A Bonds, and may cause the Authority or Beneficial Owners to incur significant expense.

Series 2014B Bonds

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series 2014B Bonds that acquire their Series 2014B Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not

take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2014B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their Series 2014B Bonds pursuant to this offering for the issue price that is applicable to such Series 2014B Bonds (i.e., the price at which a substantial amount of the Series 2014B Bonds are sold to the public) and who will hold their Series 2014B Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Series 2014B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Series 2014B Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2014B Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2014B Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2014B Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest. In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, interest on the Series 2014B Bonds is exempt from State of California personal income taxes. Interest on the Series 2014B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or amount, accrual or receipt of interest on, the Series 2014B Bonds. A complete copy of the proposed form of opinion is set forth in APPENDIX F – “FORM OF OPINIONS OF BOND COUNSEL.”

Stated interest on the Series 2014B Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder’s method of accounting for U.S. Federal income tax purposes.

The Series 2014B Bonds are expected to be issued with original issue discount (“OID”). In general, the excess of the stated redemption price at maturity of a Series 2014B Bond over its issue price will constitute OID for U.S. federal income tax purposes. The stated redemption price at maturity of a Series 2014B Bond is the sum of all scheduled amounts payable on the Series 2014B Bond (other than qualified stated interest). U.S. Holders of the Series 2014B Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to

such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

The Series 2014B Bonds are not expected to be treated as issued with OID for U.S. federal income tax purposes because the stated redemption price at maturity of the Series 2014B Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a *de minimis* amount (as determined for tax purposes).

Disposition of the Series 2014B Bonds. Unless a non-recognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority) or other disposition of a Series 2014B Bond, will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2014B Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2014B Bond) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2014B Bond (generally, the purchase price paid by the Series 2014B Bond decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a noncorporate U.S. Holder of the Series 2014B Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2014B Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Tax on Net Investment Income. Certain non-corporate U.S. Holders of Series 2014B Bonds will be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" (in the case of individuals) or "undistributed net investment income" (in the case of estates and certain trusts) for the relevant taxable year and (2) the excess of the U.S. Holder's "modified adjusted gross income" (in the case of individuals) or "adjusted gross income" (in the case of estates and certain trusts) for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual's circumstances). A U.S. Holder's calculation of net investment income generally will include its interest income on the Series 2014B Bonds and its net gains from the disposition of the Series 2014B Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of this tax to your income and gains in respect of your investment in the Series 2014B Bonds.

Information Reporting and Backup Withholding. Payments on the Series 2014B Bonds generally will be subject to U.S. information reporting and "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2014B Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the Series 2014B Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2014B Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “FATCA,” payments of principal of, and interest on, any Series 2014B Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, as such term is defined in the Code, which is related to the Authority through stock ownership and (2) a bank which acquires such Series 2014B Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Series 2014B Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

Disposition of the Series 2014B Bonds. Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “FATCA,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Authority) or other disposition of a Series 2014B Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Authority) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series 2014B Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual’s death, provided that at the time of such individual’s death, payments of interest with respect to such Series 2014B Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading “FATCA,” under current U.S. Treasury Regulations, payment of principal and interest on any Series 2014B Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2014B Bond or a financial institution holding the Series 2014B Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the Series 2014B Bonds that are not United States persons and copies of such owners’ certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28%.

In addition, if the foreign office of a foreign “broker,” as defined in applicable U.S. Treasury regulations pays the proceeds of the sale of a Series 2014B Bond to the seller of the Series 2014B Bond, backup withholding and information reporting requirements will not apply to such payments provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a Series 2014B Bond will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. Office of a broker of the proceeds of a sale of a Series 2014B Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

FATCA. Sections 1471 through 1474 of the Code, impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of U.S. source interest (including OID) and sales proceeds of debt obligations held by or through a foreign entity. Withholding under FATCA generally will apply to (i) payments of U.S. source interest (including OID) made after June 30, 2014, (ii) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2016 and (iii) certain foreign “pass-thru” payments no earlier than January 1, 2017, but exempt from withholding any payments made on and proceeds realized from the disposition of obligations that are outstanding on July 1, 2014 and are not substantially modified after that date, which exemption should exclude the Series 2014B Bonds from the withholding provisions of FATCA. Prospective investors should nonetheless consult their own tax advisors regarding FATCA and its effect on them.

Circular 230

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), the Authority and its tax advisors are (or may be) required to inform prospective investors that:

- i. any advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;
- ii. any such advice is written to support the promotion or marketing of the Series 2014B Bonds and the transactions described herein; and
- iii. each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

CONTINUING DISCLOSURE

In accordance with the several Continuing Disclosure Agreements to be delivered concurrently with the delivery of the Series 2014 Bonds, each respective Agency Participant will covenant and agree for the benefit of Owners of the Series 2014 Bonds, with assistance from the Authority, to provide certain financial information and operating data relating to the Agency Participants by not later than the first day of the month following the eighth month after the end of the respective Agency Participant's fiscal year (presently June 30 in the case of each Agency Participant), which is March 1, in each year commencing with its report for the 2013-14 fiscal year (each an "Annual Report"). The Authority has also agreed to assist in providing notices of the occurrence of certain enumerated events on behalf of the Agency Participants. Such Annual Report and notices will be filed by the respective Agency Participants or the Authority, on behalf of the respective Agency Participants, with the MSRB through EMMA.

The Authority has agreed to assist the Agency Participants in the preparation of annual updates of the information contained in the tables included in this Official Statement with respect to property tax revenues, collections, principal taxpayers, and, if applicable, plan limit calculations and has agreed to assist in filing notices of enumerated events. The Authority will act as Dissemination Agent and, unless otherwise filed by an Agency Participant, will file the Annual Reports, including audited financial statements, and notices with the MSRB through EMMA. In carrying out the duties of Dissemination Agent, the Authority will adhere to the continuing disclosure procedures approved by the County Treasurer and Tax Collector found at the Los Angeles County Treasurer and Tax Collector website (http://ttc.lacounty.gov/Proptax/Investor_Info.asp). The information contained in such website is not incorporated into this Official Statement.

These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5) ("Rule 15c2-12"). The specific nature of the information to be contained in the Annual Report and the notices of enumerated events are set forth in APPENDIX H – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

The compliance of the Agency Participants is described in Appendices A and B in the introductory section under the caption "Continuing Disclosure" with respect to each Agency Participant and, in some cases, includes incomplete and or delinquent compliance.

CERTAIN LEGAL MATTERS

The validity of the Series 2014 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. Bond Counsel, as such, has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement. A complete copy of the proposed form of opinions of Bond Counsel is contained in APPENDIX F – “FORM OF OPINION OF BOND COUNSEL” attached hereto. Certain legal matters will be passed upon for the Authority by County Counsel as Counsel to the Authority. Certain legal matters will be passed upon for the Agency Participants by designated general counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

FINANCIAL STATEMENTS

Audited annual financial statements for the Agency Participants or their respective original sponsoring city for the fiscal year ended June 30, 2013, were prepared by certified public accounts. Excerpts of each Agency Participant’s audited annual financial statements, or Successor Agency trust fund portion of their original sponsoring city’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013, are attached hereto as Appendix D. Except as set forth otherwise in an appendix to this Official Statement, the Agency Participants have not requested, and the respective auditors have not provided, any update or review of such audited financial statements in connection with the inclusion thereof in Appendix D to this Official Statement.

FINANCIAL ADVISOR

KNN Public Finance, a division of Zions First National Bank, Oakland California (the “Financial Advisor”) is serving as financial advisor to the Authority in connection with the execution and delivery of the Series 2014 Bonds. The Financial Advisor has not independently verified any of the data contained in this Official Statement or conducted a detailed investigation of the affairs of the Authority or the Agency Participants to determine the accuracy or completeness of this Official Statement. The Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained in this Official Statement. The South Gate Successor has been represented by its own financial advisor who likewise assumes no responsibility for the accuracy or completeness of any of the information contained in this Official Statement.

VERIFICATION OF MATHEMATICAL ACCURACY

Grant Thornton LLP, independent accountants, upon delivery of the Series 2014 Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules prepared by the Underwriters, relating to the sufficiency of moneys and securities deposited into the Escrow Funds to pay, when due, the principal, whether at maturity or upon prior prepayment, interest and redemption premium requirements of the Refunded Obligations.

The report of Grant Thornton LLP will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report.

LITIGATION

To the best knowledge of the Authority, there is no litigation pending (where service of process has been completed on the Authority) or threatened against the County or the Authority concerning the validity of the Series 2014 Bonds or challenging any action taken by the Authority in connection with the authorization of the Trust Agreements, the Bond Purchase Agreement, Local Obligation Purchase Contracts or any other document relating to the Series 2014 Bonds to which the Authority is or is to become a party or the performance by the Authority of any of its obligations under any of the foregoing.

There is no action, suit or proceeding pending or, to the knowledge of any of the Agency Participants, threatened, restraining or enjoining the execution or delivery of the respective Local Obligations or respective Agency Indentures, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Agency Participants, their respective Oversight Boards, or the respective cities taken with respect to any of the foregoing. Certain of the Agency Participants are defendants in actions for writs of mandamus, injunctive relief and related fees, and for alleged damages to persons and/or property and for other alleged liabilities arising out of matters usually incident to the operation of a former redevelopment agency (now a successor agency). None of the respective Agency Participants expects such pending or threatened litigation to result in a material adverse impact on the ability of the Agency Participant to make timely payments of debt service on its Local Obligations. See Appendices A and B under the caption "LITIGATION." The lawsuits described below relate to issues that may affect the distribution of property tax revenues or other monies to the Agency Participants under the Dissolution Act.

Prior to adoption of the Dissolution Act in 2011, redevelopment agencies were responsible for remitting the statutory pass-through payments to taxing agencies based on the allocation of moneys as provided by county auditor-controllers. Although the redevelopment agencies relied upon allocations provided by the County auditor controller, the redevelopment agencies were legally responsible for paying each taxing agency its allocated share. Following the adoption of the Dissolution Act, county auditor-controllers administer the allocation and payment of statutory pass-throughs directly.

In 2007, the Los Angeles Unified School District ("LAUSD") filed a lawsuit against the County and various cities, special districts and redevelopment agencies in the County alleging that the County Auditor-Controller and local redevelopment agencies improperly allocated and paid to cities, counties, and special districts an illegally inflated share of local property tax revenue. This lawsuit involves the method the County uses to calculate the allocation of Statutory Pass-Through Amounts among taxing agencies and does not challenge the total amount or calculation of the Statutory Pass-Through Amounts owed by redevelopment agencies.

In January 2011, the Los Angeles Community College District ("LACCD") filed a similar lawsuit against the County and various cities, special districts and redevelopment agencies in the County, including the Successor Agency to the South Gate Redevelopment Agency based on the same grounds. The court in the LACCD case determined the matter to be related to the LAUSD case and therefore the case has been placed on hold pending final resolution of LAUSD matter.

The trial court in the LAUSD litigation rendered judgment in favor of the County, cities, special districts and redevelopment agencies and, after the appellate court reversed such judgment and remanded the case back to the trial court, the trial court issued a statement of decision in favor of LAUSD on January 27, 2012, ruling that the amount of pass-through received by the County, cities and special districts had been illegally inflated, and requiring the respondents to file a return on the writ explaining how they would comply with the court's order to return the improperly withheld funds to LAUSD. LAUSD appealed on September 7, 2012 to a portion of the court's statement of decision, specifically

challenging the court's determination that while ERAF revenue received by schools is to be factored when calculating their pass-through shares, the ERAF revenue they are credited with shall not include amounts diverted under Revenue & Taxation Code sections 97.68 (the "Triple Flip") and 97.70 (the "VLF Swap") since their respective enactment in 2004. The appellate court agreed with LAUSD, reversed the trial court's ruling concluding that: "The property tax revenue that LAUSD received from the ERAF's should be deemed to include its share of the ERAF revenue that was diverted by the Triple Flip and the VLF Swap legislation, thus avoiding either a decrease in LAUSD's pass-through payment allocation, or an increase in a city or county's pass-through payment allocation." The appellate court remanded to the trial court on June 26, 2013. The County appealed, and the State Supreme Court denied the County's petition for review on this matter on October 2, 2013.

The County, LAUSD and other parties to the litigation are currently negotiating a methodology pursuant to which the Statutory Pass-Through Amounts could be allocated consistent with the appellate court decision. A hearing before the trial court has been scheduled for August 14, 2014 to address such matters. LAUSD has sought return of Pass-Through Amounts to which it was entitled since 2004 in addition to correcting the allocation of pass-throughs in the future. LACCD, in its lawsuit, has sought the return of Pass-Through Amounts to which it was entitled in fiscal years 2008-09 and 2009-10. As discussed above prior to the enactment of the Dissolution Act in 2011, redevelopment agencies were responsible for the payment of the Statutory Pass-Through Amounts based on allocations provided by county auditor-controllers. It is likely that the trial court could seek repayment of past due sums from the County, cities and special districts and/or from the redevelopment agencies who paid the wrong Statutory Pass-Through Amounts to the taxing agencies. Additionally the trial court could determine that interest is owed on any past due amounts. It is unclear what liability, if any, the South Gate Successor Agency may have to LAUSD or LACCD at this time or to other school district within its boundaries. The Claremont Successor Agency is not within the boundaries of LAUSD or LACCD but would be similarly situated to the South Gate Successor Agency with respect to any litigation relating to the same issues involving school districts or community college districts within its boundaries.

If the Agency Participants are found liable, under the Dissolution Act, it is unclear whether any amounts owed by the Agency Participants as a result of the LAUSD or LACCD cases would be senior or subordinate to the payment of debt service on their respective Local Obligations. Notwithstanding the foregoing, due to the amount of residual tax increment revenues generated from the Project Areas, neither of the Authority nor the Agency Participants expect the final judgment or similar resolution of either litigation to result in a material adverse impact on the ability of the Agency Participants, respectively, to make timely payments of debt service on its Local Obligations when due. See Appendixes A and B under the caption "THE PROJECT AREA – Estimated Debt Service Coverage."

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

The Syncora Lawsuit was brought as a petition for writ of mandate, complaint for declaratory relief, inverse condemnation and injunctive relief. The injunctive relief sought included an injunction enjoining the respondents from implementing enforcing, and/or carrying out the Redistribution Provisions, ordering respondents to immediately return all money remitted by successor agencies to local taxing entities pursuant to the Redistribution Provisions, and ordering respondents to hold all future tax increment revenues in the RPTTF, or a similar fund, for the exclusive benefit of, and distribution to, the bondholders, until such a time when the bondholders are completely repaid. In August 2013, the court ordered Syncora's claims dismissed, without prejudice to refile, as premature claims for impairment of contract and an unconstitutional taking. The court noted that no redevelopment agency bonds are in default.

The original complaint alleged that the Dissolution Act, and specifically the "Redistribution Provisions" thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the "contract clauses" of the United States and California Constitutions (U.S. Const. art. 1, § 10, cl.1; Cal. Const. art. 1, § 9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleged that the Redistribution Provisions violate the "Takings Clauses" of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders' and Syncora's contractual right to critical security mechanisms without just compensation. Specifically, the complaint alleges that the security mechanism created by the irrevocable pledge of tax increment revenues to repay the redevelopment agency debts was a critical feature of the redevelopment bonds' marketability. No assurance can be made that Syncora will not re-file its claim at a later date.

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, a part of McGraw Hill Financial ("Standard & Poor's") is expected to assign its municipal bond rating of "AA" to the Insured Series 2014 Bonds with the understanding that each Policy insuring the payment when due of the principal of and interest on the respective Insured Series 2014 Bonds will be issued concurrently with the delivery of each Series of the Insured Series 2014 Bonds by AGM. Standard and Poor's has assigned the uninsured Series 2014A Bonds (and underlying rating for Insured Series 2014A Bonds) its municipal bond rating of "A" and the Series 2014B Bonds (and underlying rating for Insured Series 2014B Bonds) its municipal bond rating of "A." Such ratings reflect only the views of Standard & Poor's, and do not constitute a recommendation to buy, sell or hold the any of the Series 2014 Bonds. Explanation of the significance of such ratings may be obtained only from Standard and Poor's Ratings Services, 55 Water Street, New York, New York 10041. There is no assurance that any such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the ratings agency, if in the judgment of the 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 Series of Series 2014 Bonds to which such rating has been assigned.

UNDERWRITING

The Series 2014 Bonds are being purchased by Stifel Nicolaus & Company, Incorporated as representative of itself and Citigroup Global Markets Inc. (collectively, the "Underwriters"), pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") by and between the Authority and the Underwriters. The Underwriters have agreed to purchase the Series 2014A Bonds from the Authority at an aggregate purchase price of \$37,979,561.16 (consisting of the aggregate principal amount of the Series 2014A Bonds of \$33,215,000, plus original issue premium of \$4,956,138.45 and less underwriters' discount of \$191,577.29), pursuant to the terms of the Bond Purchase Agreement. The Underwriters have agreed to purchase the Series 2014B Bonds from the Authority at an aggregate purchase price of

\$3,868,893.51 (consisting of the aggregate principal amount of the Series 2014B Bonds of \$3,920,000, less original issue discount of \$23,757.30 and less underwriters' discount of \$27,349.19), pursuant to the terms of the Bond Purchase Agreement. The Bond Purchase Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Series of Series 2014 Bonds offered under the Bond Purchase Agreement if any of such Series of Series 2014 Bonds offered thereunder are purchased.

The Underwriters may offer and sell the Series 2014 Bonds to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the inside cover pages hereof and such public offering prices may be changed from time to time by the Underwriters.

Citigroup Global Markets Inc., an underwriter of the Series 2014 Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for their selling efforts with respect to the Series 2014 Bonds.

ADDITIONAL INFORMATION

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the related Trust Agreement, the Local Obligations and the Agency Indentures may be obtained upon request from the Trustee at: 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Administration. Any 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 among the Authority, the Agency Participants and the purchasers or Owners of any of the Series 2014 Bonds.

This Official Statement and its distribution have been duly authorized by the Authority and the Agency Participants.

**GLENN BYERS
ASSISTANT TREASURER AND TAX COLLECTOR
COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR
KENNETH HAHN HALL OF ADMINISTRATION, ROOM 432
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012
(213) 974-7175**

APPENDIX A

**SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT
COMMISSION OF THE CITY OF SOUTH GATE – SOUTH GATE
REDEVELOPMENT PROJECT NO. 1**

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APPENDIX A

SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF SOUTH GATE

(SOUTH GATE REDEVELOPMENT PROJECT NO. 1 AREA)

The following information regarding the Successor Agency to the Community Development Commission of the City of South Gate (“South Gate Successor”), the dissolved Community Development Commission of the City of South Gate (“Former South Gate RDA”), the South Gate Redevelopment Project No. 1 (“South Gate Redevelopment Project” or “Project Area No. 1”), and the City of South Gate (“City” or “South Gate”) is presented as additional and specific information with respect to the Successor Agency to the Community Development Commission of the City of South Gate, South Gate Redevelopment Project No. 1, Tax Allocation Refunding Bonds, Series 2014A (Tax-Exempt) (the “Series A South Gate Refunding Bonds”) and the Successor Agency to the Community Development Commission of the City of South Gate, South Gate Redevelopment Project No. 1, Tax Allocation Refunding Bonds, Series 2014B (Federally Taxable) (the “Series B South Gate Refunding Bonds,” and together with the Series A South Gate Refunding Bonds, the “South Gate Refunding Bonds”) being purchased by the Authority, which are payable solely from and secured by Tax Revenues (as defined in this Appendix A) attributable to the South Gate Redevelopment Project and all amounts on deposit from time to time in the funds and accounts (other than the Rebate Fund) established under the Indenture of Trust, dated as of July 1, 2014, by and between the South Gate Successor and U.S. Bank National Association, as trustee (“Trustee”) (“South Gate Indenture”). The information set forth in this Appendix A has been obtained from the South Gate Successor, the City, HdL Coren & Cone as fiscal consultant, (“Fiscal Consultant”) and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. Appendix C attached to this Official Statement includes the Fiscal Consultant’s Report with respect to the South Gate Successor and one other Agency Participant (as the term is defined the Official Statement). Terms defined in this Appendix A are in most instances specific to this Appendix A. Capitalized terms used in this Appendix A and not otherwise defined in this Appendix A have the respective meanings assigned to them in forepart of this Official Statement, in the Trust Agreement and in the South Gate Indenture, as applicable. See APPENDIX E – “SUMMARY OF TRUST AGREEMENT” attached to this Official Statement.

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The information and expressions of opinions in this Appendix A 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 South Gate Successor or the City since the date hereof. The taxing power of the City, the County of Los Angeles (“County”), the State of California or any political subdivision thereof (“State”) is not pledged to the payment of the South Gate Refunding Bonds. See the information under the captions “THE REFUNDING BONDS” in this Appendix A and “THE SERIES 2014 BONDS” in the forepart of this Official Statement.

Brief descriptions of the South Gate Refunding Bonds, the South Gate Indenture, the South Gate Successor, the Former South Gate RDA and the City are included in this Appendix A. Such descriptions and information do not purport to be comprehensive or definitive. All references in this Appendix A to the South Gate Refunding Bonds, the South Gate Indenture, the Law, the Dissolution Act, the Constitution and the laws of the State as well as the proceedings of the Former South Gate RDA, the South Gate Successor and the City are qualified in their entirety by reference to such documents. Copies of the proceedings of the South Gate Successor referred to above, the South Gate Indenture and other documents described in this Appendix A are available for inspection at the offices of the South Gate Successor, at City Hall 8650 California Avenue, South Gate, California 90280, Attention: Bryan Cook, Assistant City Manager/Finance Director.

The City maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Authority Bonds and/or South Gate Refunding Bonds.

SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF SOUTH GATE

General

The original South Gate Redevelopment Agency was established pursuant to the Law by an ordinance of the South Gate City Council (“South Gate City Council”) adopted on April 23, 1973 (“Original South Gate RDA”). The City Council adopted Ordinance No. 2082 on August 14, 2001 and Ordinance No. 2122 on December 9, 2002 all pursuant to provisions of the Community Redevelopment Law, Part 1 of Division 24 of the California Health and Safety Code (“Redevelopment Law”), in particular Sections 34120(a) and 34115.5, declaring the need for a community development commission and transferring all duties, powers and responsibilities of the Original South Gate RDA to the new entity called the Community Development Commission of the City of South Gate, as a public body, corporate and politic formed, organized, existing and exercising its powers pursuant Section 34100, *et seq.* of the Health & Safety Code, and exercising all of the power, authority, functions, and jurisdiction of a community redevelopment agency formed, organized, existing and exercising its powers pursuant to the Act and as a housing authority pursuant to the California Housing Authorities Law, Health & Safety Code Section 34200, *et seq.* Thereby, the Original South Gate RDA with the South Gate Housing Authority assumed the nature, power, authority function and jurisdiction of a community development commission (“Former South Gate RDA”).

Assembly Bill x1 26 (“AB x1 26”) chaptered and effective on June 28, 2011 added Parts 1.8 and 1.85 to Division 24 of the California Health & Safety Code and which laws were modified, in part, and determined constitutional by the California Supreme Court in the petition *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861 (“Matosantos Decision”), which laws and court opinion caused the dissolution of all redevelopment agencies and winding down of the affairs of former redevelopment agencies; thereafter, such laws were amended further by Assembly Bill 1484 (“AB 1484”) that was chaptered and effective on June 27, 2012, and such laws have been further amended by subsequent legislation (together AB x1 26, the *Matosantos* Decision, and AB 1484 and subsequent amendments are referred to as the “Dissolution Act”).

Pursuant to Ordinance No. 2285-A and Section 34173 of the Dissolution Act, on August 23, 2011 the City Council elected to serve as the South Gate Successor Agency to the Former South Gate RDA. Pursuant to Assembly Bill 1484 that added subsection (g) to Section 34173, the South Gate Successor became and is “a separate public entity from the public agency that provides for its governance [i.e. the City] and the two entities [i.e. the City and South Gate Successor] shall not merge. The liabilities of the former redevelopment agency shall not be transferred to the sponsoring entity and the assets shall not become assets of the sponsoring entity. A successor agency has its own name, can be sued, and can sue.” (Section 34173(g).) The South Gate Successor is governed by a five-member Board of Directors (“Board”), which consists of the members of the South Gate City Council.

By Resolution No. 7473 adopted on January 11, 2012, the City Council selected the South Gate Housing Authority to become the housing successor under the Dissolution Act, Section 34176 by which and as of dissolution on February 1, 2012 the South Gate Housing Authority assumed the affordable housing duties, functions, housing assets, and obligations of the Former South Gate RDA.

The City of South Gate is located in Los Angeles County, approximately 12 miles southeast of downtown Los Angeles. Unless otherwise specified or as the context requires, references to the “Former South Gate RDA” also refer to the Original South Gate RDA. The Former South Gate RDA approved only one redevelopment project within its area of operation, but there were thirteen (13) amendments thereto.

The Redevelopment Plan and the South Gate Redevelopment Project

The South Gate Refunding Bonds are principally payable from and secured by Tax Revenues (as defined in this Appendix A) attributable to the South Gate Redevelopment Project. The redevelopment plan for the South Gate Redevelopment Project, was originally approved by the South Gate City Council pursuant to Ordinance No. 1238 adopted on July 15, 1974 (“Original Redevelopment Plan”), at which time the original project area was comprised of eight non-contiguous sub-areas, designated as Redevelopment Location Nos. 1, 2, 3, 4, 5, 6, 7 and 8. The Original Redevelopment Plan was amended and restated as described under the caption “THE REDEVELOPMENT PLAN – General” (as so amended and restated, the “Redevelopment Plan”) in this Appendix A.

South Gate Redevelopment Project consists of nine sub-areas: Location Nos. 1, 2, 3, 4, 5, 7, 8 (Location No. 6 which was removed in 1981) (the “Original Project Area”), Redevelopment Area No. 9 (“Location No. 9”) and Redevelopment Area No. 10 (“Location No. 10”). The South Gate Redevelopment Project encompasses approximately 2,055 acres (approximately 3.2 square miles), or about 42% of the total incorporated area of the City of South Gate (4,800 acres). See “THE PROJECT AREA” in this Appendix A for more information about the each of the sub-areas within the South Gate Redevelopment Project.

No Other Project Areas

There are no other active redevelopment project areas approved by the Former South Gate RDA within its area of operation other than the South Gate Redevelopment Project.

Tax Revenues

As used in this Appendix A and in that portion of the Fiscal Consultant’s Report with respect to the South Gate Successor appearing in Appendix C, the former tax increment revenues, including unitary tax revenue and less County applied apportionment adjustments and reductions for amounts above the annual tax revenue limit are referred to as “Gross Tax Revenues.”

The South Gate Refunding Bonds will be payable from and secured by “Tax Revenues” as provided under the South Gate Indenture.

As defined in the South Gate Indenture, the term “Tax Revenues” means moneys paid by the South Gate Successor to the Trustee derived from (a) that portion of taxes in Project Area No. 1, as amended, and received by the South Gate Successor, which is allocated to and paid into a special fund of the South Gate Successor pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, all as more particularly set forth in the South Gate Indenture, (b) reimbursements, subventions (to the extent permitted by law, excluding payments to the South Gate Successor with respect to personal property within Project Area No. 1 pursuant to Section 16110 et seq. of the California Government Code), or other payments made by the State of California with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such from such taxes and (c) Investment Earnings; but excluding any amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law, but only to the extent that such amounts are not subordinated to the payment of debt service on the Bonds and subject to any senior claims on such amounts including amounts payable in connection with that Section 108 Loan Guarantee and the related Cooperation and Pledge Agreement, each executed and delivered in 1999. As discussed in this Appendix A, Tax Revenues are calculated net of any amounts owed pursuant to the Cooperation and Pledge Agreement (as defined in this Appendix A). See “SECURITY FOR THE REFUNDING BONDS— Towne Center Plaza HUD Loan Obligation” in this Appendix A for more information about Cooperation and Pledge Agreement.

Tax Revenues additionally includes moneys deposited from time to time in the Redevelopment Property Tax Trust Fund (“RPTTF”), as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, as and if available and subject to the equal and senior claims of indebtedness, if, any, which may be attributable to project areas of the South Gate Successor, other than the Project Area, if any. 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 Tax

Revenues will include all tax revenues allocated to the payment of indebtedness pursuant to California Health and Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment.

See “SECURITY FOR THE REFUNDING BONDS” in this Appendix A for more information about Tax Revenues.

Purpose of Refunding

Proceeds of the South Gate Refunding Bonds will be used (i) to refund outstanding obligations of the South Gate Successor (the obligations being refunded are referred to in this Appendix A as the “South Gate Series 2002/2003 Local Obligations”), (ii) to finance a reserve surety for deposit to the Reserve Account under the South Gate Indenture, and (iii) to pay the costs of issuing the South Gate Refunding Bonds. See “THE REFUNDING PLAN” in this Appendix A. The South Gate Series 2002/2003 Local Obligations were issued to finance and refinance certain improvements in, or of benefit to, the South Gate Redevelopment Project.

Security for the Refunding Bonds

The South Gate Refunding Bonds are payable solely from, and are secured by, the Tax Revenues (as defined above under the caption “SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF SOUTH GATE—Tax Revenues”), and all amounts on deposit from time to time in the funds and accounts established under the South Gate Indenture (other than the Rebate Fund). See “SECURITY FOR THE REFUNDING BONDS” in this Appendix A.

Litigation

There is no action, suit or proceeding pending or, to the knowledge of the South Gate Successor officials, threatened, restraining or enjoining the execution or delivery of the South Gate Refunding Bonds or the South Gate Indenture, or in any way contesting or affecting the validity of the foregoing or any proceedings of the South Gate Successor, its Oversight Board, or the City of South Gate taken with respect to any of the foregoing. The South Gate Successor is, from time to time, a defendant in actions for writs of mandamus, injunctive relief and related fees, and for alleged damages to persons and/or property and for other alleged liabilities arising out of matters usually incident to the operation of a former redevelopment agency and now as a successor agency. The South Gate Successor does not expect any such pending or threatened litigation to result in a material adverse impact on the ability of the South Gate Successor to make timely payments of debt service on the South Gate Refunding Bonds; however, certain litigation may affect the distribution of property tax revenues or other monies to the South Gate Successor under the Dissolution Act. See “LITIGATION” in the forepart of this Official Statement.

Financial Statements

The South Gate Successor accounts for its financial transactions through funds representing the South Gate Redevelopment Project. Excerpts from the City’s comprehensive annual financial report, which incorporate information about the South Gate Successor, for the fiscal year ended June 30, 2013 were prepared by the certified public accounting firm of Lance, Soll & Lunghard, LLP, and are attached to this Official Statement as part of Appendix D. The South Gate Successor

has not requested, and the auditor has not provided, any update or review of such audited financial statements in connection with the inclusion thereof in Appendix D to this Official Statement.

Continuing Disclosure

The South Gate Successor has covenanted to provide certain financial information and operating data by not later than the first date of the month following the eighth month after the end of the South Gate Successor's Fiscal Year (presently June 30), which is March 1, in each year commencing with its report for the 2013-14 Fiscal Year ("Annual Report"), and to provide notices of the occurrence of certain enumerated events as described in the forepart of this Official Statement under the caption "CONTINUING DISCLOSURE."

Other than as described in the following paragraph, none of the Former South Gate RDA, the South Gate Successor, the City, nor the South Gate Public Financing Authority ("SGPFA") has failed in the previous five years to comply in any material respect with any previous undertaking to provide annual reports or notices of certain events in accordance with Rule 15c2-12.

Certain annual report filings related to various bond issues of the City or the SGPFA to be made in 2010, 2011, 2012, 2013 and 2014 were not timely filed and/or did not include all required information. In addition, certain material event notices disclosing changes to the ratings of the bond for certain bond issues of the City were not filed. The City has corrected this by filing the required material event notices and missing tabular information with the MSRB.

Pursuant to the Continuing Disclosure Agreement between the Authority and the South Gate Successor, the Authority will act as Dissemination Agent and file the annual reports and notices with the MSRB through EMMA on behalf of the South Gate Successor. The annual reports include updates of the information contained in the tables in this Appendix A with respect to property tax revenues, collections and principal taxpayers. See APPENDIX H – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

THE REFUNDING PLAN

Net proceeds of the South Gate Refunding Bonds will be used to refund the South Gate Successor's outstanding obligations listed below (collectively, the bonds being refunded are referred to in this Appendix A as the "South Gate Series 2002/2003 Local Obligations"). The South Gate Series 2002/2003 Local Obligations include:

(i) the Loan Agreement, dated as of October 1, 2002 ("2002 Loan"), by and between the Former South Gate RDA and the SGPFA, attributable to South Gate Redevelopment Project, which secures the South Gate Public Financing Authority 2002 Tax Allocation Revenue Bonds (South Gate Redevelopment Project No. 1) ("2002 Bonds"), originally issued in the aggregate principal amount of \$17,335,000 and currently outstanding in the principal amount of \$10,865,000; and

(ii) the Loan Agreement, dated as of March 1, 2002 (“2002A Loan”), by and between the Former South Gate RDA and the City, attributable to South Gate Redevelopment Project, which supports repayment of the City of South Gate Certificates of Participation 2002 Series A (“2002A Certificates”), evidencing interests in lease payments to be made by the City pursuant to a lease agreement (“2002A Lease”), in the aggregate principal amount of \$15,185,000 and currently outstanding in the principal amount of \$9,520,000; and

(iii) the Loan Agreement, dated as of March 1, 2002 (“2002B Loan”), by and between the Former South Gate RDA and the City, attributable to South Gate Redevelopment Project, which supports repayment of the City of South Gate Certificates of Participation 2002 Series B (Federally Taxable) (“2002B Certificates”), evidencing interests in lease payments to be made by the City pursuant to a lease agreement (“2002B Lease”), in the aggregate principal amount of \$7,280,000 and currently outstanding in the principal amount of \$4,875,000; and

(iv) the Loan Agreement, dated as of November 1, 2003 (“2003 Loan”), by and between the Former South Gate RDA and the SGPFA, attributable to South Gate Redevelopment Project, which secures the South Gate Public Financing Authority 2003 Tax Allocation Revenue Bonds (South Gate Redevelopment Project No. 1) (“2003 Bonds”), originally issued in the aggregate principal amount of \$31,900,000, and currently outstanding in the principal amount of \$19,950,000.

The South Gate Successor is issuing the South Gate Refunding Bonds to provide moneys (together with other available funds of the South Gate Successor) necessary to refund and defease the South Gate Series 2002/2003 Local Obligations in whole. The net proceeds of the South Gate Refunding Bonds, together with other available funds from the South Gate Series 2002/2003 Local Obligations, will be used to establish an escrow fund for each of the South Gate Series 2002/2003 Local Obligations (collectively, the “Escrow Funds”), to be held in trust by U.S. Bank National Association, acting as escrow agent (“Escrow Agent”) under Escrow Agreements each between the South Gate Successor and the Escrow Agent, dated as of July 1, 2014 (collectively, the “Escrow Agreements”). Moneys deposited into the Escrow Funds will be applied to pay the prepayment price of the South Gate Series 2002/2003 Local Obligations on September 1, 2014 at a redemption price equal to 100% of the principal amount thereof as specified in the Escrow Agreements, plus accrued interest. See “VERIFICATION OF MATHEMATICAL ACCURACY” in the forepart of this Official Statement. Upon deposit of such proceeds and other moneys into the Escrow Funds, the South Gate Series 2002/2003 Local Obligations will no longer be deemed outstanding.

The moneys held by the Escrow Agent are pledged to the payment of the South Gate Series 2002/2003 Local Obligations. Moneys deposited in the Escrow Funds are not available to pay principal of or interest on the South Gate Refunding Bonds.

THE REFUNDING BONDS

Authority for Issuance

The South Gate Refunding Bonds were authorized for issuance pursuant to the South Gate Indenture and the Dissolution Act. The issuance of the South Gate Refunding Bonds and the execution and delivery of the South Gate Indenture were authorized by the South Gate Successor pursuant to Resolution No. 17 adopted on May 13, 2014 (“Resolution”), and by the Oversight Board of the Successor Agency to the Community Development Commission of the City of South Gate (“Oversight Board”) pursuant to Resolution No. 2014-04 adopted on May 29, 2014 (“Oversight Board Action”).

Written notice of the Oversight Board Action was provided to the State Department of Finance (“DOF”) pursuant to the Dissolution Act. On June 27, 2014, which is within the time period allotted under the Dissolution Act for the DOF to review the Oversight Board’s approving resolution, the DOF provided a letter to the South Gate Successor stating that based on the DOF’s review and application of the Law, the Oversight Board Action approving the South Gate Refunding Bonds is approved by the DOF. See APPENDIX G – “STATE DEPARTMENT OF FINANCE LETTERS.”

Description of the South Gate Refunding Bonds

The South Gate Refunding Bonds will be designated the “Successor Agency to the Community Development Commission of the City of South Gate, South Gate Redevelopment Project No. 1 Tax Allocation Refunding Bond, Series 2014A (Tax-Exempt)” in the aggregate principal amount of \$29,835,000 (“Series A South Gate Refunding Bonds”), and the “Successor Agency to the Community Development Commission of the City of South Gate, South Gate Redevelopment Project No. 1 Tax Allocation Refunding Bond, Series 2014B (Federally Taxable)” in the aggregate principal amount of \$3,920,000 (“Series B South Gate Refunding Bonds”). The Series A South Gate Refunding Bonds and the Series B South Gate Refunding Bonds are referred to collectively as the “South Gate Refunding Bonds.” The South Gate Refunding Bonds will be issued as fully registered bonds in the denomination of \$1.00, or any integral multiple of \$1.00 (not exceeding the principal amount of such South Gate Refunding Bonds maturing at any one time). The South Gate Refunding Bonds will bear interest from the Interest Payment Date next preceding the date of registration thereof, unless such date of registration is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or unless such date of registration is on or before March 1, 2015, in which event they shall bear interest from their date of delivery; provided, however, that if, at the time of registration of any South Gate Refunding Bond, interest is then in default on the Outstanding South Gate Refunding Bonds, such South Gate Refunding Bond shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding South Gate Refunding Bonds. As defined in the South Gate Indenture, the term “Interest Payment Date” will mean any March 1 or September 1 of each year commencing March 1, 2015, with respect to the South Gate Refunding Bonds.

The Series A South Gate Refunding Bonds will mature on the dates and in the principal amounts set forth in the table below and will bear interest on the basis of a 360-day year consisting of twelve 30-day months at the rates per annum set forth in the table below.

Maturity Date (September 1)	Principal	Interest Rate
2015	\$ 2,405,000	2.000%
2016	2,570,000	3.000
2017	2,645,000	4.000
2018	2,755,000	4.000
2019	2,870,000	5.000
2020	3,000,000	5.000
2021	3,155,000	5.000
2022	3,310,000	5.000
2023	3,475,000	5.000
2024	3,650,000	5.000

The Series B South Gate Refunding Bonds will mature on the dates and in the principal amounts set forth in the table below and will bear interest on the basis of a 360-day year consisting of twelve 30-day months at the rates per annum set forth in the table below.

Maturity Date (September 1)	Principal	Interest Rate
2015	\$ 350,000	0.700%
2016	365,000	1.200
2017	370,000	1.750
2018	375,000	2.250
2019	380,000	2.700
2020	390,000	3.000
2021	400,000	3.250
2022	415,000	3.625
2023	430,000	4.000
2024	445,000	4.000

Additional Bonds may be issued at any time under and subject to the terms of the South Gate Indenture for purposes of refunding bonds issued under the South Gate Indenture. See “SECURITY FOR THE REFUNDING BONDS—Parity Debt Limited to Refunding Bonds” for more information about Additional Bonds.

Redemption of South Gate Refunding Bonds.

No Optional Redemption for Series A South Gate Refunding Bonds. Series A South Gate Refunding Bonds are not subject to optional redemption or mandatory redemption prior to their respective maturity dates.

Make-Whole Optional Redemption of the Series B South Gate Refunding Bonds. The Series B South Gate Refunding Bonds will be subject to redemption prior to their respective stated maturity dates, at the option of the South Gate Successor, from any source of available funds, as a whole or in part on any date, at a redemption price equal to 100% of the principal amount of Series B South Gate Refunding Bonds to be redeemed plus the Make-Whole Premium (as defined herein), if any, together with accrued interest to the date fixed for redemption.

“Make-Whole Premium” means, with respect to any Series B South Gate Refunding Bond to be redeemed, an amount calculated by an Independent Banking Institution (as defined herein) equal to the positive difference, if any, between:

- (1) The sum of the present values, calculated as of the date fixed for redemption of:
 - (a) Each interest payment that, but for the redemption, would have been payable on the Series B South Gate Refunding Bond or portion thereof being redeemed on each regularly scheduled Interest Payment Date occurring after the date fixed for redemption through the maturity date of such Series B South Gate Refunding Bond (excluding any accrued interest for the period prior to the date fixed for redemption); provided, that if the date fixed for redemption is not a regularly scheduled Interest Payment Date with respect to such Series B South Gate Refunding Bond, the amount of the next regularly scheduled interest payment will be reduced by the amount of interest accrued on such Series B South Gate Refunding Bond to the date fixed for redemption; plus
 - (b) The principal amount that, but for such redemption, would have been payable on the maturity date of the Series B South Gate Refunding Bond or portion thereof being redeemed; minus
- (2) The principal amount of the Series B South Gate Refunding Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in (1) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve (12) 30-day months) at a discount rate equal to the Comparable Treasury Yield (as defined herein), plus 25 basis points.

“Comparable Treasury Yield” means the yield which represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated “H.15(519) Selected Interest Rates” under the heading “Treasury Constant Maturities,” or any successor publication selected by the Independent Banking Institution that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Series B South Gate Refunding Bond being redeemed. The Comparable Treasury Yield will be determined as of the third Business Day immediately preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Series B South Gate Refunding Bond being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (i)

closest to and greater than the remaining term to maturity of the Series B South Gate Refunding Bond being redeemed; and (ii) closest to and less than the remaining term to maturity of the Series B South Gate Refunding Bond being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward.

If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

“Comparable Treasury Issue” means the United States Treasury security selected by the Independent Banking Institution as having a maturity comparable to the remaining term to maturity of the Series B South Gate Refunding Bond being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Series B South Gate Refunding Bond being redeemed.

“Independent Banking Institution” means an investment banking institution of national standing which is a primary United States government securities dealer designated by the South Gate Successor (which may be one of the Underwriters). If the South Gate Successor fails to appoint an Independent Banking Institution at least 45 days prior to the date fixed for redemption, or if the Independent Banking Institution appointed by the South Gate Successor is unwilling or unable to determine the Comparable Treasury Yield, the Comparable Treasury Yield will be determined by an Independent Banking Institution designated by the Authority.

“Comparable Treasury Price” means, with respect to any date on which an Series B South Gate Refunding Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Independent Banking Institution is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Independent Banking Institution, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Independent Banking Institution, at 5:00 p.m. New York City time on the third Business Day preceding the date fixed for redemption.

“Reference Treasury Dealer” means a primary United States Government securities dealer in the United States appointed by the South Gate Successor and reasonably acceptable to the Independent Banking Institution (which may be one of the Underwriters). If the South Gate Successor fails to select the Reference Treasury Dealers within a reasonable period of time, the Authority will select the Reference Treasury Dealers in consultation with the South Gate Successor.

In order to effect such optional redemption of Series B South Gate Refunding Bonds, the South Gate Successor shall deliver to the Trustee (i) a Written Request of the South Gate Successor specifying (A) the maturity or maturities, and the principal amount or amounts (or portion thereof), of the Callable Authority Bonds to be mandatorily redeemed from such Prepayment, (B) the date on which such Callable Authority Bonds are to be mandatorily redeemed from such Prepayment (which

redemption date shall be a date on which such Callable Authority Bonds are subject to mandatory redemption pursuant to the applicable Trust Agreement), (C) the amount of each mandatory sinking fund installment for the Authority Bonds to be Outstanding after the date of such mandatory redemption from such Prepayments, and (D) the amount of the Prepayment (or redemption price) necessary to cause such mandatory redemption of such Callable Authority Bonds, and (ii) a Cash Flow Certificate of an Independent Financial Consultant (A) demonstrating that, if such Prepayment is allocated and applied to the redemption of Series B South Gate Refunding Bonds as provided in the immediately following paragraph below, the debt service on the Series B South Gate Refunding Bonds, together with the debt service payable on all other Local Obligations (as defined in the applicable Trust Agreement), payable on each Interest Payment Date after such redemption date will be sufficient, but not materially more than sufficient, to pay debt service on the Authority Bonds to be Outstanding on such Interest Payment Date, (B) specifying the principal amount, as of such redemption date, of the Series B South Gate Refunding Bonds, or portion thereof, to the optional redemption of which such Prepayment is to be allocated and applied as provided in the immediately following paragraph below, (C) specifying the amount of the redemption premium, if any, to be paid in connection with such optional redemption of such Series B South Gate Refunding Bonds, or portion thereof, to which such Prepayment is to be allocated and applied as provided in the immediately following paragraph below, and (D) specifying the principal amount, and the amount of each mandatory sinking fund installment, as of such redemption date, of each Series B South Gate Refunding Bond that will remain Outstanding if such Prepayment is allocated and applied to the redemption of Series B South Gate Refunding Bonds on such redemption date as provided in the immediately following paragraph below, which Written Request of the South Gate Successor and Cash Flow Certificate of such Independent Financial Consultant shall be delivered to the Trustee at least 35 days prior to such redemption date, or such later date as shall be acceptable to the Trustee in the sole determination of the Trustee.

No later than three (3) Business Days preceding the date specified in a Written Request of the South Gate Successor delivered pursuant to the immediately preceding paragraph to effect optional redemption of the Series B South Gate Refunding Bonds as the date on which Callable Authority Bonds are to be mandatorily redeemed pursuant to Section 4.02(b) of the applicable Trust Agreement, the South Gate Successor shall deliver to the Trustee an amount equal to the amount of the Prepayment specified in such Written Request of the South Gate Successor and, on such redemption date, the Trustee shall pay such amount to the Authority Trustee, on behalf of the owners of such Callable Authority Bonds. Upon the payment by the Trustee to the Authority Trustee of such amount representing such Prepayment (i) the Series B South Gate Refunding Bonds, or portion thereof, debt service on which would have, after such redemption date, been applied to the payment of debt service on such Callable Authority Bonds shall, as of such redemption date, be deemed to have been optionally redeemed pursuant to the South Gate Indenture, and for all purposes hereof shall be considered to have been optionally redeemed pursuant to the South Gate Indenture, in an amount equal to the principal amount of such Series B South Gate Refunding Bonds, or portion thereof, as of such redemption date, and (ii) the remainder of (A) such Prepayment, less (B) accrued interest, if any, thereon and such principal amount of such Series B South Gate Refunding Bonds, or portion thereof, as of such redemption date, shall be deemed to be, and for all purposes hereof shall be considered to be, the redemption premium paid in connection with such optional redemption of such Series B South Gate Refunding Bonds, or portion thereof.

Selection of Bonds for Redemption and Payment of Redeemed Bonds

For purposes of selecting South Gate Refunding Bonds for redemption, the South Gate Refunding Bonds will be composed of \$1.00 portions and any such portions may be separately redeemed. Whenever less than all the Outstanding South Gate Refunding Bonds of any Series maturing on any one date are called for redemption at any one time, the Trustee will select the South Gate Refunding Bonds of such Series to be redeemed from the Outstanding South Gate Refunding Bonds of such Series maturing on such date not previously selected for redemption, by lot in any manner which the Trustee deems fair.

If any South Gate Refunding Bond or any portion thereof will have been duly called for redemption and payment of the redemption price, together with unpaid interest accrued to the date fixed for redemption, will have been made or provided for by the South Gate Successor, then interest on such South Gate Refunding Bond or such portion will cease to accrue from such date, and from and after such date such South Gate Refunding Bond or such portion will no longer be entitled to any lien, benefit or security under the South Gate Indenture, and the Owner thereof will have no rights in respect of such South Gate Refunding Bond or such portion except to receive payment of such redemption price, and unpaid interest accrued to the date fixed for redemption.

Debt Service Schedule

The following table sets forth the amount of debt service with respect to the South Gate Refunding Bonds for each Bond Year:

Year Ended (September 1)	Series A South Gate Refunding Bonds		Series B South Gate Refunding Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
2015	\$ 2,405,000	\$1,427,367.22	\$ 350,000	\$115,938.29	\$4,298,305.51
2016	2,570,000	1,266,100.00	365,000	104,296.26	4,305,396.26
2017	2,645,000	1,189,000.00	370,000	99,916.26	4,303,916.26
2018	2,755,000	1,083,200.00	375,000	93,441.26	4,306,641.26
2019	2,870,000	973,000.00	380,000	85,003.76	4,308,003.76
2020	3,000,000	829,500.00	390,000	74,743.76	4,294,243.76
2021	3,155,000	679,500.00	400,000	63,043.76	4,297,543.76
2022	3,310,000	521,750.00	415,000	50,043.76	4,296,793.76
2023	3,475,000	356,250.00	430,000	35,000.00	4,296,250.00
2024	<u>3,650,000</u>	<u>182,500.00</u>	<u>445,000</u>	<u>17,800.00</u>	<u>4,295,300.00</u>
Total	\$29,835,000	\$8,508,167.22	\$3,920,000	\$739,227.11	\$ 43,002,394.33

SECURITY FOR THE REFUNDING BONDS

General

Under the South Gate Indenture, the Tax Revenues and all amounts on deposit from time to time in the funds and accounts established under the South Gate Indenture (other than the Rebate Fund) will be pledged to the payment of the principal of and interest on the Outstanding Bonds and any Parity Debt (see “— Parity Debt Limited to Refunding Bonds”) as provided under the South Gate Indenture. The South Gate Successor will irrevocably grant to the Trustee for the benefit of the

Owners of the Outstanding Bonds a first charge and lien on, and a security interest in, and will pledge and assign, the Tax Revenues, whether held by the South Gate Successor, the County Auditor-Controller, the County Treasurer and Tax Collector or the Trustee, and all amounts in the funds and accounts established under the South Gate Indenture (other than the Rebate Fund), including the “Successor Agency to the Community Development Commission of the City of South Gate South Gate Redevelopment Agency Project No. 1 Tax Increment Fund” (the “Tax Increment Fund”), which will be created by the South Gate Successor and which fund the South Gate Successor will covenant to maintain with the Trustee so long as any South Gate Refunding Bonds and Parity Debt, if any, will be Outstanding under the South Gate Indenture, to the Trustee for the benefit of the Owners of the Outstanding Bonds, and any Parity Debt.

Pursuant to the laws of the State of California, including California Health and Safety Code Sections 34183 and 34170.5(b), the County Auditor-Controller is obligated to deposit the Tax Revenues into the RPTTF. In furtherance of the South Gate Indenture and the Dissolution Act, and in accordance with the County Auditor-Controller’s obligations as set forth in California Health and Safety Code Section 34183 and the South Gate Successor’s irrevocable direction under the South Gate Indenture, the South Gate Successor has agreed under the South Gate Indenture to take all steps to ensure that the County Auditor-Controller (1) deposits the Tax Revenues into the RPTTF, (2) allocates funds for the principal and interest payments due on the Outstanding South Gate Refunding Bonds, any Parity Debt and any deficiency in the Reserve Account pursuant to each valid Recognized Obligation Payment Schedule (“ROPS”) (as further described in this Appendix A) in accordance with the Dissolution Act and as provided in the South Gate Indenture, and (3) make the transfers to the Trustee under the South Gate Indenture.

The South Gate Successor will take all actions required under the Dissolution Act to include on its ROPS for each six-month period all payments expected to be made to the Trustee in order to satisfy the requirements of the South Gate Indenture, including any amounts required under the South Gate Indenture to pay principal and interest payments due on the Outstanding South Gate Refunding Bonds and any Parity Debt, to pay any Compliance Costs and to replenish the Reserve Account of the Tax Increment Fund to the full amount of the Reserve Account Requirement. The South Gate Successor will include in its ROPS the amounts described below to be transmitted to the Trustee for the applicable six-month fiscal period. The South Gate Successor will submit an Oversight Board-approved ROPS to the County Auditor-Controller and the DOF at least ninety (90) days prior to the January 2 RPTTF distribution and at least ninety (90) days prior to the June 1 RPTTF distribution, as applicable.

Expected Compliance Costs, if any, will be included in each ROPS, based upon information compiled by the South Gate Successor and the Authority and provided to the South Gate Successor on or before the fifth Business Day of each August. On or before the fifth (5th) Business Day of each August, the Trustee will report to the South Gate Successor and the Authority expected Compliance Costs for the next succeeding calendar year to be included on the South Gate Successor’s ROPS.

The amount due to the Trustee from the County Auditor-Controller for deposit in the Tax Increment Fund on January 2 of the then-current calendar year from amounts required to be deposited into the RPTTF will equal (1) one-half of the sum of (a) all scheduled principal payments and Sinking Account Installments due and payable on the Outstanding Bonds and any Parity Bonds during the then-current calendar year as set forth in the South Gate Indenture, and (b) all scheduled interest payments due and payable on the Outstanding Bonds and any Parity Bonds during the then-current calendar year as set forth in the South Gate Indenture, plus (2) the amount of any deficiency

in the Reserve Account, less (3) the amounts, if any, on deposit in the Tax Increment Fund as of the date of submission for the ROPS pursuant to the South Gate Indenture that are in excess of the amounts required to be applied to payment of principal of or interest or sinking account payments on the Outstanding Bonds in the then current calendar year. The amount due to the Trustee from the County Auditor-Controller for deposit in the Tax Increment Fund on June 1 of the then-current calendar year from amounts required to be deposited into the RPTTF will be equal to the remainder due and payable on the Outstanding Bonds during the then-current calendar year in an amount equal to not less than (1) the remaining one-half of the sum of (a) all scheduled principal payments and Sinking Account Installments due and payable on the Outstanding Bonds during the then-current calendar year as set forth in the South Gate Indenture, and (b) all scheduled interest payments due and payable on the Outstanding Bonds during the then-current calendar year as set forth in the South Gate Indenture, plus (2) the amount of any remaining deficiency in the Reserve Account.

All Tax Revenues received by the South Gate Successor (1) during the period commencing on June 2 of the prior calendar year and ending January 2 of the then current calendar year in excess of the amount required, as provided in the South Gate Indenture, to be deposited in the Tax Increment Fund on January 2, and (2) during the period commencing on January 3 of the then current calendar year and ending June 1 of such calendar year in excess of the amount required, as provided in the South Gate Indenture, to be deposited in the Tax Increment Fund on June 1, will, immediately following the deposit with the Trustee of the amounts required to be so deposited as provided in the South Gate Indenture on each such date, be released from the pledge, security interest and lien under the South Gate Indenture for the security of the Outstanding Bonds, and may be applied by the South Gate Successor for any lawful purpose of the South Gate Successor, including but not limited to the payment of subordinate debt, or the payment of any rebate amounts. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Outstanding Bonds and the payment in full of all other amounts payable under the South Gate Indenture and under any Supplemental Indentures, the South Gate Successor will not have any beneficial right or interest in the moneys on deposit in the Tax Increment Fund, except as may be provided in the South Gate Indenture and in any Supplemental Indenture.

As provided in the South Gate Indenture, the South Gate Successor covenants and agrees that all Tax Revenues, when and as received in accordance with the South Gate Indenture, will be received by the South Gate Successor in trust under the South Gate Indenture and will be deemed to be held by the South Gate Successor as agent for the Trustee, and not later than five Business Days following such receipt, will be deposited by the South Gate Successor with the Trustee in the Tax Increment Fund and will be accounted for through and held in trust in the Tax Increment Fund, and the South Gate Successor will have no beneficial right or interest in any of such money, except as provided in the South Gate Indenture; provided that the South Gate Successor will not be obligated to deposit in the Tax Increment Fund in any calendar year an amount which exceeds the amount required to be deposited therein pursuant to the South Gate Indenture, as described in the preceding paragraphs. All such Tax Revenues, whether received by the South Gate Successor in trust or deposited with the Trustee, all as provided under the South Gate Indenture, will nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the South Gate Indenture, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the South Gate Successor.

In order to assure that funds required to be deposited with the Trustee pursuant to the South Gate Indenture or so deposited in a timely fashion and to further secure the Bonds, the South Gate Successor will irrevocably authorize and direct the County Treasurer and Tax Collector and the County Auditor-Controller to transfer any South Gate Successor funds then held in, or later received by the County Treasurer and Tax Collector and the County Auditor-Controller for deposit in, the RPTTF, to the Trustee for deposit into the Tax Increment Fund in the amounts provided for in the South Gate Indenture. See “INTRODUCTION – The County Intercept” in the forepart of this Official Statement for additional information regarding direct transfers of funds from the County to the Trustee pursuant to South Gate Indenture and the direction of the South Gate Successor.

Prior to the Dissolution Act, the Law authorized redevelopment agencies to make payments to school districts and other affected taxing agencies to alleviate any financial burden or detriments to such affected taxing agencies caused by a redevelopment project (“Contractual Pass-Throughs”). The Former South Gate RDA did not enter into any pass-through agreements for this purpose with respect to the South Gate Redevelopment Project, so prior to dissolution there were no Contractual Pass-Throughs due by the Former South Gate RDA to affected taxing entities.

Additionally, Sections 33607.5 and 33607.7 of the Law required mandatory tax sharing applicable to redevelopment projects adopted on or after January 1, 1994, or amended as to certain manners specified in such statutes on or after January 1, 1994 (“Statutory Pass-Through Amounts”). The Dissolution Act provides for a procedure by which the South Gate Successor may make Statutory Pass-Through Amounts subordinate to the South Gate Refunding Bonds, which the South Gate Successor has undertaken and completed. Accordingly, the Statutory Pass-Through Amounts are subordinate to the payment of debt service on the South Gate Refunding Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Recognized Obligation Payment Schedule” in the forepart of this Official Statement and “SECURITY FOR THE REFUNDING BONDS – Tax Revenues” and “SECURITY FOR THE REFUNDING BONDS – Statutory Pass-Through Amounts” in this Appendix A for additional information regarding the Statutory Pass-Through Amounts applicable to the South Gate Successor and the revenues derived from the South Gate Redevelopment Project.

Reserve Account

There will be established pursuant to the South Gate Indenture a separate reserve account known as the Reserve Account to be held in trust by the Trustee, pursuant to the South Gate Indenture with respect to the South Gate Refunding Bonds and any Parity Debt. The South Gate Successor is required to maintain moneys or a reserve surety in the Reserve Account in an amount equal to the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding any Bonds refunded with proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service (the “Reserve Account Requirement”). Under the South Gate Indenture, “Annual Debt Service” means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the scheduled principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year). Under the South Gate Indenture, “Maximum Annual Debt Service” means, the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made. Under the South Gate Indenture, “Average Annual Debt Service” means, the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

Upon issuance of the South Gate Refunding Bonds, the South Gate Successor will cause to be deposited a reserve account surety bond to the Reserve Account issued by Assured Guaranty Municipal Corp. sufficient to satisfy the Reserve Account Requirement, which amount is \$3,375,500.

The Trustee shall set aside from the Tax Increment Fund and deposit in the Reserve Account such amounts as may be necessary to maintain on deposit therein an amount equal to the Reserve Account Requirement. No deposit need be made in the Reserve Account so long as there will be on deposit therein a sum equal to the Reserve Account Requirement. All money in or credited to the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account, the Principal Account or the Term Bonds Sinking Account in such order, in the event of any deficiency in any of such accounts occurring on any Interest Payment Date, Principal Payment Date or Sinking Account Payment Date, or for the purpose of paying the interest on or the principal of the Bonds in the event that no other money of the South Gate Successor is lawfully available therefor, or for the retirement of all Bonds then Outstanding, except that for so long as the South Gate Successor is not in default under the South Gate Indenture, any amount in the Reserve Account in excess of the Reserve Account Requirement will be transferred to the Tax Increment Fund. On any date on which Bonds are defeased in accordance with the South Gate Indenture, the Trustee will, if so directed in a written request of the South Gate Successor, transfer any moneys in the Reserve Account in excess of the Reserve Requirement resulting from such defeasance to the entity or fund so specified in such written request of the South Gate Successor, to be applied to such defeasance. Pursuant to the South Gate Indenture, the South Gate Successor is not required to replace the Assured Guaranty Municipal Corp. surety bond with cash or a replacement surety bond in the event of a rating downgrade.

Establishment and Maintenance of Accounts for Use of Moneys in the Tax Increment Fund

All monies in the Tax Increment Fund will be set aside by the Trustee in each Bond Year when and as received in the following respective special accounts within the Tax Increment Fund (each of which will be created and each of which the South Gate Successor will covenant to cause to be maintained with the Trustee so long as the Bonds will be Outstanding under the South Gate Indenture), in the following order of priority (except as otherwise provided in subsection (b) below):

- (1) Interest Account;
- (2) Principal Account;
- (3) Term Bonds Sinking Account;
- (4) Reserve Account; and
- (5) Expense Account.

All moneys in each of such accounts will be held in trust by the Trustee and will be applied, used and withdrawn only for the purposes authorized in the South Gate Indenture.

(a) *Interest Account.* The Trustee will set aside from the Tax Increment Fund and deposit in the Interest Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates in such Bond Year. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates in such Bond Year. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the

purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any South Gate Refunding Bonds purchased or redeemed prior to maturity).

(b) *Principal Account.* The Trustee will set aside from the Tax Increment Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on the Principal Payment Date in such Bond Year. No deposit need be made into the Principal Account if the amount contained therein is at least equal to the aggregate amount of principal of all Outstanding Serial Bonds becoming due and payable on the Principal Payment Date in such Bond Year. All money in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying principal of the Serial Bonds as they will become due and payable.

In the event that there will be insufficient money in the Tax Increment Fund to pay in full all such principal and Sinking Account Installments due in such Bond Year, then the money available in the Tax Increment Fund will be applied pro rata to the payment of such principal and Sinking Account Installments in the proportion which all such principal and Sinking Account Installments bear to each other.

(c) *Reserve Account.* The Trustee will set aside from the Tax Increment Fund and deposit in the Reserve Account such amount as may be necessary to maintain on deposit therein an amount equal to the Reserve Account Requirement. No deposit need be made into the Reserve Account so long as there will be on deposit therein an amount equal to the Reserve Account Requirement.

(d) *Expense Account.* The Trustee will set aside from the Tax Increment Fund and deposit in the Expense Account such amount as may be necessary to pay from time to time Compliance Costs. All moneys in the Expense Account will be applied to the payment of Compliance Costs, upon presentation of a Written Request of the South Gate Successor setting forth the amounts, purposes, the names of the payees and a statement that the amounts to be paid are proper charges against the Expense Account. So long as any of the Bonds authorized under the South Gate Indenture, or any interest thereon, remain unpaid, the moneys in the Expense Account will be used for no purpose other than those required or permitted by the South Gate Indenture and the Law.

Parity Debt Limited to Refunding Bonds

The South Gate Successor may, at any time after the issuance and delivery of the South Gate Refunding Bonds, issue Additional Bonds payable from the Tax Revenues and secured by a lien and charge upon the Tax Revenues equal to and on a parity with the lien and charge securing the Outstanding Bonds (the "Additional Bonds"), for the purpose of refunding Bonds issued under the South Gate Indenture in accordance with the Law, including payment of all costs incidental to or connected with such refunding, but only subject to the terms of the South Gate Indenture.

In addition, Additional Bonds can only be issued under the South Gate Indenture if the Annual Debt Service on such Additional Bonds will be lower than Annual Debt Service on the Bonds being refunded during every Bond Year the Additional Bonds will be outstanding and the final maturity of any such Additional Bonds will not exceed the final maturity of the Bonds being refunded.

Nothing contained in the South Gate Indenture will limit the issuance of any tax allocation bonds of the South Gate Successor payable from Tax Revenues and secured by a lien and charge on Tax Revenues if, after the issuance and delivery of such tax allocation bonds, none of the South Gate Refunding Bonds theretofore issued under the South Gate Indenture will be Outstanding nor will anything contained in the South Gate Indenture prohibit the issuance of any tax allocation bonds or other indebtedness by the South Gate Successor secured by a pledge of former tax increment revenues (as that term is used in California Health and Safety Code Section 34183) (including Tax Revenues) subordinate to the pledge of Tax Revenues securing the South Gate Refunding Bonds.

Investment of Moneys in Funds and Accounts

Moneys in the Tax Increment Fund, including the Interest Account, the Principal Account, the Term Bonds Sinking Account and the Expense Account thereunder, upon the Written Request of the Authority (for so long as the Authority Trustee will be owner of Bonds) on behalf of the South Gate Successor, will be invested by the Trustee in Permitted Investments. Moneys in the Interest Account representing accrued interest paid to the South Gate Successor upon the initial sale and delivery of any South Gate Refunding Bonds and in the Reserve Account, upon the Written Request of the Authority, will be invested by the Trustee in Permitted Investments. Permitted Investments purchased with amounts on deposit in the Reserve Account will have an average aggregate weighted term to maturity of not greater than five (5) years; provided, however, that if such investments may be redeemed at par so as to be available on each Interest Payment Date, any amount in the Reserve Account may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final maturity date of the Bonds. The obligations in which moneys in the Tax Increment Fund and the Interest Account, the Principal Account, the Term Bonds Sinking Account and the Expense Account thereunder are so invested will mature prior to the date on which such moneys are estimated to be required to be paid out under the South Gate Indenture. Any interest, income or profits from the deposits or investments of all other funds and accounts held by the Trustee (other than the Rebate Fund) will be deposited in the Tax Increment Fund. For purposes of determining the amount on deposit in any fund or account held by the Trustee under the South Gate Indenture, all Permitted Investments credited to such fund or account will be valued at the lower of cost or the market price thereof (excluding accrued interest and brokerage commissions, if any); provided that Permitted Investments credited to the Reserve Account will be valued at market value (exclusive of accrued interest and brokerage commissions, if any), and any deficiency in the Reserve Account resulting from a decline in market value will be restored to the Reserve Account Requirement no later than the next Bond Year. Amounts in the funds and accounts held by the Trustee under the South Gate Indenture will be valued at least annually on the first day of September.

Covenants With Respect To Tax Revenues

In accordance with the South Gate Indenture, the South Gate Successor will comply with all requirements of the Law to ensure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary ROPS.

The South Gate Successor has further covenanted under the South Gate Indenture to comply with all other requirements of the Dissolution Act. Without limiting the generality of the foregoing, the South Gate Successor covenants and agrees to file required statements and hold public hearings required under the Dissolution Act to assure compliance by the South Gate Successor with its covenants under the South Gate Indenture. Further, the South Gate Successor will take whatever actions are required under the Dissolution Act to include on its ROPS for each six month period all

payments expected to be made to the Trustee in order to satisfy the requirements of the South Gate Indenture, including any amounts required to pay principal and interest payments due on Outstanding Bonds or Parity Debt, any Compliance Costs, any deficiency in the Reserve Account to the full amount of the Reserve Account Requirement, and any required debt service reserve set-asides and any other payments required under the South Gate Indenture so as to enable the County Auditor-Controller to distribute from the RPTTF to the Trustee for deposit in the Tax Increment Fund on each January 2 and June 1 amounts required for the South Gate Successor to pay principal of, premium, if any, and interest on, the South Gate Refunding Bonds and any Parity Debt coming due in the respective six-month period. These actions will include placing on the periodic ROPS for approval by the Oversight Board and the DOF, to the extent necessary, the amounts to be held by the South Gate Successor as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal, premium, if any, and interest under the South Gate Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under the South Gate Indenture for the next payment due in the following six-month period.

For additional covenants of the South Gate Successor with respect to the South Gate Refunding Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Covenants of the Agency Participants” in the forepart of this Official Statement.

Limited Obligations

The South Gate Successor shall not, and will not, be required to advance any money derived from any source of income other than the Tax Revenues for the payment of the principal of, and the interest on the South Gate Refunding Bonds. The South Gate Refunding Bonds are special obligations of the South Gate Successor only and are payable, as to interest thereon and principal thereof, exclusively from the Tax Revenues, and the South Gate Successor is not obligated to pay them except from the Tax Revenues. The South Gate Refunding Bonds are not, and in no event shall ever become, a debt of the City, the County, the State of California or any other political subdivision of the State, and neither said City, said State, said County nor any of the State’s other political subdivisions is liable therefor, nor in any event will the South Gate Refunding Bonds be payable out of any funds or properties other than those of the South Gate Successor pledged therefor as provided in the South Gate Indenture. The South Gate Refunding Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Board of the South Gate Successor nor any persons executing the South Gate Refunding Bonds are, or ever shall become, liable personally on the South Gate Refunding Bonds by reason of their issuance.

Tax Revenues

Under State law, the rate of *ad valorem* property taxes which may be levied with respect to property within a project area is generally limited to 1% of the “full cash” assessed value. In this Appendix A such property taxes are referred to as the “general levy” and are allocated to the State, the County, South Gate and all other affected taxing entities having jurisdiction over all or a portion of the South Gate Redevelopment Project. The assessed values of property within such project area, as last equalized prior to adoption of the South Gate Redevelopment Plan (as to the applicable base year for each of the Locations that comprise the South Gate Redevelopment Project as described above), become the “base year” assessed values.

As discussed above, the South Gate Successor has no power to levy and collect taxes, and any provision of law limiting property taxes or allocating additional sources of income to affected taxing agencies and having the effect of reducing the property tax rate must necessarily reduce the amount of Gross Tax Revenues and, accordingly, Tax Revenues that would otherwise be available to pay debt service on the South Gate Refunding Bonds. Likewise, broadened property tax exemptions could have a similar effect. Additionally, Gross Tax Revenues and, accordingly, Tax Revenues will be reduced each year by a collection fee charged by the County.

Conversely, any increase in the present tax rate or assessed valuation, or any reduction or elimination of present property tax exemptions, would increase the Tax Revenues available to pay debt service on the South Gate Refunding Bonds.

See “RISK FACTORS” and “LIMITATIONS ON TAX REVENUES” in the forepart of this Official Statement for additional discussion on tax revenues and factors that may affect such revenues.

Towne Center Plaza HUD Loan Obligation

In July 1999, a \$3,625,000 advance was made between the Community Development Block Grant Special Revenue Fund of the City and the Former South Gate RDA for redevelopment purposes. Such advanced amount was from a Section 108 loan from the U.S. Department of Housing and Urban Development (“HUD”) and was loaned to the City (the “HUD Loan”) to help fund the development of the Towne Center Plaza, Phase II (the “Towne Center Project”).

In connection with the HUD Loan the City and Former South Gate RDA entered into a Cooperation and Pledge Agreement dated July 28, 1999 (the “Cooperation and Pledge Agreement”) pursuant to which the Former South Gate RDA agreed to repay the HUD Loan, and which the City assigned to HUD. Pursuant to the terms of the Cooperation and Pledge Agreement, the Former South Gate RDA agreed to secure repayment of the HUD Loan from: (i) a site-specific pledge of the portion of tax increment generated by the Towne Center Project, which is senior to the lien on the South Gate Refunding Bonds, and (ii) a general pledge of all tax increment generated within the Project Area, which is subordinate to the lien of the South Gate Refunding Bonds. As of May 1, 2014, the balance of this advance is \$1,600,000. Interest payments are made each February 1 and principal and interest payments each August 1 through August 2019. As the former tax increment revenues generated from the Town Center Project exceed the amounts payable on the HUD Loan, the repayment of the HUD Loan (approximately \$345,000 annually through August 1, 2019) has been treated as a senior obligation within the Original Project Area.

Following a meet and confer process with the Successor Agency, on May 16, 2014, DOF issued a letter denying the Successor Agency’s payment under the Cooperation and Pledge Agreement on the Successor Agency’s ROPS. The HUD Loan is an obligation of the City payable from a variety of revenue sources including amounts received from the Successor Agency under the Cooperation and Pledge Agreement and assigned to HUD. The City and Successor Agency dispute DOF’s determination that the Cooperation and Pledge Agreement is not an enforceable obligation of the Successor Agency and are currently considering their options, which may include the filing a legal action against DOF seeking a declaration that the Cooperation and Pledge Agreement is an enforceable obligation. If the City were to fail to pay debt service on the HUD Loan it is unclear what remedies or security HUD would pursue. In the event that HUD seeks to enforce its security interests granted in the HUD Loan under the Cooperation and Pledge Agreement and 1999 Loan

Agreement with the City, any such action could result in a temporary delay in the Successor Agency's cash flow in the amount of HUD Loan payments due and payable until such time as a judgment were issued which could be placed on the Successor Agency's ROPs as an enforceable obligation. The Successor Agency believes that the dispute with DOF related to the Cooperation and Pledge Agreement will not have a material adverse effect on the payment of debt service on the South Gate Refunding Bonds.

No Contractual Pass-Throughs

Prior to 1994, under the Law, a redevelopment agency could enter into an agreement to pay tax increment revenues to any affected taxing agency that has territory located within a redevelopment project in an amount which in the redevelopment agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These Contractual Pass-Throughs normally provided for payment or pass-through of tax increment revenue directed to the affected taxing agency, and, therefore, are commonly referred to as pass-through agreements or tax sharing agreements.

The Former South Gate RDA did not enter into any tax sharing agreements with respect to the South Gate Redevelopment Project so the South Gate Successor is not obligated to pay any Contractual Pass-Throughs.

Statutory Pass-Through Amounts

On and after January 1, 1994, a redevelopment agency's tax increment revenues were reduced by certain mandatory Statutory Pass-Through Amounts paid to affected taxing entities pursuant to the Law. Any amendment of a redevelopment plan that increased the amount of tax increment revenues to be received in a project area or extended any of the time limits triggered such payments to affected taxing entities. These payments, which are to begin the fiscal year following the year that the project area's original plan limitations would have taken effect, are calculated using the increase in revenue less the amount of revenue generated by the project area in the year that the former limit would have been reached. Under the Dissolution Act, in particular Section 34183, as of dissolution the County Auditor-Controller is obligated to remit these Statutory Pass-Through Amounts to the affected taxing entities from the South Gate Successor Agency's RPTTF each ROPS period.

AB 1290 eliminated the statutory authority for negotiated pass-through agreements and provided a formula for mandatory tax sharing, applicable to projects adopted after January 1, 1994 or amended after that date to add territory or make certain other amendments. At various dates after January 1, 1994, the South Gate City Council adopted ordinances to extend the limitation for South Gate Redevelopment Project to incur new debt, to increase the time to repay indebtedness, and to add Location 9 and then Location 10 to the South Gate Project Area. See "THE REDEVELOPMENT PLAN – General" in this Appendix A for more information about the amendments. Therefore, the South Gate Successor is required to pay to the affected taxing entities certain Statutory Pass-Through Amounts. These payments of the Statutory Pass-Through Amounts continue for the life of the South Gate Redevelopment Project. The Statutory Pass-Through Amounts are determined by specific formulas under the Law; and, post-dissolution these payment obligations of the South Gate Successor to affected taxing entities are administered by the County Auditor-Controller under the Dissolution Act.

Generally speaking, under the Law as amended by AB 1290 and as the obligation continues under the Dissolution Act, the South Gate Successor is required to pay to the affecting taxing agencies percentages of tax increment generated in the South Gate Redevelopment Project as the Statutory Pass-Through Amounts as follows:

1. following the expiration of the existing time limit to incur debt and thereafter, 25% of post set-aside revenues; plus,
2. for the eleventh year following the expiration of the existing time limit and thereafter, 21% of revenues in excess of tenth year revenue; plus,
3. for the thirty-first year of the receipt of tax increment and thereafter, 14% of revenues in excess of thirtieth year revenues.

The payments of the Statutory Pass-Through Amounts to the affected taxing agencies are allocated among each agency in proportion to the share of property taxes each agency receives in the year funds are allocated. As indicated, amounts specified as payable to affected taxing agencies (1. to 3. immediately above) were, prior to the Dissolution Act, to be computed after deducting the housing set-aside amount.

The Dissolution Act provides for a procedure by which the South Gate Successor may make Statutory Pass-Through Amounts subordinate to the South Gate Refunding Bonds, which the South Gate Successor has undertaken and completed. *Accordingly, the Statutory Pass-Through Amounts are subordinate to the payment of debt service on the South Gate Refunding Bonds.*

Statutory Pass-Through Amounts Distributed by County Auditor-Controller

The Dissolution Act generally requires the County Auditor-Controller to distribute from the RPTTF amounts required to be distributed as Contractual Pass-Throughs (if any) and for Statutory Pass-Through Amounts to the affected taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the RPTTF to the South Gate Successor's Redevelopment Obligation Retirement Fund. The South Gate Successor cannot guarantee that this process prescribed by the Dissolution Act of administering the Gross Tax Revenues will effectively result in adequate Tax Revenues for the payment of principal and interest on the South Gate Refunding Bonds when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Pledged Tax Increment" in the forepart of this Official Statement.

Low to Moderate Income Housing Fund; Affordable Housing Provisions

The South Gate Redevelopment Plan provided that a portion of all taxes that are allocated to the South Gate Successor pursuant to the Law were deposited into a separate Housing Fund and encumbered and expended by the Former South Gate RDA for the purpose of increasing and improving the community's supply of housing available at an affordable housing cost to persons and families of low and moderate income. Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a ROPS include, among others, the Housing Fund. Pursuant to the Dissolution Act, former tax increment revenues generated in the South Gate Redevelopment Project are no longer required to be deposited into the Housing Fund previously established pursuant to Section 33334.3 of the Law. Accordingly, former tax increment revenues generated from the South Gate Redevelopment Project previously required to be deposited in the

Housing Fund are now available and pledged to the repayment of the South Gate Refunding Bonds and Parity Debt.

Tax Rates

See “THE PROJECT AREA – Projected Tax Revenues” in this Appendix A for a discussion of the tax rate assumptions utilized by the South Gate Successor in projecting Gross Tax Revenues and Tax Revenues.

THE REDEVELOPMENT PLAN

General

The City Council established the South Gate Redevelopment Project No. 1 and approved and adopted a redevelopment plan therefor by Ordinance No. 1238, adopted on July 15, 1974 pursuant to the Redevelopment Law. Since the adoption of Ordinance No. 1238, there have been thirteen amendments to the Redevelopment Plan for South Gate Redevelopment Project, pursuant to the following ordinances adopted by the City Council:

(a) On April 11, 1977, the South Gate City Council adopted Ordinance No. 1326, which amended the Original Redevelopment Plan to permit the development of a shopping center and residential uses in Redevelopment Location No. 1, and to allow continued residential uses in Redevelopment Location No. 4;

(b) On August 10, 1981, the South Gate City Council adopted Ordinance No. 1490, which amended the Original Redevelopment Plan to exclude part of Redevelopment Location No. 4, as then constituted, from the Original Project Area;

(c) On September 21, 1981, the South Gate City Council adopted Ordinance No. 1497, which amended the Original Redevelopment Plan to correct certain inadvertent errors in Ordinance No. 1490;

(d) On December 15, 1981, the South Gate City Council adopted Ordinance No. 1502, which amended the Original Redevelopment Plan to exclude that sub-area designated as Redevelopment Location No. 6 from the Original Project Area;

(e) On December 8, 1986, the South Gate City Council adopted Ordinance No. 1719, which amended the Original Redevelopment Plan to (i) establish a tax increment limit of \$792,782,000 from and after December 8, 1986, (ii) establish a time limit to incur debt of January 8, 2010, and (iii) establish a time limit to exercise eminent domain of January 8, 1999, in accordance with Section 33333.4 of the Law;

(f) On November 13, 1990, the South Gate City Council adopted Ordinance No. 1849, which amended the Original Redevelopment Plan to, among other things, conform project design development standards to the requirements of the City’s Municipal Code, and incorporate certain requirements made applicable to the redevelopment project by changes to the Law;

(g) On January 10, 1995, the South Gate City Council adopted Ordinance No. 1979, which amended the Original Redevelopment Plan to shorten the time limit to incur debt to January 1, 2004 and to establish a time limit to repay debt of July 15, 2019, in accordance with Section 33333.6 of the Law;

(h) On June 11, 1996, the South Gate City Council adopted Ordinance No. 2004, which amended the Original Redevelopment Plan to add Location No. 9, the redevelopment plan for which included (i) an effective date of June 11, 2026 for this sub-area, (ii) a debt limit of \$103,000,000 for this sub-area, (iii) a time limit to incur debt of June 11, 2016 for this sub-area, and (iv) a time limit to repay debt of June 11, 2041 for this sub-area;

(i) On April 13, 1999, the South Gate City Council adopted Ordinance No. U-2045, which amended the Original Redevelopment Plan to (i) extend the effective date until July 15, 2014, (ii) extend the time limit to incur debt to January 1, 2014, and (iii) extend the time limit to repay debt to July 15, 2024, as permitted by California Assembly Bill 1342 (1998);

(j) On December 9, 2002, the South Gate City Council adopted Ordinance No. 2122 pursuant to Sections 34120(a) and 34115.5 of the Law, declaring the need for a community development commission and transferring all duties, powers and responsibilities of the Original South Gate RDA to the Former South Gate RDA;

(k) On June 28, 2005 the South Gate City Council adopted Ordinance No. U-2198 that amended the Original Redevelopment Plan pursuant to Senate Bill 1045 ("SB 1045") to extend the term of effectiveness of the Original Redevelopment Plan and the time to repay indebtedness by one year pursuant to Sections 33333.6(e)(2)(C) and 33681.12 of the Law;

(l) On August 9, 2005 the South Gate City Council adopted Ordinance No. 2199 that amended the Original Redevelopment Plan pursuant to Senate Bill 1096 ("SB 1096") to extend the term of effectiveness of the Redevelopment Plan and the time to repay indebtedness by one year pursuant to Sections 33333.6(e)(2)(D) and 33681.12 of the Law;

(m) As Ordinance Nos. U-2045, U-2198 and 2199 did not clearly state whether the amendments to the Original Redevelopment Plan set forth in such ordinances related to the only the Original Project Area or to the Original Project Area and Location No. 9, the South Gate City Council adopted three ordinances (Ordinance Nos. 2235, 2236 and 2237) on July 10, 2007 to clarify that Ordinance Nos. U-2045, U-2198 and 2199 applied only to the Original Project Area and not to Location No. 9 (and thereby, did not amend Ordinance No. 2004);

(n) On July 10, 2007, the South Gate City Council adopted Ordinance No. 2238, which amended the Original Redevelopment Plan to eliminate the time limit to incur debt with respect to Original Project Area (which no longer included Redevelopment Location No. 6) pursuant to Section 33333.6(e)(2)(B), as that section was amended by Senate Bill 211 ("SB 211");

(o) On July 10, 2007, the South Gate City Council adopted Ordinance No. 2239, which amended the Original Redevelopment Plan pursuant to SB 1096 to extend the effective date of the redevelopment plan and the time limit to repay debt by one year with respect to the Original Project Area pursuant to Sections 33333.6(e)(2)(D) and 33681.12 of the Law; and

(p) On July 13, 2010, the South Gate City Council adopted Ordinance No. 2273, which amended Project Area No. 1 to (i) add Location No. 10 (approximately 849.4 acres of territory), and (ii) adopt the amended and restated Redevelopment Plan, as the official redevelopment plan for the South Gate Redevelopment Project.

For more information about the South Gate Redevelopment Project and each of the Locations, see “THE PROJECT AREA” in this Appendix A.

Financial Limitations

See “LIMITATIONS ON TAX REVENUES – Redevelopment Plan Limits” in the forepart of this Official Statement for a discussion of certain other matters which limit Gross Tax Revenues or impact the use thereof.

Project Area Plan Limitations

The Redevelopment Plan for the Original Project Area was originally adopted with certain limitations written into the plan. These limitations were in accordance with the Law as it existed when the Original Redevelopment Plan was adopted. In 1993 Assembly Bill 1290 was enacted (Chapter 942, Statutes of 1993). Chapter 942 required redevelopment plans adopted prior to 1994 to incorporate a number of time and financial limits not previously required. For redevelopment plans that had been adopted prior to 1994, Chapter 942 required revised time and financial limits. Pursuant to Chapter 942 the time for establishing indebtedness was not to exceed 20 years from the adoption of the redevelopment plan or January 1, 2004, whichever was later. Further, Chapter 942 limited the effective life of a project area adopted prior to 1994 to 40 years from the time of adoption or January 1, 2009, whichever was later. Chapter 942 also limited the receipt of tax increment for repayment of indebtedness to ten years after the termination of redevelopment plan effectiveness except for specific low and moderate-income housing obligations and any bond, indebtedness or other obligation authorized prior to January 1, 1994. Pursuant to Chapter 942, the South Gate City Council adopted Ordinance No. 1979 on January 10, 1995 that amended the Redevelopment Plan and incorporated time limits according to the provisions of Chapter 942 with respect to the Original Project Area.

On June 11, 1996, the South Gate City Council adopted Ordinance No. 2004 and added Location No. 9 to the South Gate Redevelopment Project and set limitations for such added area.

On April 13, 1999, the South Gate City Council adopted Ordinance No. U-2045 which extended the effective date, the time limit to incur debt and the time limit to repay debt for the Original Redevelopment Plan pursuant to Assembly Bill 1342. On June 28, 2005, the South Gate City Council adopted Ordinance No. U-2198 that, in accordance with the Law, amended the Redevelopment Plan in accordance with the Law as amended by SB 1045, extended by one year the termination date of the Plan and by extension the last date to repay indebtedness with respect to the Original Project Area. On August 9, 2005, the South Gate City Council adopted Ordinance No. 2199

extended the term of effectiveness and time to repayment indebtedness by one more year pursuant to Sections 33333.6(e)(2)(D) and 33681.12 of the Redevelopment Law based on and due to payment to the ERAF.

Legislation adopted SB 1096, in connection with the State's budget provided that the termination dates of redevelopment plans with less than 20 years remaining may be extended by one year for each of the two ERAF payments that redevelopment agencies are obligated to make under other provisions of the budget legislation. On August 9, 2005, the South Gate City Council adopted Ordinance No. 2199 which extended the term of effectiveness and time to repayment indebtedness by one more year pursuant to SB 1096.

Ordinance Nos. 2235, 2236, and 2237 all adopted on July 10, 2007 amended and corrected *nunc pro tunc* certain inadvertent and unintended wording and provisions of Ordinance Nos. U-2045, U-2198, and 2911, and, Ordinance No. 2238 also was adopted on July 10, 2007 pursuant to SB 211 to eliminate the time to incur debt as to locations added and included prior to January 1, 1994, and further Ordinance No. 2239 was adopted on July 10, 2007 pursuant to SB 1096, to extend the effective date of the Redevelopment Plan and the time limit to repay indebtedness and receive tax increment by one year, as to locations added and included prior to January 1, 1994

On July 13, 2010, the South Gate City Council adopted Ordinance No. 2273 which added Location No. 10 to the South Gate Redevelopment Project and amended and restated the Redevelopment Plan therefor.

The table below summarizes the currently applicable redevelopment plan time and financial limits for the South Gate Redevelopment Project.

	Plan Expiration	Last Date to Incur New Debt	Last Date to Repay Debt with Tax Increment	Tax Increment Limit	Limit on Total Tax Increment Bond Debt
Original Project Area ⁽¹⁾	7/15/2017	eliminated	7/15/2027	\$792,782,000	None
Location No. 9	6/11/2026	6/11/2016	6/11/2041	None	\$103,000,000
Location No. 10	7/13/2040	7/13/2030	7/13/2055	None	\$250,000,000

⁽¹⁾ Locations 1, 2, 3, 4, 5, 7 and 8.

According to the records of the Los Angeles County Auditor-Controller, through the end of fiscal year 2012-13, the South Gate Successor has been allocated a cumulative total of \$185,963,350 in tax increment revenue from the South Gate Redevelopment Project. The Fiscal Consultant projects that, based on the projected former tax increment revenues to be received by the South Gate Successor assuming assessed value will increase for inflation at 4.54% in fiscal year 2014-15 and at 2% annually thereafter, there is no reasonable expectation that the tax increment limit for South Gate Redevelopment Project would be reached within the time limit for repaying indebtedness, including indebtedness on the South Gate Refunding Bonds. Growth would have to exceed 30% per year to exceed tax increment limits for the South Gate Redevelopment Project prior to fiscal year 2023-24, the final year in which the South Gate Refunding Bonds mature.

There is a question on the applicability of tax increment limits after adoption of the Dissolution Act. The matter remains subject to further guidance from the DOF, legislation and interpretation by the courts. If the South Gate Redevelopment Project cumulative tax increment limit is deemed to no longer be applicable, no interruption of tax increment revenue will occur. For purposes of the projections in this Appendix A and in that portion of Fiscal Consultant's Report with respect to the South Gate Successor appearing in Appendix C, it is assumed that all redevelopment plan limits will be enforced.

THE PROJECT AREA

General

The South Gate Refunding Bonds will be secured by the former tax increment revenues from the South Gate Redevelopment Project. The South Gate Redevelopment Project encompasses 2,055 acres, or about 42% of the total incorporated area of the City of South Gate (4,800 acres). The entire South Gate Redevelopment Project consists of nine sub-areas (excluding Redevelopment Location No. 6 that was removed in 1981). Although it constitutes a single redevelopment project, the Redevelopment Project is divided into various sub-areas for planning purposes and the sub-area have varying time and financial limitations as discussed above.

The South Gate Redevelopment Project is located in the City of South Gate in Los Angeles County, approximately 12 miles southeast of downtown Los Angeles. As shown below, the total taxable value of all property within the South Gate Redevelopment Project is \$1,890,210,713. The total taxable value of secured property within the South Gate Redevelopment Project is \$1,601,491,388.

The County Auditor-Controller is responsible for the aggregation of the assessed values assigned by the County Assessor for properties within the boundaries of the South Gate Redevelopment Project. The reported current year South Gate Redevelopment Project assessed value, less the frozen Base Year assessed value, becomes the basis for determining the computed gross property tax revenue allocable to the RPTTF. The assessed valuations for the South Gate Redevelopment Project value and the Original Project Area for fiscal year 2013-14 are as follows.

	Combined Areas		Original Project Area Only	
	Fiscal Year 2013-14	Percent of Total	Fiscal Year 2013-14	Percent of Total
Secured Value	\$ 1,601,491,388	84.73%	\$ 919,593,348	85.42%
Unsecured Value	<u>288,719,325</u>	<u>15.27</u>	<u>156,946,894</u>	<u>14.58</u>
Total Current Year Value	1,890,210,713	100.00	1,076,540,242	100.00
Base Year Value	<u>(851,846,736)</u>	<u>45.07</u>	<u>(139,017,103)</u>	<u>12.91</u>
Incremental Value	\$ 1,038,363,977	54.93%	\$ 937,523,139	87.09%

Source: County of Los Angeles and HdL Coren & Cone.

The following two tables illustrate, respectively, the land use of all property in the South Gate Redevelopment Project and the land use of all property in the Original Project Area.

TABLE A-1A
SOUTH GATE REDEVELOPMENT PROJECT – COMBINED AREA
LAND USE STATISTICS
(Fiscal Year 2013-14)

Land Use	Parcels	2013-14 Net Taxable Value	Percent of Total
Residential	2,101	\$ 513,690,373	27.18%
Commercial	781	467,987,235	24.76
Industrial	369	551,554,070	29.18
Government Owned	2	3,212,569	0.17
Institutional	34	10,383,585	0.55
Irrigated	2	9,031,047	0.48
Miscellaneous	2	463,547	0.02
Recreational	12	4,024,888	0.21
Vacant	265	37,039,405	1.96
Exempt	<u>375</u>	<u>0</u>	<u>0.00</u>
Subtotal	3,943	\$ 1,597,386,719	84.51%
Outer Parcels		4,457	0.00%
Other		4,104,669	0.22
Unsecured		<u>288,714,868</u>	<u>15.27</u>
Subtotal		\$ 292,823,994	15.49%
TOTAL		\$ 1,890,210,713	100.00%

Source: County of Los Angeles; HdL Coren & Cone.

TABLE A-1B
SOUTH GATE REDEVELOPMENT PROJECT – ORIGINAL PROJECT AREA
LAND USE STATISTICS
(Fiscal Year 2013-14)

Land Use	Parcels	2013-14 Net Taxable Value	Percent of Total
Residential	1509	\$ 352,546,440	32.75%
Commercial	277	255,710,124	23.75
Industrial	105	275,688,496	25.61
Government Owned	2	3,212,569	0.30
Institutional	8	1,309,639	0.12
Irrigated	2	9,031,047	0.84
Miscellaneous	1	411,879	0.04
Recreational	4	2,387,804	0.22
Vacant	89	15,190,681	1.41
Exempt	191	0	0.00
Subtotal	2,188	\$ 915,488,679	85.04%
Outer Parcels		4,457	0.00%
Other		4,104,669	0.38
Unsecured		156,942,437	14.58
Subtotal		\$ 161,051,563	14.96%
TOTAL		\$ 1,076,540,242	100.00%

Source: County of Los Angeles; HdL Coren & Cone.

The following are the ten largest property taxpayers in the South Gate Redevelopment Project, based upon the 2013-14 locally assessed total tax roll reported by the County Assessor. The aggregated assessed valuation of these property owners is approximately 19.21% of the total assessed valuation of property within the South Gate Redevelopment Project.

TABLE A-2A
SOUTH GATE REDEVELOPMENT PROJECT – COMBINED AREA
MAJOR PROPERTY TAXPAYERS
(Fiscal Year 2013-14)

Property Owner	Primary Land Use	Total Assessed Value	Percent of of Total Value⁽¹⁾	Percent of Incremental Value⁽²⁾
1. Schultz Steel	Aerospace and Industrial Forging	\$ 102,959,969 ⁽³⁾	5.45%	9.92%
2. El Paseo South Gate	Retail Shopping Center	54,624,869	2.89	5.26
3. Tesoro Refining and Marketing	Oil Products Storage	44,771,374	2.37	4.31
4. South Gate Business and Industrial Park	Light industrial & Business Park	31,034,059	1.64	2.99
5. Armstrong Cork ⁽⁴⁾	Commercial Flooring Manufacturing	26,577,060	1.41	2.56
6. Hudd Distribution Services	Freight Shipping	25,432,986	1.35	2.45
7. World Oil	Manufacturing/Hauling of Oil Products	23,558,278	1.25	2.27
8. Rockview Dairies	Dairy Products/Distribution	20,383,132	1.08	1.96
9. Saputo Cheese USA	Cheese Products Manufacturing	17,975,768	0.95	1.73
10. Koo S Manufacturing	Fashion Jeans Manufacturing	<u>15,871,230</u>	<u>0.84</u>	<u>1.53</u>
		\$ 363,188,725	19.21%	34.98%
Total Project Area Value:		\$ 1,890,210,713		
Project Area Incremental Value:		\$ 1,038,363,977		

⁽¹⁾ Based on total assessed value of \$1,890,210,713 for Fiscal Year 2013-14.

⁽²⁾ Based on total incremental value of \$1,038,363,977.

⁽³⁾ \$73,670,444 of the assessed value represents values shown on the unsecured tax rolls. See “SPECIAL RISK FACTORS—Concentration of Ownership” herein.

⁽⁴⁾ Currently has assessment appeals on file.

Source: County of Los Angeles; HdL Coren & Cone.

The following are the ten largest property taxpayers in the Original Project Area, based upon the 2013-14 locally assessed total tax roll reported by the County Assessor. The aggregated assessed valuation of these property owners is approximately 33.31% of the total assessed valuation of property within the Original Project Area.

TABLE A-2B
SOUTH GATE REDEVELOPMENT PROJECT – ORIGINAL PROJECT AREA
MAJOR PROPERTY TAXPAYERS
(Fiscal Year 2013-14)

	Property Owner	Primary Land Use	Total Assessed Value	Percent of of Total Value⁽¹⁾	Percent of Incremental Value⁽²⁾
1.	Schultz Steel	Aerospace and Industrial Forging	\$ 102,959,969 ⁽³⁾	9.56%	10.98%
2.	El Paseo South Gate	Retail Shopping Center	54,624,869	5.07	5.83
3.	Tesoro Refining and Marketing	Oil Products Storage	44,771,374	4.16	4.78
4.	South Gate Business and Industrial Park	Light industrial & Business Park	31,034,059	2.88	3.31
5.	Armstrong Cork ⁽⁴⁾	Commercial Flooring Manufacturing	26,577,060	2.47	2.83
6.	Hudd Distribution Services	Freight Shipping	25,432,986	2.36	2.71
7.	World Oil	Manufacturing/Hauling of Oil Products	23,558,278	2.19	2.51
8.	Rockview Dairies	Dairy Products/Distribution	20,383,132	1.89	2.17
9.	Koo S Manufacturing	Fashion Jeans Manufacturing	15,871,230	1.47	1.69
10.	Sully-Miller Contracting	Construction Contractor	<u>13,379,251</u>	<u>1.24</u>	<u>1.43</u>
			\$ 358,592,208	33.31%	38.25%
	Total Project Area Value:		\$ 1,076,540,242		
	Project Area Incremental Value:		\$ 937,523,139		

⁽¹⁾ Based on total assessed value of \$1,076,540,242 for Fiscal Year 2013-14.

⁽²⁾ Based on total incremental value of \$937,523,139.

⁽³⁾ \$73,670,444 of the assessed value represents values shown on the unsecured tax rolls. See “SPECIAL RISK FACTORS—Concentration of Ownership” herein.

⁽⁴⁾ Currently has assessment appeals on file.

Source: County of Los Angeles; HdL Coren & Cone.

Assessed Valuation

The following table sets forth the taxable assessed valuations for the South Gate Redevelopment Project for the last ten Fiscal Years. According to the County, the total net assessed valuation of the South Gate Redevelopment Project for Fiscal Year 2013-14 is \$1,890,210,713, an increase of approximately 1.0% since the assessed value of Fiscal Year 2012-13.

TABLE A-3
SOUTH GATE REDEVELOPMENT PROJECT
ASSESSED VALUATIONS AND INCREMENTAL TAXABLE VALUES
(Fiscal Years 2004-05 to 2013-14)

Fiscal Year Ending June 30	Assessed Value	Less: Base Year Value ⁽¹⁾	Value Over Base Year
2005	\$ 914,327,484	\$174,328,260	\$ 739,999,224
2006	989,505,422	174,328,260	815,177,162
2007	1,018,239,453	174,328,260	843,911,193
2008	1,085,571,530	174,328,260	911,243,270
2009	1,150,021,343	172,966,716	977,054,627
2010	1,137,271,531	173,043,194	964,228,337
2011	1,113,918,447	172,966,716	940,951,731
2012	1,713,842,940	894,286,615	819,556,325
2013	1,871,079,058	851,846,736	1,019,232,322
2014	1,890,210,713	851,846,736	1,038,363,977

⁽¹⁾ Base Year value modified due to adjustments by State Board of Equalization. See “LIMITATIONS ON TAX REVENUES – Unitary Property” in the forepart of this Official Statement.

Source: County of Los Angeles; HdL Coren & Cone.

For projections of growth in incremental assessed valuation and Gross Tax Revenue, see “THE PROJECT AREA—Projected Tax Revenues” in this Appendix A.

The Los Angeles County Assessor has reviewed and made adjustments to the values of residential properties sold after July 2004 pursuant to the requirements of Proposition 8. The California Constitution requires the Assessor to enroll a property’s value at the lesser of the prior year value adjusted for inflation or the current market value.

For information about assessment appeals, see “Assessment Appeals” below.

Levy and Collections

The prior year allocation of tax increment revenues, and as applicable former tax increment revenues, and the County Auditor Controller's distribution of property taxes to the RPTTF are a reflection of actual property tax collections experienced within the South Gate Redevelopment Project. Based upon the Fiscal Consultant's review of the County's year-end tax ledgers from fiscal year 2008-09 to fiscal year 2012-13, the property taxes collected within the South Gate Redevelopment Project averaged 98.0%. The County has not adopted the "Teeter Plan" alternative method for collection of taxes and, therefore, the receipt of property taxes is subject to delinquencies. The County has not adopted the "Teeter Plan" alternative method for collection of taxes and, therefore, the receipt of property taxes is subject to delinquencies.

TABLE A-4
SOUTH GATE REDEVELOPMENT PROJECT
TAX LEVY AND COLLECTIONS
(Fiscal Years 2008-09 to 2012-13)

Fiscal Year Ending June 30	Computed Levy⁽¹⁾	Actual Based on Collections Rate⁽²⁾	Percent of Collections
2009	\$ 9,818,873	\$ 9,477,910	96.5%
2010	9,813,914	9,536,213	97.2
2011	9,588,273	9,382,713	97.9
2012	9,688,927	9,603,309	99.1
2013	10,267,000	10,187,498	99.2

⁽¹⁾ Computed Levy based on reported incremental value multiplied by the tax rate to compute gross tax increment. Computed Levy also includes Unitary Taxes, if any, as reported by the County Auditor-Controller.

⁽²⁾ Amounts represent the annual tax increment revenues allocable up to fiscal year 2010-11 and prior to the dissolution of the Former South Gate RDA under AB 26. For purposes of identifying the collection of property taxes, amounts shown do not include a deduction of administrative fees, tax refunds, pass through payments, nor do they include supplemental taxes, prior year redemption payments, escaped assessments and any mid-year adjustments made by the County Auditor-Controller.

Source: County of Los Angeles; HdL Coren & Cone.

Assessment Appeals

There are two basic types of assessment appeals provided for under California law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the Assessor immediately subsequent to a change in ownership or completion of new construction. If the base year value assigned by the Assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs. The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value.

Property taxable values determined by the County Assessor may be subject to an appeal by the property owner. Assessment appeals are annually filed with the County Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the Assessor's original taxable value and a tax refund to the property owner. A property owner can file for a regular assessment appeal with the County between July 2 and November 30. Revenue and

Taxation Code Section 1604 allows up to two years for an assessment appeal to be decided. One of the top ten taxpayers within the South Gate Redevelopment Project has filed assessment appeals that are currently pending.

Additional appeals to assessed values in the South Gate Redevelopment Project may be filed from time to time in the future. The South Gate Successor cannot predict the extent of these appeals or their likelihood of success.

The following table shows the appeal data, as of April 6, 2014, for fiscal year 2009-10 to the present:

**TABLE A-5
SOUTH GATE REDEVELOPMENT PROJECT
ASSESSED VALUATION APPEALS
(Fiscal Year 2009-10 to 2013-14)**

Project Sub Areas	Total No. of Appeals	No. of Resolved Appeals	No. of Successful Appeals	Average Reduction	No. of Appeals Pending	Est. No. of Pending Appeals Allowed
Original Project Area:	189	121	67	24.7%	68	38
Location No. 9:	8	5	2	8.7	3	1
Location No. 10:	97	41	19	38.8	56	26
Combined Areas:	294	167	88	27.3%	127	65

Project Sub Areas	Combined Value Under Pending Appeal	Combined Owner Opinion of Value	Fiscal Consultant Estimated Reduction on Pending Appeals Allowed (2014-15 AV)	Fiscal Consultant Assumed Resolved Value (2014-15 AV)
Original Project Area:	\$432,992,555	\$288,388,357	\$59,179,471	\$373,813,084
Location No. 9:	15,159,466	12,795,000	529,410	14,630,056
Location No. 10:	159,802,808	61,704,977	28,719,653	131,083,155
Combined Areas:	\$607,954,829	\$362,888,334	\$88,428,534	\$519,526,295

Source: County of Los Angeles and HdL Coren & Cone.

Tax refunds payable from resolved appeals (to the extent applicants are not delinquent in their property tax payments) are deducted by the County Auditor-Controller from current year gross property taxes before the County's allocation to the RPTTF.

Actual resolution of appeals are determined by a number of factors including vacancy and rental rates, circumstances of hardship and other real estate comparables, all of which are unique to the individual assessment. Therefore, actual reductions, if any, may be higher or lower than the reductions incorporated in the Fiscal Consultant's projections. An appeal may be withdrawn by the applicant, the Appeals Board may deny or modify the appeal at hearing or by stipulation, or the final value may be adjusted to an amount other than the stated opinion of value. See "THE PROJECT AREA – Assessed Valuation" above, for a summary of historical assessed property valuations in the South Gate Redevelopment Project. For more information about appeals and the Fiscal Consultant's assumptions, see the Fiscal Consultant's Report attached to this Official Statement as Appendix C.

Projected Tax Revenues

The following table shows the current and projected valuation of taxable property in the South Gate Redevelopment Project and the projected Gross Tax Revenues and Tax Revenues. Such projections are estimates only and no assurance can be given that such projections will be achieved. For a discussion of certain matters that will or could cause reductions in the Tax Revenues available in future years, see “LIMITATIONS ON TAX REVENUES” and “RISK FACTORS” in the forepart of this Official Statement and “SPECIAL RISK FACTORS” in this Appendix A.

TABLE A-6A
SOUTH GATE REDEVELOPMENT PROJECT
PROJECTION OF PROJECT AREA TAX REVENUES
ASSUMES VALUE GROWTH
(000s Omitted)

Fiscal Year Ending June 30	Total Taxable Value⁽¹⁾	Taxable Value Over Base	Gross Tax Increment Revenue⁽²⁾	Unitary Tax Revenue	Gross Tax Revenue	SB 2557 Charge⁽³⁾	HUD Loan⁽⁴⁾	Tax Revenues
2014	\$ 1,883,838	\$ 1,031,991	\$10,320	\$121	\$10,441	\$ (150)	\$ (356)	\$ 9,935
2015	1,841,373	989,526	9,895	121	10,017	(143)	(348)	9,526
2016	1,884,353	1,032,507	10,325	121	10,447	(149)	(344)	9,953
2017	1,918,959	1,067,112	10,671	121	10,793	(154)	(344)	10,294
2018	1,954,257	1,102,410	11,024	121	11,146	(159)	(338)	10,649
2019	1,990,261	1,138,414	11,384	121	11,506	(164)	(335)	11,007
2020	2,026,985	1,175,138	11,751	121	11,873	(170)	-	11,703
2021	2,064,443	1,212,596	12,126	121	12,247	(175)	-	12,073
2022	2,102,651	1,250,804	12,508	121	12,629	(180)	-	12,449
2023	2,141,622	1,289,776	12,898	121	13,019	(186)	-	12,833
2024	2,181,374	1,329,527	13,295	121	13,417	(192)	-	13,225

⁽¹⁾ Taxable values as reported by the County for fiscal year 2013-14. Real property consists of land and improvements. Taxable values are increased for inflation at 0.454% for fiscal year 2014-15 and at 2% annually thereafter. Values for fiscal year 2013-14 are reduced by \$6,372,480 for value loss due to 15 assessment appeals. Projected values for fiscal year 2013-14 reflect an increase by \$38,511,466 for 105 transfers of ownership from January 1, 2013 through December 31, 2013 and are reduced by \$88,428,534 for expected value loss due to pending assessment appeals. Projected values for fiscal year 2014-15 are increased by \$9,234,199 for 18 transfers of ownership from January 1, 2014 through December 31, 2014. Personal property is held constant at fiscal year 2013-14 levels. See “— Assessment Appeals” above.

⁽²⁾ Projected Gross Tax Increment Revenue is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value.

⁽³⁾ County SB 2557 administrative fee is estimated at 1.43% of Gross Tax Revenues.

⁽⁴⁾ The Former South Gate RDA entered into the HUD Loan in the amount of \$3,625,000. The loan amortization schedule calls for payments to be made semi-annually in August and February of each fiscal year. The loan is amortized after the payment in August 2019. This loan was used to assist the development of the Towne Center Plaza development within the Original Project Area and is payable from Gross Tax Revenues on a basis senior to the South Gate Refunding Bonds.

Source: HdL Coren & Cone.

TABLE A-6B
SOUTH GATE REDEVELOPMENT PROJECT
PROJECTION OF PROJECT AREA TAX REVENUES
ASSUMES NO VALUE GROWTH
(000s Omitted)

Fiscal Year Ending June 30	Total Taxable Value⁽¹⁾	Taxable Value Over Base	Gross Tax Increment Revenue⁽²⁾	Unitary Tax Revenue	Gross Tax Revenue	SB 2557 Charge⁽³⁾	HUD Loan⁽⁴⁾	Tax Revenues
2014	\$ 1,883,838	\$ 1,031,991	\$10,320	\$121	\$10,441	\$ (150)	\$ (356)	\$ 9,935
2015	1,833,921	982,074	9,821	121	9,942	(142)	(348)	9,452
2016	1,843,155	991,309	9,913	121	10,035	(143)	(344)	9,547
2017	1,843,155	991,309	9,913	121	10,035	(143)	(344)	9,547
2018	1,843,155	991,309	9,913	121	10,035	(143)	(338)	9,554
2019	1,843,155	991,309	9,913	121	10,035	(143)	(335)	9,557
2020	1,843,155	991,309	9,913	121	10,035	(143)	-	9,891
2021	1,843,155	991,309	9,913	121	10,035	(143)	-	9,891
2022	1,843,155	991,309	9,913	121	10,035	(143)	-	9,891
2023	1,843,155	991,309	9,913	121	10,035	(143)	-	9,891
2024	1,843,155	991,309	9,913	121	10,035	(143)	-	9,891

⁽¹⁾ Taxable values as reported by the County for fiscal year 2013-14. Real property consists of land and improvements. Assumes no increase in taxable values for inflation. Values for fiscal year 2013-14 are reduced by \$6,372,480 for value loss due to 15 assessment appeals. Projected values for fiscal year 2013-14 reflect an increase by \$38,511,466 for 105 transfers of ownership from January 1, 2013 through December 31, 2013 and are reduced by \$88,428,534 for expected value loss due to pending assessment appeals. Projected values for fiscal year 2014-15 are increased by \$9,234,199 for 18 transfers of ownership from January 1, 2014 through December 31, 2014. Personal property is held constant at fiscal year 2013-14 levels. See “— Assessment Appeals” above.

⁽²⁾ Projected Gross Tax Increment Revenue is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value.

⁽³⁾ County SB 2557 administrative fee is estimated at 1.43% of Gross Tax Revenues.

⁽⁴⁾ The Former South Gate RDA entered into the HUD Loan in the amount of \$3,625,000. The loan amortization schedule calls for payments to be made semi-annually in August and February of each fiscal year. The loan is amortized after the payment in August 2019. This loan was used to assist the development of the Towne Center Plaza development within the Original Project Area and is payable from Gross Tax Revenues on a basis senior to the South Gate Refunding Bonds.

Source: HdL Coren & Cone.

Estimated Debt Service Coverage

The following table sets forth the debt service and coverage ratio for the South Gate Refunding Bonds, and the South Gate Refunding Bonds. There can be no assurance that such projected Tax Revenues will be obtained. Such projections assume the issuance of the South Gate Refunding Bonds and the refunding and defeasance of the South Gate Series 2002/2003 Local Obligations. For a discussion of certain matters that will or could cause reductions in the Tax Revenues available in future years, “LIMITATIONS ON TAX REVENUES” and “RISK FACTORS” in the forepart of this Official Statement and “SPECIAL RISK FACTORS” in this Appendix A.

TABLE A-7A
SOUTH GATE REDEVELOPMENT PROJECT
ESTIMATED DEBT SERVICE COVERAGE – ASSUMES VALUE GROWTH
(000s Omitted)

Fiscal Year Ending June 30	Projected Tax Revenues⁽¹⁾	South Gate Series 2014A Bonds Debt Service	South Gate Series 2014B Bonds Debt Service	Total Parity Bond Debt Service	Debt Service Coverage On Parity Bonds
2015	\$9,526	\$3,832	\$466	\$4,298	222%
2016	9,953	3,836	469	4,305	231
2017	10,294	3,834	470	4,304	239
2018	10,649	3,838	468	4,307	247
2019	11,007	3,843	465	4,308	255
2020	11,703	3,830	465	4,294	273
2021	12,073	3,835	463	4,298	281
2022	12,449	3,832	465	4,297	290
2023	12,833	3,831	465	4,296	299
2024	13,225	3,833	463	4,295	308

⁽¹⁾ Projected Tax Revenues are Gross Tax Revenues to South Gate Successor less collection fee charged by the County, and any debt service payments on the HUD Loan. See “Projected Tax Revenues” above and “SECURITY FOR THE REFUNDING BONDS – Towne Center Plaza HUD Loan Obligation” in this Appendix A.

Source: Stifel, Nicolaus & Company, Incorporated and HdL Coren & Cone.

TABLE A-7B
SOUTH GATE REDEVELOPMENT PROJECT
ESTIMATED DEBT SERVICE COVERAGE – ASSUMES NO VALUE GROWTH
(000s Omitted)

Fiscal Year Ending June 30	Projected Tax Revenues⁽¹⁾	South Gate Series 2014A Bonds Debt Service	South Gate Series 2014B Bonds Debt Service	Total Parity Bond Debt Service	Debt Service Coverage On Parity Bonds
2015	\$9,452	\$3,832	\$466	\$4,298	220%
2016	9,547	3,836	469	4,305	222
2017	9,547	3,834	470	4,304	222
2018	9,554	3,838	468	4,307	222
2019	9,557	3,843	465	4,308	222
2020	9,891	3,830	465	4,294	230
2021	9,891	3,835	463	4,298	230
2022	9,891	3,832	465	4,297	230
2023	9,891	3,831	465	4,296	230
2024	9,891	3,833	463	4,295	230

⁽¹⁾ Projected Tax Revenues are Gross Tax Revenues to South Gate Successor less collection fee charged by the County, and any debt service payments on the HUD Loan. See “Projected Tax Revenues” above and “SECURITY FOR THE REFUNDING BONDS – Towne Center Plaza HUD Loan Obligation” in this Appendix A.

Source: Stifel, Nicolaus & Company, Incorporated and HdL Coren & Cone.

Property Tax and Spending Limitations

Article XIII A of the California Constitution. Section 1(a) of Article XIII A of the California Constitution limits the maximum *ad valorem* tax on real property to one percent of full cash value, to be collected by the counties and apportioned according to law. For a summary of this and other California constitutional property tax and spending limitations, see “LIMITATIONS ON TAX REVENUES - Property Tax and Spending Limitations” in the forepart of this Official Statement.

Unitary Property

The South Gate Successor projects that the amount of unitary revenues to be allocated to the South Gate Successor for 2013-14 within the South Gate Redevelopment Project is \$121,447. The South Gate Successor cannot predict the effect of any future litigation or settlement agreements on the amount of unitary tax revenues received or to be received by the South Gate Successor. In addition, the South Gate Successor cannot predict the impact on unitary property tax revenues of any transfer of electrical transmission lines to tax-exempt agencies, although the South Gate Successor does not expect any transfer to have a material adverse effect on Gross Tax Revenues and, accordingly, Tax Revenues.

SPECIAL RISK FACTORS

The following summaries are provided as additional detail supplemental to the information under the section entitled “RISK FACTORS” in the forepart of this Official Statement. Such information should be considered by prospective investors in evaluating the Authority Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Authority Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. For additional information, see the section entitled “RISK FACTORS” in the forepart of this Official Statement.

Tax Revenues

Tax Revenues, which secure the South Gate Refunding Bonds, are determined by the incremental assessed value of taxable property in the South Gate Redevelopment Project, the current rate or rates at which property in the South Gate Redevelopment Project is taxed, and the percentage of taxes collected in the South Gate Redevelopment Project. Several types of events which are beyond the control of the South Gate Successor could occur and cause a reduction in available Gross Tax Revenues and, accordingly, Tax Revenues. A reduction of taxable values of property in the South Gate Redevelopment Project or a reduction of the rate of increase in taxable values of property in the South Gate Redevelopment Project caused by economic or other factors beyond the South Gate Successor’s control (such as a relocation out of the South Gate Redevelopment Project by one or more major property owners, successful appeals by property owners for a reduction in a property’s assessed value, a reduction in the rate of transfers of property, construction activity or other events that permit reassessment of property at lower values, or the destruction of property caused by natural or other disasters, including earthquakes) could occur, thereby causing a reduction in Gross Tax Revenues and, accordingly, Tax Revenues. This risk increases in proportion to the percent of total assessed value attributable to any single assessee in the South Gate Redevelopment Project and in

relation to the concentration of property in such Project Area in terms of size or land use (see “THE PROJECT AREA – General” in this Appendix A). Any reduction in Tax Revenues from the South Gate Redevelopment Project could have an adverse effect on the South Gate Successor’s ability to meet its obligations under the South Gate Indenture and the South Gate Successor’s ability to pay the principal of and interest on the South Gate Refunding Bonds.

Any reduction in the tax rate applicable to property in the South Gate Redevelopment Project, by reason of discontinuance of certain override tax levies in excess of the 1% basic levy, will reduce the Gross Tax Revenues and, accordingly, Tax Revenues. There are no overrides reflected in the calculation of Tax Revenues under the South Gate Indenture which are derived only from the general levy tax rate. As mentioned in the Fiscal Consultant’s Report, many issues involved in the dissolution of redevelopment agencies have yet to be resolved including the continuation of plan financial and time limitations, override revenues and the treatment of ERAF. Additionally approximately 100 lawsuits have been filed on various aspects of the Dissolution Act which could impact the implementation of the continued wind-down of the dissolved redevelopment agencies. The projections in this Appendix A could be impacted as a result of future court decisions.

Projected Tax Revenues

The Fiscal Consultant has based its projections on certain assumptions with regard to the South Gate Redevelopment Project, grown in assessed values and tax revenue growth. These projections assume that assessed value will increase by 2% a year. A 2% growth rate is the maximum inflationary growth rate permitted by law and this rate of growth has been realized in all but six years since 1981. In the last ten fiscal years, the years in which less than 2% growth was realized included fiscal years 2009-10, 2010-11 and 2013-14. The State Board of Equalization announced in December 2012 that the inflation adjustment for 2013-14 will be 2%. There can be no assurance, however, that assessed values will increase as projected, if at all. See “THE PROJECT AREA” for a discussion of these assumptions.

Any reduction in assessed value in the South Gate Redevelopment Project, reduction in tax rates or reduction in taxes collected would reduce the Tax Revenues available to pay debt service on the South Gate Refunding Bonds. See “RISK FACTORS” and “LIMITATIONS ON TAX REVENUES” in the forepart of this Official Statement. See also “THE PROJECT AREA” in this Appendix A for a summary of historical assessed valuation of property in the South Gate Redevelopment Project, current assessment appeals and historical delinquencies.

Redevelopment Plan Limits

There is a question on the applicability of tax increment limits as to time and amounts established under redevelopment plans after the adoption of the AB 26 and AB 1484. The matter remains subject to further guidance from the DOF, legislation and interpretation by the courts. If the South Gate Redevelopment Project cumulative tax increment limit is deemed to no longer be applicable, no interruption of tax increment revenue will occur. For purposes of the projections in this Appendix A and in that portion of Fiscal Consultant’s Report with respect to the South Gate Successor appearing in Appendix C, it is assumed that all redevelopment plan limits will be enforced. For more information regarding redevelopment plan limits see “LIMITATIONS ON TAX REVENUES – Redevelopment Plan Limits” in the forepart of this Official Statement and “THE REDEVELOPMENT PLAN – Project Area Plan Limitations” in this Appendix A.

Parity and Subordinate Debt

While the South Gate Successor has covenanted not to issue any additional obligations with a lien on former tax increment revenues senior to the lien of the South Gate Refunding Bonds, the South Gate Indenture permits the issuance by the South Gate Successor of certain indebtedness which may have a lien upon the Tax Revenues on parity with the lien of the South Gate Refunding Bonds, but only for refunding purposes and only if certain conditions are met. See “SECURITY FOR THE REFUNDING BONDS – Parity Debt” in this Appendix A. The South Gate Indenture does not limit the issuance of tax allocation bonds or other indebtedness secured by a pledge of former tax increment revenues subordinate to the pledge of Tax Revenues securing the South Gate Refunding Bonds. However, under the Dissolution Act, as it currently exists, the South Gate Successor may not issue bonds or incur other indebtedness for purposes other than refunding existing enforceable obligations or outstanding bonds of the South Gate Successor resulting in savings.

Concentration of Ownership

The ten largest property taxpayers in the South Gate Redevelopment Project, based upon the fiscal year 2013-14 locally assessed tax roll reported by the County Assessor, owned approximately 19.21% of the total assessed valuation and 34.98% of the incremental value of property within the South Gate Redevelopment Project. Concentration of ownership presents a risk in that if one or more of the largest property owners were to default on their taxes, or were to successfully appeal the tax assessments on property within the South Gate Redevelopment Project, a substantial decline in Tax Revenues could result. See “THE PROJECT AREA – General” in this Appendix A for more information about these ten largest property taxpayers and information as to pending appeals of tax assessments. Additionally, Schultz Steel, which is the largest taxpayer in the South Gate Redevelopment Project, has approximately \$73 million of its taxable value on the unsecured roll. Such value reflects equipment and fixtures the value of which could be lost if Schultz Steel were to move its operations or go out of business.

Natural Disasters; Seismic Hazards

Natural disasters, including floods and earthquakes, could damage improvements and/or property in the South Gate Redevelopment Project, or impair the ability of landowners within the South Gate Redevelopment Project to develop their properties or to pay property taxes.

There are several identified faults within close proximity to or within the boundaries of the South Gate Redevelopment Project, including the San Andreas Fault that could potentially result in damage to buildings, roads, bridges, and property within the South Gate Redevelopment Project in the event of an earthquake. Past earthquakes have resulted in minimal damage to the infrastructure and property within the South Gate Redevelopment Project. A majority of the property within the South Gate Redevelopment Project has been developed in conformity with the 1988 Uniform Building Code standards. The City has undertaken mitigation measures which include building inspection and enforcement of building codes, community education and seismic assessment of development projects.

If an earthquake were to substantially damage or destroy taxable property within the South Gate Redevelopment Project, the assessed valuation of such property would be reduced. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues that secure the South Gate Refunding Bonds.

The property within the South Gate Redevelopment Project may also be at risk from other events of force majeure, such as damaging storms, floods, fires and explosions, strikes, sabotage, riots and spills of hazardous substances, among other events. The South Gate Successor cannot predict what force majeure events may occur in the future.

APPENDIX B

**SUCCESSOR AGENCY TO THE CLAREMONT REDEVELOPMENT
AGENCY - CONSOLIDATED REDEVELOPMENT PROJECT**

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APPENDIX B

SUCCESSOR AGENCY TO THE CLAREMONT REDEVELOPMENT AGENCY (CONSOLIDATED REDEVELOPMENT PROJECT)

The following information regarding the Successor Agency to the Claremont Redevelopment Agency (the “Claremont Successor”), the dissolved Claremont Redevelopment Agency (the “Former Claremont RDA”), the Consolidated Redevelopment Project (the “Claremont CRP”), and the City of Claremont (“Claremont” or the “City”) is presented as additional and specific information with respect to the Successor Agency to the Claremont Redevelopment Agency Consolidated Redevelopment Project, Tax Allocation Refunding Bonds, Series 2014A (the “Claremont Refunding Bonds”) being purchased by the Authority, which are payable, on parity with all Outstanding Parity Bonds (as described herein), solely from Pledged Revenues (as defined in this Appendix B) attributable to the Claremont CRP and all moneys held in the Special Fund or any of the accounts thereunder (including the 2014 Reserve Account but not including the 2013 Reserve Account) and the Redemption Fund established under the Indenture of Trust, dated as of September 1, 2001 (the “Claremont Original Indenture”), between the Former Claremont RDA and Union Bank of California, N.A. (now known as MUFG Union Bank, N.A.), as trustee (the “Trustee”), as amended and supplemented by the First Supplement to Indenture, dated as of December 1, 2013 (the “Claremont First Supplemental Indenture”) between the Claremont Successor and the Trustee, and as further amended and supplemented by the Second Supplement to Indenture, dated as of July 1, 2014 (the “Claremont Second Supplemental Indenture”) between the Claremont Successor and the Trustee (as so amended and supplemented, the “Claremont Indenture”). The information set forth in this Appendix B has been obtained from the Claremont Successor, the City, HDL Coren & Cone, as fiscal consultant (the “Fiscal Consultant”), and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. Appendix C attached to this Official Statement includes the Fiscal Consultant’s Report with respect to the Claremont Successor one other Agency Participant. Terms defined in this Appendix B are in most instances specific to this Appendix B. Capitalized terms used in this Appendix B and not otherwise defined herein have the respective meanings assigned to them in the forepart of this Official Statement, in the Trust Agreement and in the Claremont Indenture, as applicable. See APPENDIX E — “SUMMARY OF TRUST AGREEMENT” attached to this Official Statement.

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The information and expressions of opinions in this Appendix B 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 Claremont Successor or the City since the date hereof. The taxing power of the City, the County of Los Angeles (the “County”), the State of California (the “State”) or any political subdivision thereof is not pledged to the payment of the Claremont Refunding Bonds. See the information under the captions “THE REFUNDING BONDS” in this Appendix B and “THE SERIES 2014 BONDS” in the forepart of this Official Statement.

Brief descriptions of the Claremont Refunding Bonds, the Claremont Indenture, the Claremont Successor, the Former Claremont RDA and the City are included in this Appendix B. Such descriptions and information do not purport to be comprehensive or definitive. All references in this Appendix B to the Claremont Refunding Bonds, the Claremont Indenture, the Law, the Dissolution Act, the Constitution and the laws of the State as well as the proceedings of the Former Claremont RDA, the Claremont Successor and Claremont are qualified in their entirety by reference to such documents. Copies of the proceedings of the Claremont Successor referred to above, the Claremont Indenture and other documents described in this Appendix B are available for inspection at the offices of the Claremont Successor, at 207 Harvard Avenue, Claremont, California 91711.

The City maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Authority Bonds and/or the Claremont Refunding Bonds.

SUCCESSOR AGENCY TO THE CLAREMONT REDEVELOPMENT AGENCY

General

The Former Claremont RDA was established pursuant to the Law by Ordinance No. 860 of the City Council of the City of Claremont (the “Claremont City Council”) adopted on February 10, 1969. Assembly Bill x1 26 (“AB x1 26”) chaptered and effective on June 28, 2011 added Parts 1.8 and 1.85 to Division 24 of the California Health & Safety Code and which laws were modified, in part, and determined constitutional by the California Supreme Court in the petition *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861 (“Matosantos Decision”), which laws and court opinion caused the dissolution of all redevelopment agencies and winding down of the affairs of former redevelopment agencies; thereafter, such laws were amended further by Assembly Bill 1484 (“AB 1484”) that was chaptered and effective on June 27, 2012, and such laws have been further amended by subsequent legislation (together AB x1 26, the *Matosantos* Decision, and AB 1484, and subsequent amendments are referred to as the “Dissolution Act”).

On January 10, 2012, pursuant to Resolution No. 2012-05 and Section 34173 of the Dissolution Act, the Claremont City Council elected to serve as successor agency to the Former Claremont RDA. The Claremont Successor is governed by a five-member Board of Directors (the “Board”) which consists of the members of the Claremont City Council.

The City was founded in 1887 and incorporated on October 3, 1907. The City is located in the County, has a boundary of approximately 14.14 square miles, and is located in the eastern end of Los Angeles County approximately 30 miles east of downtown Los Angeles in the Pomona Valley area of the San Gabriel Mountain Range adjacent to San Bernardino County. The City operates under the Council-Manager form of government. The five City Council members, including the Mayor, are elected by districts to four year terms on alternate slates every two years. The Mayor presides over the meetings and has one vote. The Claremont City Council appoints a City Manager and the City Attorney. The City Manager appoints the heads of the various departments. The population of the City of Claremont has increased approximately 18.2% from 1980 through 2013. The annual population estimate of the City of Claremont in the 2010 census was 34,926.

The Redevelopment Plan and the Redevelopment Project

The Claremont Refunding Bonds are principally payable from Tax Revenues (as defined in this Appendix B) attributable to the Claremont CRP. The redevelopment plan (the “Original Redevelopment Plan”) for the Claremont CRP, was originally approved by the Claremont City Council pursuant to Ordinance No. 73-8 adopted on June 26, 1973. The Original Redevelopment Plan was amended on numerous occasions to, among other amendments, add other areas to the Claremont CRP. The Original Redevelopment Plan, as amended, is referred to herein as the “Redevelopment Plan.” For more information about the amendments and the current plan limits for the Redevelopment Plan, see “THE REDEVELOPMENT PLAN” in this Appendix B.

The Consolidated Redevelopment Project, referred to herein as the Claremont CRP, encompasses approximately 542.7 acres (approximately 0.85 square miles), or about 6.0% of the total incorporated area of the City (9,050 acres). See “THE PROJECT AREA” in this Appendix B.

No Other Project Areas

There are no other active redevelopment project areas approved by the Former Claremont RDA within its area of operation other than the Consolidated Redevelopment Project.

Pledged Revenues

As used in this Appendix B and in that portion of the Fiscal Consultant’s Report with respect to the Claremont Successor appearing in Appendix C, the former tax increment revenues, including unitary tax revenue and less County applied apportionment adjustments and reductions for amounts above the annual tax revenue limit are referred to as “Gross Tax Revenues.”

The Claremont Refunding Bonds will be secured by “Pledged Revenues” as provided under the Claremont Indenture. As defined in the Claremont Indenture, the term “Pledged Revenues” means all Tax Revenues and all Adjusted Annual Agency Amounts to the extent payable to and received by the Claremont Successor under the Keck OPA.

As defined in the Claremont Indenture, the term “Tax Revenues” means all taxes annually allocated to and received by the Claremont Successor with respect to the Claremont CRP within limitations set forth in the Redevelopment Plan pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State of California, and within the Plan Limitations, including (a) all payments, subventions and reimbursements (if any) to the Claremont Successor specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, and (b) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund (the “Housing Fund”) pursuant to Section 33334.3 of the Law but only to the extent such amounts are permitted to be applied to the payment of principal, interest and premium (if any) with respect to the Claremont Refunding Bonds; but excluding (i) all amounts of such taxes required to be deposited into the Housing Fund (and not includable as set forth above), and (ii) all amounts of such taxes which are payable to entities other than the Claremont Successor pursuant to statutory tax sharing obligations of the Claremont Successor or the Pass Through Agreements, to the extent such obligations create a prior, unsubordinated lien on such taxes, and (iii) amounts, if any, payable by the State to the Claremont Successor under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State of California (relating to certain business inventory tax subventions). Notwithstanding the foregoing, following the adoption of the Dissolution Act, the Claremont Successor is no longer required to make deposits to the Housing Fund and such tax revenues from the Claremont CRP that may have been formerly required to be deposited therein are now available for and pledged to the repayment of the Claremont Refunding Bonds.

Tax Revenues additionally include moneys deposited from time to time in the Redevelopment Property Tax Trust Fund (“RPTTF”), as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, as and if available and subject to the equal and senior claims of indebtedness, if any, which may be attributable to project areas of the Claremont Successor, other than the Claremont CRP, if any. 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 Tax Revenues will include all tax revenues allocated to the payment of indebtedness pursuant to California Health and 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.

See “SECURITY FOR THE REFUNDING BONDS” herein for more information about Tax Revenues and Adjusted Annual Agency Amounts.

Purpose of Refunding

Proceeds of the Claremont Refunding Bonds will be used (i) to refund the Claremont Redevelopment Agency Consolidated Redevelopment Project 2004 Tax Allocation Bonds (the “Claremont Series 2004 Bonds”), (ii) to finance a reserve surety to the credit of the 2014 Reserve Account under the Claremont Indenture, and (iii) to pay the costs of issuing the Claremont Refunding Bonds. See “THE REFUNDING PLAN” in this Appendix B. The Claremont Series 2004 Bonds were issued to finance and refinance the Redevelopment Project under the Redevelopment Plan and the Law, including to finance and refinance activities to increase, improve and preserve the supply of low- and moderate-income housing within the territorial jurisdiction of the Claremont Successor.

Security for the Refunding Bonds

Tax revenues generated from the incremental taxable value in a redevelopment project area were, prior to February 1, 2012, generally referred to as tax increment revenues. The Law provided that the tax increment revenues could be pledged by a redevelopment agency to the repayment of agency indebtedness. As used in this Appendix B and in that portion of the Fiscal Consultant’s Report with respect to the Claremont Successor appearing in Appendix C, the former tax increment revenues, including unitary tax revenue and less County applied apportionment adjustments and reductions for amounts above the annual tax revenue limit are referred to as “Gross Tax Revenues.”

The Claremont Refunding Bonds are payable solely from, and are secured by, the Pledged Revenues (as defined above under the caption “Pledged Revenues”), and all amounts on deposit from time to time in the Special Fund or any of the accounts thereunder (including the 2014 Reserve Account but not including the 2013 Reserve Account) and the Redemption Fund in accordance with the Claremont Indenture. See “SECURITY FOR THE REFUNDING BONDS” in this Appendix B.

Assuming refunding of the Claremont Series 2004 Bonds, payment of the principal of and interest on the Claremont Refunding Bonds will be on a parity with the Successor Agency To The Claremont Redevelopment Agency Consolidated Redevelopment Project Tax Allocation Refunding Bonds, Series 2013A (the “Claremont Series 2013 Bonds”), issued in the original amount of \$5,200,000 pursuant to the Claremont Original 2001 Indenture and the Claremont 2013 First Supplemental Indenture, of which \$5,200,000 is currently outstanding.

The Claremont Series 2013 Bonds and the Claremont Refunding Bonds are referred to collectively herein as the “Claremont Bonds.”

Litigation

There is no action, suit or proceeding pending or, to the knowledge of the Claremont Successor officials, threatened, restraining or enjoining the execution or delivery of the Claremont Refunding Bonds or the Claremont Second Supplemental Indenture, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Claremont Successor, its Oversight Board, or the City taken with respect to any of the foregoing. The Claremont Successor is, from time to time, a defendant in actions for writs of mandamus, injunctive relief and related fees, and for alleged damages to persons and/or property and for other alleged liabilities arising out of matters usually incident to the operation of a former redevelopment agency and now as a successor agency. The Claremont Successor does not expect any such pending or threatened litigation to result in a material adverse impact on the ability of the Claremont Successor to make timely payments of debt service on the Claremont Refunding Bonds; however, certain litigation may affect the distribution of property tax revenues or other monies to the Claremont Successor under the Dissolution Act. See "LITIGATION" in the forepart of this Official Statement.

Financial Statements

The Claremont Successor accounts for its financial transactions through funds representing the Claremont CRP. Excerpts from the City's comprehensive annual financial report, which incorporates information about the Claremont Successor, for the fiscal year ended June 30, 2013 were prepared by the certified public accounting firm of Lance, Soll & Lunghard, LLP, and are attached to this Official Statement as part of Appendix D. The Claremont Successor has not requested, and the auditor has not provided, any update or review of such excerpts of the comprehensive annual financial report included in Appendix D to this Official Statement.

Continuing Disclosure

The Claremont Successor has covenanted to provide certain financial information and operating data by not later than the first day of the month following the eighth month after the end of the Claremont Successor's fiscal year (presently June 30), which is March 1, in each year commencing with its report for fiscal year 2013-14 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events as described in the forepart of this Official Statement under the caption "CONTINUING DISCLOSURE." In the last five years, the Former Claremont RDA prior to its dissolution and, thereafter, the Claremont Successor did on occasion fail to comply in certain material respects with their previous continuing disclosure undertakings pursuant to Rule 15c2-12 promulgated under the Securities and Exchange Act of 1934, including, but not limited to, the failure to timely file complete annual reports for some of the Claremont Successor's outstanding debt obligations and the failure to file notices of certain enumerated events. However, the Claremont Successor has taken steps to ensure future timely compliance with all of its outstanding continuing disclosure obligations. Pursuant to the Continuing Disclosure Agreement between the Authority and the Claremont Successor, the Authority will act as Dissemination Agent and file the annual reports and notices relating to the Claremont Refunding Bonds with the MSRB through EMMA on behalf of the Claremont Successor. The annual reports include updates of the information contained in the tables in this Appendix B with respect to property tax revenues, collections, principal taxpayers, and, if applicable, plan limit calculations. See APPENDIX H — "FORM OF CONTINUING DISCLOSURE AGREEMENT."

THE REFUNDING PLAN

Net proceeds of the Claremont Refunding Bonds will be used to refund the Claremont Series 2004 Bonds, originally issued in the principal amount of \$6,000,000 and currently outstanding in the principal amount of \$3,985,000.

The Claremont Successor is issuing the Claremont Refunding Bonds to provide moneys (together with other available funds of the Claremont Successor) necessary to refund and defease the Claremont Series 2004 Bonds in whole. The net proceeds of the Claremont Refunding Bonds, along with certain remaining funds held in connection with the Claremont Series 2004 Bonds, will be used to establish an escrow fund (the “Escrow Fund”) for the Claremont Series 2004 Bonds, to be held in trust by MUFG Union Bank, N.A., acting as escrow agent (the “Escrow Agent”) under an Escrow Agreement between the Claremont Successor and the Escrow Agent, dated as of July 1, 2014 (the “Escrow Agreement”). Proceeds deposited into the Escrow Fund will be held uninvested as cash and irrevocably pledged to pay the redemption price of the Claremont Series 2004 Bonds on August 1, 2014, at a redemption price equal to 100% of their principal amount as specified in the Escrow Agreement, plus accrued interest. See “VERIFICATION OF MATHEMATICAL ACCURACY” in the forepart of this Official Statement. Upon deposit of such proceeds and other moneys into the Escrow Fund, the Claremont Series 2004 Bonds will no longer be deemed outstanding.

The moneys and securities held by the Escrow Agent are pledged to the payment of the Claremont Series 2004 Bonds. Moneys deposited in the Escrow Fund are not available to pay principal of or interest on the Claremont Refunding Bonds.

THE REFUNDING BONDS

Authority for Issuance

The Claremont Refunding Bonds were authorized for issuance pursuant to the Claremont Indenture and the Dissolution Act. The issuance of the Claremont Refunding Bonds and the execution and delivery of the Claremont Second Supplemental Indenture were authorized by the Claremont Successor pursuant to Resolution No. 2014-33 adopted on May 13, 2014 (the “Resolution”), and by the Oversight Board to the Successor Agency to the Claremont Redevelopment Agency (the “Oversight Board”) pursuant to Resolution No. OB 2014-03 adopted on May 15, 2014 (the “Oversight Board Action”).

Written notice of the Oversight Board Action was provided to the State Department of Finance (“DOF”) pursuant to the Dissolution Act. On June 27, 2014, which is within the time period allotted under the Dissolution Act for the DOF to review the Oversight Board’s approving resolution, the DOF provided a letter to the Claremont Successor stating that based on the DOF’s review and application of the Law, the Oversight Board Action approving the Claremont Refunding Bonds is approved by the DOF. See APPENDIX G to this Official Statement — “STATE DEPARTMENT OF FINANCE LETTERS.”

Description of the Refunding Bonds

The Claremont Refunding Bonds will be designated the “Successor Agency to the Claremont Redevelopment Agency Consolidated Redevelopment Project, Tax Allocation Refunding Bonds, Series 2014A” in the aggregate principal amount of \$3,380,000. The Claremont Refunding Bonds will be issued as fully registered bonds in the denomination of \$1.00, or any integral multiple of \$1.00 (not exceeding the principal amount of such Claremont Refunding Bonds maturing at any one time). The Claremont Refunding Bonds will bear interest from the Interest Payment Date next preceding the date of registration thereof, unless such date of registration is during the period from the 16th day of the month next preceding an Interest Payment Date to and including such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or unless such date of registration is on or before March 1, 2015, in which event they shall bear interest from their date of delivery; provided, however, that if, at the time of registration of any Claremont Refunding Bond, interest is then in default on the Outstanding Claremont Refunding Bonds, such Claremont Refunding Bond shall bear interest from the Interest Payment Date to which interest previously has been paid or made available for payment on the Outstanding Claremont Refunding Bonds. As defined in the Claremont Indenture, the term “Interest Payment Date” will mean any March 1 or September 1 of each year commencing March 1, 2015, with respect to the Claremont Refunding Bonds.

The Claremont Refunding Bonds will mature on the dates and in the principal amounts set forth in the table below and will bear interest on the basis of a 360-day year consisting of twelve 30-day months at the rates per annum set forth in the table below.

Maturity Date (September 1)	Principal	Interest Rate
2015	\$240,000	2.000%
2016	260,000	3.000
2017	265,000	4.000
2018	275,000	4.000
2019	290,000	5.000
2020	305,000	5.000
2021	320,000	5.000
2022	330,000	5.000
2023	350,000	5.000
2024	365,000	5.000
2025	380,000	5.000

Additional Bonds may be issued at any time under and subject to the terms of the Claremont Indenture for purposes of refunding bonds issued under the Claremont Indenture. See “SECURITY FOR THE REFUNDING BONDS—Parity Bonds Limited to Refunding Bonds” for more information about Additional Bonds.

No Redemption of the Claremont Refunding Bonds

The Claremont Refunding Bonds are not subject to optional redemption or mandatory redemption prior to their respective maturity dates.

Debt Service Schedule

The following table sets forth the amount of debt service with respect to the Claremont Refunding Bonds for each Bond Year:

Year Ended (September 1)	Principal	Interest	Total Debt Service
2015	\$240,000	\$164,220	\$404,220
2016	260,000	146,400	406,400
2017	265,000	138,600	403,600
2018	275,000	128,000	403,000
2019	290,000	117,000	407,000
2020	305,000	102,500	407,500
2021	320,000	87,250	407,250
2022	330,000	71,250	401,250
2023	350,000	54,750	404,750
2024	365,000	37,250	402,250
2025	380,000	19,000	399,000
Total	\$3,380,000	\$1,066,220	\$4,446,220

SECURITY FOR THE REFUNDING BONDS

General

Under the Claremont Indenture, the Pledged Revenues and all moneys held in the Special Fund or any of the accounts thereunder (including the Reserve Account) and the Redemption Fund established under the Claremont Indenture will be pledged to the payment of the principal of and interest on the Outstanding Claremont Refunding Bonds and any Parity Bonds as provided under the Claremont Indenture. The Pledged Revenues will be delivered by the Claremont Successor to the Trustee for deposit in the Special Fund held by the Trustee and are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Claremont Refunding Bonds and any Parity Bonds, and until all of the Claremont Refunding Bonds (and any Parity Bonds) and all interest thereon have been paid (or until moneys for that purpose have been irrevocably set aside), the Pledged Revenues in accordance with the provisions of the Claremont Indenture, will be applied solely to the payment of principal of the Claremont Refunding Bonds and any Parity Bonds, plus premium, if any, and the interest thereon as provided in the Claremont Indenture for the exclusive benefit of the Owners of the Claremont Refunding Bonds and any Parity Bonds.

Payment of the principal of and interest on the Claremont Refunding Bonds will be on parity with the Claremont Series 2013 Bonds. Notwithstanding the foregoing, the Claremont Refunding Bonds will not be secured by a pledge of the 2013 Reserve Account and the Claremont Series 2013 Bonds will not be secured by a pledge of the 2014 Reserve Account. See “SECURITY FOR THE REFUNDING BONDS — Reserve Account,” in this Appendix B.

Pursuant to the laws of the State of California, including California Health and Safety Code Sections 34183 and 34170.5(b), the County Auditor-Controller is obligated to deposit former tax increment revenues into the RPTTF. In furtherance of the Claremont Indenture and the Dissolution Act, and in accordance with the County Auditor-Controller’s obligations as set forth in California Health and Safety Code Sections 34183 and the Claremont Successor’s irrevocable direction under the Claremont Indenture, the Claremont Successor will take all steps to ensure that the County Auditor-Controller (1) deposits former tax increment revenues into the Special Fund, (2) allocates funds for the principal and interest payments due on the Outstanding Claremont Refunding Bonds and any Parity Bonds, and any deficiency in the Reserve Account (including the 2014 Reserve Account, the 2013 Reserve Account and any other subaccount therein) pursuant to each valid Recognized Obligation Payment Schedule (“ROPS”) (as further described in this Appendix B) in accordance with the Dissolution Act and as provided in the Claremont Indenture, and (3) make the transfers to the Trustee under the Claremont Indenture.

The Claremont Successor will take all actions required under the Dissolution Act to include on its ROPS for each six-month period all payments expected to be made to the Trustee in order to satisfy the requirements of the Claremont Indenture, including any amounts required under the Claremont Indenture to pay principal and interest payments due on the Outstanding Claremont Refunding Bonds and any Parity Debt, any Compliance Costs and any deficiency in the Reserve Account and any subaccount therein to the full amount of the Reserve Requirement. The Claremont Successor will include in its ROPS the amounts required to be transmitted to the Trustee for deposit in the Special Fund. The Claremont Successor will submit the ROPS to its Oversight Board (and on and after July 1, 2016 to the County oversight board established pursuant to Section 34179(j)) for review and approval pursuant to the Dissolution Act and the Oversight Board-approved ROPS will be submitted to the County Auditor-Controller and the DOF at least ninety (90) days prior to the January 2 RPTTF distribution and at least ninety (90) days prior to the June 1 RPTTF distribution, as applicable.

Expected Compliance Costs, if any, will be included in each ROPS, based upon information compiled by the Claremont Successor and the Authority and provided to the Claremont Successor. On or before the fifth Business Day of each August, the Trustee will report to the Claremont Successor and the Authority its expected Compliance Costs for the next succeeding calendar year to be included on the Claremont Successor's ROPS.

The amount due to the Trustee from the County Auditor-Controller for deposit in the Special Fund on January 2 of the then-current calendar year from amounts required to be deposited into the Special Fund will equal the deposits required pursuant to the Claremont Indenture and will include any amounts required to pay principal and interest payments due on the Outstanding Claremont Refunding Bonds and any Parity Debt, plus the amount of any deficiency in the Reserve Account (including the 2014 Reserve Account, the 2013 Reserve Account and any other subaccount therein), less the amounts, if any, on deposit in the Special Fund as of the date of submission for the ROPS pursuant to the Claremont Indenture that are in excess of the amounts required to be applied to payment of principal of or interest or sinking account payments on the Outstanding Claremont Refunding Bonds and any Parity Bonds in the then current calendar year. The amount due to the Trustee from the County Auditor-Controller for deposit in the Special Fund on June 1 of the then-current calendar year from amounts required to be deposited into the Special Fund will equal the deposits required pursuant to the Claremont Indenture and will include any amounts required to pay principal and interest payments due on the Outstanding Claremont Refunding Bonds and any Parity Debt, plus the amount of any deficiency in the Reserve Account, less the amounts, if any, on deposit in the Special Fund as of the date of submission for the ROPS pursuant to the Claremont Indenture that are in excess of the amounts required to be applied to payment of principal of or interest or sinking account payments on the Outstanding Claremont Refunding Bonds and any Parity Bonds in the then current calendar year.

All Pledged Revenues received by the Claremont Successor during any calendar year in excess of the amount required to be deposited in the Special Fund during such calendar year pursuant to the Claremont Indenture shall be released from the pledge, security interest and lien under the Claremont Indenture for the security of the Outstanding Claremont Refunding Bonds and any Parity Bonds, and may be applied by the Claremont Successor for any lawful purpose of the Claremont Successor, including but not limited to the payment of subordinate debt, or the payment of any rebate amounts. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Outstanding Claremont Refunding Bonds and any Parity Bonds and the payment in full of all other amounts payable under the Claremont Indenture and under any Supplemental Indentures, the Claremont Successor will not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Claremont Indenture and in any Supplemental Indenture.

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

Subject only to the Dissolution Act, in order to assure that funds required to be deposited with the Trustee pursuant to the Claremont Indenture are so deposited in a timely fashion and to further secure the Claremont Refunding Bonds and any Parity Bonds, the Claremont Successor will irrevocably authorize and direct the County Treasurer and Tax Collector and the County Auditor-Controller to transfer any Claremont Successor funds then held in, or later received by the County Treasurer and Tax Collector and the County Auditor-Controller for deposit in, the RPTTF and attributable to the Claremont CRP, to the Trustee for deposit

into the Special Fund in the amounts provided for in the Claremont Indenture. See “INTRODUCTION — The County Intercept” in the forepart of this Official Statement for additional information regarding direct transfers of funds from the County to the Trustee pursuant to Claremont Indenture and the direction of the Claremont Successor.

Prior to the Dissolution Act, the Law authorized redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. The Former Claremont RDA entered into several agreements for this purpose with respect to its project areas (the “Pass-Through Agreements”). Additionally, Section 33607.5 and 33607.7 of the Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the “Statutory Pass-Through Amounts”). The Dissolution Act provides for a procedure by which the Claremont Successor may make Statutory Pass-Through Amounts subordinate to the Claremont Refunding Bonds; however, the Claremont Successor has determined not to undertake such procedure, and therefore, Statutory Pass-Through Amounts are senior to the payment of debt service on the Claremont Refunding Bonds (see “SECURITY FOR THE REFUNDING BONDS — Statutory Pass-Through Amounts” in this Appendix B). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS — Recognized Obligation Payment Schedule” in the forepart of this Official Statement and “SECURITY FOR THE REFUNDING BONDS — Pass-Through Agreements” and “— Statutory Pass-Through Amounts” in this Appendix B for additional information regarding the Pass-Through Agreements and the Statutory Pass-Through Amounts applicable to the Claremont Successor and the revenues derived from the Claremont CRP.

Adjusted Annual Agency Amounts

In addition to the Tax Revenues described above, the Pledged Revenues include the Adjusted Annual Agency Amounts payable to and received by the Claremont Successor under that Owner Participation Agreement dated June 13, 2000, by and among the Former Claremont RDA, the City and the Keck Graduate Institute of Applied Life Sciences (“Keck”), as modified by that certain letter of agreement, dated February 7, 2001, by and among City, the Former Claremont RDA and Keck (as so modified, the “Keck OPA”).

Keck acquired property within the Original Village Area (as defined herein under “THE REDEVELOPMENT PLAN”) for use as a graduate school. As a result of the purchase, approximately \$4,730,100 in assessed value within the Claremont CRP became tax exempt (which assessed value amount was \$8,799,989 in fiscal year 2013-14). Pursuant to the Keck OPA, among other things, Keck has agreed to pay the Claremont Successor each year “Adjusted Annual Agency Amounts” (as defined therein) which are intended to be in lieu of tax increment revenue which the Claremont Successor would have received from property owned by Keck if a property tax exemption were not otherwise applicable to such property (including improvements, fixtures, and personal property) (the “Keck Property”). Pursuant to the Keck OPA, the Adjusted Annual Agency Amounts are to be determined by the Claremont Successor based upon the following process:

Step 1: there shall be subtracted from the value of the Keck Property, as determined by the Los Angeles County Assessor, the sum of \$2,872,372;

Step 2: the number resulting from Step 1 shall be multiplied by the tax rate used for general property tax levies as in effect from time to time under the California Constitution and the California Revenue and Taxation Code (the “Basic Levy Rate”); and

Step 3: there shall be deducted from the number resulting from Step 2 any tax increment revenue received for such period by the Claremont Successor from property taxes resulting from the Basic Levy Rate and paid for the Keck Property.

The Adjusted Annual Agency Amounts are to be paid yearly in two equal payments at the times established in the California Revenue and Taxation Code for payment of property taxes on the secured roll, and Keck is required to make such payments during all periods during which the Claremont Successor derives tax allocation revenues under Section 33670(b) of the Law for the Claremont CRP.

Since fiscal year 2012-13 and after the dissolution of redevelopment agencies in the State, Keck has not made any payments to the Claremont Successor under the Keck OPA. The Claremont Successor is currently in discussions with Keck with respect to the status of future payments under the Keck OPA. The Claremont Successor cannot provide any assurances that Keck will make payments under the Keck OPA going forward or that the Claremont Successor will be able to recover any unpaid amounts. The Fiscal Consultant's projections of Tax Revenues assume no payments will be made under the Keck OPA going forward.

Reserve Account

There will be established pursuant to the Claremont Second Supplemental Indenture a separate reserve account to be known as the "2014 Reserve Account" to be held by the Trustee. The Claremont Successor is required to maintain moneys or a reserve surety in the 2014 Reserve Account in an amount equal to the least of (a) 10% of the original aggregate principal amount of the Claremont Refunding Bonds, (b) Maximum Annual Debt Service on the Claremont Refunding Bonds, and (c) 125% of average annual debt service on the Claremont Refunding Bonds (the "2014 Reserve Requirement"). Under the Claremont Indenture, "Maximum Annual Debt Service," as it relates to the 2014 Reserve Requirement, means the largest of the sums obtained for any Bond Year after the computation is made, by totaling in accordance with the Claremont Indenture the following for each Bond Year: (i) the principal amount of all serial Claremont Refunding Bonds and the amount of minimum sinking account payments payable in such Bond Year, and (ii) the interest which would be due during such Bond Year on the aggregate principal amount of Claremont Refunding Bonds which would be outstanding in such Bond Year if the Claremont Refunding Bonds, outstanding on the date of such computation were to mature or be redeemed in accordance with the maturity schedules for the serial Claremont Refunding Bonds. Upon issuance of the Claremont Refunding Bonds, the Claremont Successor will credit a reserve surety to be issued by Assured Guaranty Municipal Corp. to the credit of the 2014 Reserve Account to satisfy the 2014 Reserve Requirement which is equal to \$338,000.00.

Under the Claremont Indenture, "Reserve Account" means, as applicable and as the context requires, (i) the 2013 Reserve Account, (ii) the 2014 Reserve Account; and (iii) each reserve account which may be established and held by the Trustee pursuant to a Parity Debt Instrument as an account in connection with the issuance of Parity Bonds.

The Claremont Refunding Bonds will not be secured by a pledge of the 2013 Reserve Account and the Claremont Series 2013 Bonds will not be secured by a pledge of the 2014 Reserve Account.

No deposit need be made in the 2014 Reserve Account so long as there will be on deposit therein a sum equal to the 2014 Reserve Requirement. If there are not sufficient Tax Revenues to transfer an amount sufficient to maintain the 2014 Reserve Requirement on deposit in the 2014 Reserve Account, the Claremont Successor will be obligated to continue making transfers as Tax Revenues become available in the Special Fund (such transfers to be applied pro rata among accounts in the Reserve Account) until there is an amount sufficient to maintain the 2014 Reserve Requirement on deposit in the 2014 Reserve Account. All moneys in the 2014 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, in such order of priority, in the event of any deficiency at any time in any of such accounts owing to the Claremont Refunding Bonds or for the retirement of all the Claremont Refunding Bonds then Outstanding, except that so long as the Claremont Successor is not in default under the Claremont Indenture, any amount in the 2014 Reserve Account in excess of the 2014 Reserve Requirement shall be withdrawn by the Trustee from the 2014 Reserve Account semiannually on or before the fifth Business Day preceding each Interest Payment Date and deposited in the Interest Account. Pursuant to the Claremont Indenture, the Claremont Successor is not required to

replace the Assured Guaranty Municipal Corp. surety bond with cash or a replacement surety in the event of a rating downgrade.

Establishment and Maintenance of Accounts for Use of Moneys

All monies in the Special Fund will be set aside by the Trustee in each Bond Year when and as received in the following respective special accounts within the Special Fund (each of which the Claremont Successor will covenant to cause to be maintained with the Trustee so long as the Bonds will be Outstanding under the Claremont Indenture), in the following order of priority (except as otherwise provided in subsection (b) below):

- (1) Interest Account;
- (2) Principal Account;
- (3) Sinking Account;
- (4) Reserve Account;
- (5) Expense Account; and
- (6) Surplus Account.

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

Interest Account. The Trustee will set aside from the Special Fund and deposit in the Interest Account so that the balance in the Interest Account at least five days prior to each Interest Payment Date shall be equal to interest due and payable on the then Outstanding Claremont Bonds on such Interest Payment Date. Moneys in the Interest Account shall be used solely for the payment of interest on the Claremont Bonds as interest becomes due, including accrued interest on any Claremont Bonds purchased or redeemed prior to maturity.

Principal Account. The Trustee will set aside from the Special Fund and deposit in the Principal Account so that the balance in the Principal Account at least five days prior to each date on which principal of the Claremont Bonds becomes due and payable is equal to the principal coming due on such date on the then Outstanding Claremont Bonds. All monies in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying principal payments on the Claremont Bonds as they shall become due and payable.

Sinking Account. The Trustee will deposit in the Sinking Account on or before the fifth day preceding each date on which any Outstanding Term Claremont Bonds become subject to mandatory Sinking Account redemption in 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 Claremont Bonds 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 Claremont Bonds as it shall become due and payable upon the mandatory Sinking Account redemption thereof.

Reserve Account. On or before the fifth day preceding each Interest Payment Date, the Trustee will set aside from the Special Fund and deposit in the Reserve Account such amount as may be necessary in order to cause the amount on deposit therein to equal the Reserve Requirement. Moneys in the Reserve Account shall be transferred to the Interest Account or the Principal Account or the Sinking Account to pay interest and principal of the Claremont Bonds either (i) as it becomes due to the extent moneys on deposit are insufficient therefor or (ii) at the final maturity of the Claremont Bonds. Any portion of the Reserve Account which is in excess of the Reserve Requirement shall be transferred at least semiannually to the Interest Account.

Expense Account. As provided in the Claremont Indenture, Pledged Revenues received during any Bond Year in excess of amounts required to be deposited in the Special Fund pursuant to the provisions therein, will be released from the pledge and may be used for any lawful purposes of the Claremont Successor. The Trustee will set aside from the Special Fund and deposit in the Expense Account such amount as may be necessary to pay from time to time Compliance Costs. All moneys in the Expense Account will be applied to the payment of Compliance Costs, upon presentation of a written request of the Claremont Successor setting forth the amounts, purposes, the names of the payees and a statement that the amounts to be paid are proper charges against the Expense Account. So long as any of the Claremont Refunding Bonds and any Parity Bonds authorized under the Claremont Indenture, or any interest thereon, remain unpaid, the moneys in the Expense Account will be used for no purpose other than those required or permitted by the Claremont Indenture and the Law.

Surplus Account. Any monies remaining in the Special Fund following the deposits referred to above will be deposited in the Surplus Account.

Parity Bonds Limited to Refunding Bonds

The Claremont Successor may, at any time after the issuance and delivery of the Claremont Refunding Bonds, issue additional parity obligations payable from the Pledged Revenues and secured by a lien and charge upon the Pledged Revenues equal to and on a parity with the lien and charge securing the Outstanding Bonds (the "Parity Bonds"), subject to the terms of the Claremont Indenture. The Claremont Indenture provides that the Claremont Successor may issue or incur Parity Bonds only for purposes of refunding the Claremont Refunding Bonds or other outstanding Parity Bonds, including payment of all costs incidental to or connected with such refunding, but only subject to specific conditions set forth in the Claremont Indenture, including, among others, an annual debt service savings test.

Nothing contained in the Claremont Indenture will limit the issuance of any tax allocation bonds of the Claremont Successor payable from Pledged Revenues and secured by a lien and charge on Pledged Revenues if, after the issuance and delivery of such tax allocation bonds, none of the Claremont Refunding Bonds theretofore issued under the Claremont Indenture will be Outstanding nor will anything contained in the Claremont Indenture prohibit the issuance of any tax allocation bonds or other indebtedness by the Claremont Successor secured by a pledge of former tax increment revenues (including Tax Revenues) subordinate to the pledge of Pledged Revenues securing the Claremont Refunding Bonds, provided that the issuance of such subordinate debt shall not cause the Claremont Successor to exceed any applicable Plan Limitations.

Investment of Moneys in Funds and Accounts

Moneys in the Special Fund and the accounts therein (other than the Reserve Account), the Costs of Issuance Fund and the Redemption Fund will be invested and reinvested by the Trustee in Permitted Investments, provided that such investments mature by their terms prior to the date on which such moneys are required to be paid out under the Claremont Indenture. Moneys in the Reserve Account (including the 2014 Reserve Account, the 2013 Reserve Account and any other subaccounts therein) will be invested by the Trustee solely in (i) Permitted Investments having a maturity not greater than five years or beyond the date it is anticipated that such moneys will be needed, whichever comes first or (ii) an investment agreement which permits withdrawals or deposits without penalty at such time as such moneys will be needed or in order to replenish the Reserve Account. Such investments will be made in specific investments meeting the requirements of the Claremont Indenture as directed in writing by an authorized officer of the Claremont Successor or, in the absence of such written direction, by the Trustee in permitted money market funds as set forth in the Claremont Indenture. The Trustee will furnish to the Claremont Successor monthly statements which include detail of all investment transactions made by the Trustee unless an account or fund has a balance of zero dollars and such fund or account has not had any activity since the last reporting date.

Covenants With Respect To Tax Revenues

In accordance with the Claremont Indenture, the Claremont Successor will comply with all requirements of the Law to ensure the allocation and payment to it of the Pledged Revenues, including without limitation the timely filing of any necessary ROPS.

The Claremont Successor has further covenanted under the Claremont Indenture to comply with all other requirements of the Dissolution Act. Without limiting the generality of the foregoing, the Claremont Successor covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Claremont Successor with its covenants under the Claremont Indenture. Further, the Claremont Successor will take all actions required under the Dissolution Act to include on its ROPS for each six-month period all payments expected to be made to the Trustee in order to satisfy the requirements of the Claremont Indenture, including any amounts required to pay principal and interest payments due on the Outstanding Claremont Bonds and any Parity Bonds, any Compliance Costs, any deficiency in the Reserve Account to the full amount of the Reserve Requirement, and any required debt service, reserve set-asides, and any other payments required under the Claremont Indenture or Parity Debt Instrument pursuant to Section 34171(d)(1)(A) of the California Health and Safety Code, so as to enable the County Auditor-Controller to distribute from the RPTTF amounts attributable to the Claremont CRP to the Trustee for deposit in the Special Fund on each January 2 and June 1 amounts required for the Claremont Successor to pay the principal of, premium, if any, and the interest on the Outstanding Claremont Refunding Bonds and any Parity Bonds coming due in the respective six-month period. These actions will include, without limitation, placing on the periodic ROPS for approval by the Oversight Board and the DOF, to the extent necessary, the amounts to be held by the Claremont Successor as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal of, premium, if any, and interest under the Claremont Indenture when the next property tax allocation is projected to be insufficient to pay all obligations due under the Claremont Indenture for the next payment due in the following six-month period.

For additional covenants of the Claremont Successor with respect to the Claremont Refunding Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS — Covenants of the Agency Participants” in the forepart of this Official Statement.

Limited Obligations

The Claremont Successor will not be required to advance any money derived from any source of income other than the Pledged Revenues for the payment of the principal of, and the interest on the Claremont Refunding Bonds. The Claremont Refunding Bonds are special obligations of the Claremont Successor and are payable, as to interest thereon and principal thereof, exclusively from the Pledged Revenues, and the Claremont Successor is not obligated to pay them except from the Pledged Revenues. The Claremont Refunding Bonds are not a debt of the City, the County, the State or any other political subdivision of the State, and neither said City, said State, said County nor any of the State’s other political subdivisions is liable therefor, nor in any event will the Claremont Refunding Bonds be payable out of any funds or properties other than those of the Claremont Successor pledged therefor as provided in the Claremont Indenture. The Claremont Refunding Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction, and neither the members of the Claremont Successor nor any persons executing the Claremont Refunding Bonds are liable personally on the Claremont Refunding Bonds by reason of their issuance.

Tax Revenues

Under State law, the rate of *ad valorem* property taxes which may be levied with respect to property within a project area is generally limited to 1% of the “full cash” assessed value. In this Appendix B such property taxes are referred to as the “general levy” and are allocated to the State, the County, Claremont and all other taxing entities having jurisdiction over all or a portion of the Claremont CRP. The assessed values of property within such project area, as last equalized prior to adoption of the Original Village Area, the Amendment No. 1 Area, the Amendment No. 2 Area, and the Amendment No. 6 Area become the “base year” assessed values for each such component area.

As discussed above, the Claremont Successor has no power to levy and collect taxes, and any provision of law limiting property taxes or allocating additional sources of income to taxing agencies and having the effect of reducing the property tax rate must necessarily reduce the amount of Gross Tax Revenues and, accordingly, Pledged Revenues that would otherwise be available to pay debt service on the Claremont Refunding Bonds. Likewise, broadened property tax exemptions could have a similar effect. Additionally, Gross Tax Revenues and, accordingly, Pledged Revenues will be reduced each year by a collection fee charged by the County. Conversely, any increase in the present tax rate or assessed valuation, or any reduction or elimination of present property tax exemptions, would increase the Pledged Revenues available to pay debt service on the Claremont Refunding Bonds. See “RISK FACTORS” and “LIMITATIONS ON TAX REVENUES — Additional Limitation on Pledged Tax Increment” in the forepart of this Official Statement.

Pass-Through Agreements

Prior to 1994, under the Law, a redevelopment agency could enter into an agreement to pay tax increment revenues to any affected taxing agency that has territory located within a redevelopment project in an amount which in the redevelopment agency’s determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These Pass-Through Agreements normally provided for payment or pass-through of tax increment revenue directed to the affected taxing agency, and, therefore, are commonly referred to as pass-through agreements or tax sharing agreements.

The Former Claremont RDA entered into four Pass-Through Agreements with various entities, including the Claremont Unified School District, the County and the Consolidated Fire Protection District of Los Angeles County, with respect to the Claremont CRP, which require tax sharing payment to be made prior to the payment of debt service on the Claremont Refunding Bonds. The Law as amended by AB 26 and AB 1484 requires that the County calculate and pay the tax sharing obligations of the former redevelopment agencies located in the County as part of the process of allocating revenue from the RPTTF each January 2 and June 1. The legislation requires that the calculations be done in the same manner as prior to January 1, 2011. This includes, where called for, calculation of Statutory Pass-Through Amounts using a deduction of 20% for Housing Set-Aside despite the fact that this obligation is no longer in effect.

The following is a brief summary of the key provisions of those agreements. For definitions of the Original Village Area, Amendment No. 1 Area, Amendment No. 2 Area and Amendment No. 6 Area, see “THE REDEVELOPMENT PLAN” in this Appendix B.

Original Village Area. In conjunction with the initial adoption of the Redevelopment Plan and the Original Village Area, the Former Claremont RDA entered into an agreement dated June 26, 1973 (the “1973 Agreement”), with the City and the Claremont Unified School District (the “School District”), whereby the Former Claremont RDA agreed to pay to the School District an amount equal to all of the general purpose real property tax revenue allocated to the Former Claremont RDA which would have been received by the School District in the absence of the Redevelopment Plan, provided that, upon consideration by the Former Claremont RDA of a specific development within the Original Village Area, the parties reserved the right to modify the payments to the School District by mutual agreement to aid the Former Claremont RDA in retaining sufficient cash flow to assure the feasibility of such development (the “School District Payments”). The 1973

Agreement also provides that, in the event the California property tax system is changed following the date of the 1973 Agreement in a manner that would eliminate or reduce the detrimental financial effect of the adoption of the Redevelopment Plan on the School District, then the Former Claremont RDA thenceforth would make no payments or reduced payments to the School District, as applicable. If the system thereafter is changed again to create or increase the formerly eliminated or reduced detrimental financial burden on the School District by reason of the existence or operation of the Redevelopment Plan or the redevelopment project, the 1973 Agreement provides that the Former Claremont RDA make or increase the School District Payments, as applicable. The School District Payments to be made by the Former Claremont RDA upon the re-creation or increase in the financial burden to the School District is to be determined by mutual agreement of the School District and the Former Claremont RDA in light of the degree of financial burden on the School District and the needs of the Former Claremont RDA for funds to implement the Project. The 1973 Agreement also provides that the Former Claremont RDA is not responsible for making payments thereunder in the event of any legislative change to the California property tax system reducing or limiting the amount of property taxes available as tax increments and tax allocations to the Former Claremont RDA.

Subsequent to the date of the 1973 Agreement the School District was designated an equalization aid district by Assembly Bill 1267, enacted in 1973. As an equalization aid district (i.e., not a basic aid district), the School District currently receives an annual amount from the State of California equal to the general purpose real property tax revenue it would have received absent the Redevelopment Plan. As a result, the Former Claremont RDA determined that annual tax sharing payments to the School District were not required. Subsequent to dissolution, the County has made the same determination. In the event of a future change in the California property tax system which creates a financial burden or detriment to the School District by reason or operation of the Original Village Area (for example, a change which would result in the School District no longer being designated an equalization aid district), the Former Claremont RDA would be obligated to pay the School District Payments, which under the 1973 Agreement shall be mutually agreed upon by the School District and the Former Claremont RDA in light of the degree of financial burden on the School District and the needs of the Former Claremont RDA for funds to implement the Redevelopment Plan.

On September 19, 1989, the City, the Former Claremont RDA and the Consolidated Fire Protection District of Los Angeles County (the "Fire District") entered into an agreement (the "1989 Agreement"). Under the 1989 Agreement, the Fire District agreed to place in service and maintain a paramedic squad during the period in which the City and/or Former Claremont RDA make or cause certain payments to be made to the Fire District. The payments to the Fire District are to be equal to the amount of property tax revenues which are allocated to and received by the Former Claremont RDA as tax increment which the Fire District would have received if property tax revenues for the Original Village Area were distributed without regard to Section 33670 of the Law. The 1989 Agreement further provides that the Fire District will keep Fire Station 62 fully operational until a replacement fire station is fully operational; that a replacement station will be fully operational within three years from the execution of the 1989 Agreement; and that if at the end of such three-year period the replacement fire station is not fully operational, the City and the Former Claremont RDA shall cease to pay any and all payments otherwise due the Fire District under the 1989 Agreement until such time as the replacement station becomes fully operational. The replacement fire station has been constructed and is fully operational in accordance with the 1989 Agreement. The 1989 Agreement further provides that if the Former Claremont RDA fails to pay the required amounts to the Fire District, the County Auditor-Controller shall make the required payments to the Fire District from tax increment due to the Former Claremont RDA. The 1989 Agreement further provides that the Former Claremont RDA's obligation to make payment under the 1989 Agreement is subordinate to all indebtedness of the Former Claremont RDA existing as of the date of the 1989 Agreement.

By an agreement among the Former Claremont RDA, the City and the Fire District dated as of January 10, 2000 (the "Subordination Agreement"), the Fire District agreed to subordinate its right to receive payment from the Former Claremont RDA under the 1989 Agreement to the payment of debt service on "Refunding Bonds," which are bonds issued substantially under terms set forth in Exhibit "A" to the Subordination Agreement, and which, among other things, refund the 1989 Bonds; however, the Subordination

Agreement does not apply to the Claremont Series 2004 Bonds and therefore does not apply to the Claremont Refunding Bonds. For purposes of projecting Pledged Revenues available for payment of debt service on the Claremont Refunding Bonds, the Fiscal Consultant has treated the Fire District's right to payments under the 1989 Agreement as senior to the Claremont Refunding Bonds.

Amendment No. 1 Area. In connection with Amendment No. 1, the Former Claremont RDA and the City entered into an agreement dated as of December 22, 1982 with the County and the Fire District (the "Amendment No. 1 Agreement"). Under the Amendment No. 1 Agreement, the Former Claremont RDA agreed:

(a) to limit the tax increment revenues received by the Former Claremont RDA from the Amendment No. 1 Area to \$8 million over the life of the Claremont CRP;

(b) to the extent the Former Claremont RDA has received tax increment from the Amendment No. 1 Area, to reimburse the Fire District from such tax increment, the cost of financing increased levels of service resulting from project improvements within the Amendment No. 1 Area;

(c) to the extent the Former Claremont RDA has received tax increment from the Amendment No. 1 Area, to reimburse the County Flood Control District from such tax increment, any additional maintenance or other costs the County Flood Control District incurs as a result of any new improvements within the Amendment No. 1 Area; and

(d) to the extent the Former Claremont RDA has received tax increment from the Amendment No. 1 Area, to annually reimburse the County Library for any costs associated with financing increased levels of service by the County Library requested or initiated by the Former Claremont RDA or the City in the Amendment No. 1 Area. None of the payments to the Fire District, the County Flood Control District, or the County Library shall exceed, as to each such Former Claremont RDA, 100% of the amount of the tax increment revenues which such agency would have received from Amendment No. 1 Area had such revenues been distributed without regard to Section 33670 of the Redevelopment Law.

Under the Amendment No. 1 Agreement, the Former Claremont RDA will also annually reimburse the County and the above referenced agencies the tax increment revenues associated with the compounded two percent (2%) annual inflationary growth in assessed value if and to the extent of said increases in value of property within the Amendment No. 1 Area. The Amendment No. 1 Agreement also provides that the County will receive any increase in tax increment revenues attributable to increases in the tax rate imposed by County taxing entities within the project area for the Claremont CRP as it existed as of the date of the Amendment No. 1 Agreement.

Amendment No. 2 Area. In connection with Amendment No. 2 the Former Claremont RDA and the City entered into an agreement with the County and the Fire District dated as of March 1, 1983 (the "Amendment No. 2 Agreement"). Under the Amendment No. 2 Agreement, the Former Claremont RDA agreed:

(a) to limit tax increment received by the Former Claremont RDA from the Amendment No. 2 Area to \$6 million; and

(b) to distribute tax increment revenues received by the Former Claremont RDA from the Amendment No. 2 Area as follows:

(1) The Former Claremont RDA shall annually reimburse to the Fire District 15.9% of the annual tax increment revenues received by the Former Claremont RDA from the Amendment No. 2 Area.

(2) The Former Claremont RDA shall annually reimburse to the County, the County Library, and the Flood Control District 50.1% of the annual tax increment revenues received by the Former Claremont RDA from the Amendment No. 2 Area.

(3) The Former Claremont RDA shall utilize the remaining 34.0% of the annual tax increment revenues received by the Former Claremont RDA from the Amendment No. 2 Area to finance its redevelopment activities.

Amendment No. 6 Area. The Former Claremont RDA did not enter into any contractual pass-through agreements with respect to Amendment No. 6 Area.

For more information about the Pass-Through Agreements, see the Fiscal Consultant's Report attached to this Official Statement as Appendix C.

Statutory Pass-Through Amounts

On and after January 1, 1994, a redevelopment agency's tax increment revenues were reduced by certain mandatory Statutory Pass-Through Amounts paid to affected taxing entities pursuant to the Law. Any amendment of a redevelopment plan that increased the amount of tax increment revenues to be received in a project area or extended any of the time limits triggered such payments to affected taxing entities. These payments, which are to begin the fiscal year following the year that the project area's original plan limitations would have taken effect, are calculated using the increase in revenue less the amount of revenue generated by the project area in the year that the former limit would have been reached. Under the Dissolution Act, in particular Section 34183, the County Auditor-Controller is obligated to remit these Statutory Pass-Through Amounts to the affected taxing entities from the Claremont Successor's RPTTF for each ROPS period.

AB 1290 eliminated the statutory authority for negotiated pass-through agreements and provided a formula for mandatory tax sharing, applicable to projects adopted after January 1, 1994 or amended after that date to add territory or make certain other amendments. As further described herein under "THE REDEVELOPMENT PLAN," the City adopted several ordinances amending the Redevelopment Plan to extend required time limits after 1994 and, accordingly, the Claremont Successor is required to pay to the affected taxing entities the statutory pass-through payments. These tax sharing payments continue so long as tax increment is available to repay indebtedness in the Claremont CRP. The Statutory Pass-Through Amounts are determined by specific formulas under the Law; and post-dissolution, these payment obligations of the Claremont Successor to affected taxing agencies are administered by the County Auditor-Controller under the Dissolution Act (see "THE PROJECT AREA — Projected Pledged Revenues" for a projection of such payments).

Generally speaking, under the Law as amended by AB 1290 and as the obligation continues under the Dissolution Act, the Claremont Successor is required to pay to the affecting taxing agencies percentages of tax increment generated in the Claremont CRP as the Statutory Pass-Through Amounts, as follows:

1. throughout the term of the Claremont CRP's eligibility to receive tax increment (or the expiration of the original time limit, as applicable), 25% of post set-aside revenues; plus,
2. for the eleventh year of the receipt of tax increment (or the expiration of the original time limit, as applicable) and thereafter, 21% of revenues in excess of tenth year revenue; plus,
3. for the thirty-first year of the receipt of tax increment (or the expiration of the original time limit, as applicable) and thereafter, 14% of revenues in excess of thirtieth year revenues.

The payments of the Statutory Pass-Through Amounts to the affected taxing agencies are allocated among each agency in proportion to the share of property taxes each agency received in the year funds are allocated. As indicated, amounts specified as payable to affected taxing agencies are computed after deducting the housing set-aside amount. For more information about the Statutory Pass-Through Amounts, see the Fiscal Consultant's Report attached to this Official Statement as Appendix C.

The Claremont Successor has determined not to undertake any procedure to subordinate the Statutory Pass-Through Amounts and thus, such Statutory Pass-Through Amounts are senior to the payment of debt service on the Claremont Refunding Bonds. The Claremont Successor cannot guarantee that the process prescribed by the Dissolution Act of administering the Gross Tax Revenues will effectively result in adequate Tax Revenues and, accordingly, Pledged Revenues for the payment of principal and interest on the Claremont Refunding Bonds when due.

Pass-Through Payments Distributed by County Auditor-Controller

The Dissolution Act generally requires the County Auditor-Controller to distribute from the RPTTF amounts required to be distributed under Pass-Through Agreements (if any) and for Statutory Pass-Through Amounts to the affected taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the RPTTF to the Claremont Successor's Redevelopment Obligation Retirement Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS — Pledged Tax Increment" in the forepart of this Official Statement.

Low to Moderate Income Housing Fund; Affordable Housing Provisions

The Redevelopment Plan provided that a portion of all taxes that are allocated to the Claremont Successor pursuant to the Law were deposited into a separate Housing Fund and encumbered and expended by the Former Claremont RDA for the purpose of increasing and improving the community's supply of housing available at an affordable housing cost to persons and families of low and moderate income. Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a ROPS include, among others, the Housing Fund. Pursuant to the Dissolution Act, former tax increment revenues generated in the Claremont CRP are no longer required to be deposited into the Housing Fund previously established pursuant to Section 33334.3 of the Law. Accordingly, former tax increment revenues generated from the Claremont CRP previously required to be deposited in the Housing Fund are now available and pledged to the repayment of the Claremont Bonds and any Parity Bonds.

THE REDEVELOPMENT PLAN

General

The Original Redevelopment Plan for the Claremont CRP was originally approved by the Claremont City Council pursuant to Ordinance No. 73-8 adopted on June 26, 1973, at which time the redevelopment project was known and designated as the Village Redevelopment Project. The Village Redevelopment Project Area was originally established to encompass generally the area surrounding the historic commercial downtown section of the City known as the Claremont Village, as well as industrial and office/professional uses adjacent to the Claremont Village and encompassed approximately 192.8 acres (the "Original Village Area"). The Original Redevelopment Plan was amended on numerous occasions as follows:

(a) On February 24, 1981 by Ordinance No. 81-7 (the "First Amendment"), which, among other things, added a 4.5 acre Cambridge Shopping Center site located in the southeast corner of Arrow Highway and Indian Hill Boulevard ("Amendment No. 1 Area").

(b) On November 23, 1982 by Ordinance No. 82-11 (the “Second Amendment”), which, among other things, added a 16.4 acre commercial site located in the south part of the City adjacent to the Interstate 10 freeway (“Amendment No. 2 Area”).

(c) On November 25, 1986 by Ordinance No. 86-10, which established limits on the amounts of tax increment received and established a final date to incur new indebtedness to comply with Section 33333.4 of the California Health and Safety Code.

(d) On November 29, 1994 by Ordinance No. 94-17, which amended the Original Village Area, Amendment No. 1 Area and Amendment No. 2 Area to conform to further changes in State law caused by the passage of Assembly Bill 1290, including the addition of time limits on incurring indebtedness, the effectiveness of the redevelopment plan, and on the ability to pay indebtedness or receive tax increment revenues.

(e) On November 11, 1997 by Ordinance No. 97-15, which extended the time during which the Former Claremont RDA could exercise its power of eminent domain.

(f) On July 13, 1999 by Ordinance No. 99-05, which amended the limitations previously adopted by Ordinance No. 94-17.

(g) On July 11, 2000 by Ordinance No. 2000-05 (the “Sixth Amendment”), which extended the time limit for the Former Claremont RDA to incur indebtedness within the existing project area as of such date, and which added the majority of the territory contained in the now dissolved Foothill Corridor Project Area as well as additional land along Base Line Road and the Interstate 10 freeway (“Amendment No. 6 Area”). The area added by the Sixth Amendment is comprised of four non-contiguous areas. The first area is located north and south of the San Bernardino Freeway at Indian Hill Boulevard. The second area is comprised of the City Yard property and is located south of Bonita Avenue and west of Cornell Avenue. The third area includes selected properties along the length of Foothill Boulevard from Towne Avenue to the eastern City limits, including areas from Foothill Boulevard north to Base Line Road and east of Claremont Boulevard and Monte Vista Avenue. The fourth area includes parcels south of Base Line Road between Towne Avenue and Indian Hill Boulevard. In conjunction with the Sixth Amendment, the redevelopment project area was renamed the Consolidated Redevelopment Project.

(h) On January 13, 2004 pursuant to Ordinance No. 2004-01, which extended by one year the time limit of the effectiveness of the Redevelopment Plan and the time limit to repay indebtedness with tax increment, as permitted by SB 1045.

(i) On March 23, 2004 pursuant to Ordinance No. 2004-02, which eliminated the time limit for incurring indebtedness for Amendment No. 1 Area and Amendment No. 2 Area.

(j) On January 11, 2005 pursuant to Ordinance No. 2005-01, which extended by one year the time limit of the effective of the Redevelopment Plan and to repayment indebtedness with tax increment with respect to the Original Village Area, as permitted by SB 1096.

(k) On December 8, 2009 pursuant to Ordinance No. 2009-20, which again extended the time during which the Former Claremont RDA could exercise its power of eminent domain.

The Consolidated Redevelopment Project, referred to herein as the Claremont CRP, encompasses approximately 542.7 acres (approximately 0.85 square miles), or about 6.0% of the total incorporated area of the City (9,050 acres), in six non-contiguous areas, as described in the Redevelopment Plan. The Original Village Area, Amendment No. 1 Area, Amendment No. 2 Area and Amendment No. 6 Area make up the Claremont CRP. The Redevelopment Plan describes the boundaries of the Claremont CRP, contains a general

statement of the objectives of the Claremont CRP, land use, layout of principal streets, building intensities and standards, and other criteria proposed as the basis for redevelopment of the Claremont CRP.

Financial Limitations

See “LIMITATIONS ON TAX REVENUES — Redevelopment Plan Limits” and “— Additional Limitation on Pledged Tax Increment” in the forepart of this Official Statement for a discussion of certain other matters which limit Gross Tax Revenues or impact the use thereof.

Project Area Plan Limitations

In accordance with the Law as it existed prior to the adoption of AB 26, redevelopment plans adopted after October 1, 1976 are required to include a limitation on the number of tax increment dollars that may be allocated to the Claremont Successor, and a time limit on the establishment of indebtedness to be repaid with tax increment. In addition, if the plan authorizes the issuance of tax allocation bonds, a limit on the amount of bonded indebtedness that may be outstanding at one time must be included.

Chapter 942, Statutes of 1993, was adopted by Assembly Bill 1290 and established further limits on redevelopment plans. Chapter 942 restricted the life span of redevelopment plans adopted prior to 1994. The time limit for establishing indebtedness was limited to 20 years from the adoption of the redevelopment plan or January 1, 2004, whichever was later. The life of the existing redevelopment plans was limited to 40 years from the date of adoption or January 1, 2009, whichever is later. Finally, a redevelopment agency was restricted from paying indebtedness with tax increment beyond 10 years after termination of the redevelopment plan effectiveness except to fund deferred Housing Set-Aside Requirements and to repay indebtedness incurred prior to January 1, 1994. The Claremont City Council adopted a series of ordinances conforming the time limits of the project areas to the provisions of Chapter 942, including Ordinance No. 94-17 adopted on November 29, 1994. See “THE REDEVELOPMENT PLAN — General” herein for more information.

On January 13, 2004, the Claremont City Council adopted Ordinance No. 2004-01 that amended the Redevelopment Plan in accordance with the Law as amended by SB 1045, extended by one year the termination date of the Redevelopment Plan and by extension, the last date to repay indebtedness. On March 23, 2004, the Claremont City Council adopted Ordinance No. 2004-02 which eliminated the time limit on the establishment of new indebtedness for Amendment No. 1 Area and Amendment No. 2 Area. Legislation adopted by SB 1096 in connection with the State’s budget provided that the termination dates of redevelopment plans with less than 20 years remaining may be extended by one year for each of the two ERAF payments that redevelopment agencies are obligated to make under other provisions of the budget legislation. On January 11, 2005, the Claremont City Council adopted Ordinance No. 2005-01, as permitted by SB 1096, and extended by one year the termination date of the Redevelopment Plan and by extension, the last date to repay indebtedness with respect to the Original Village Area.

The table below summarizes the currently applicable redevelopment plan time and financial limits for the Claremont CRP.

	Plan Expiration	Last Date to Incur New Debt	Last Date to Repay Debt with Tax Increment	Tax Increment Limit*	Limit on Total Tax Increment Bond Debt
Original Village Area:	June 26, 2014	January 1, 2014	June 26, 2024	\$217,000,000	None
Amendment No. 1 Area:	February 24, 2022	Eliminated	February 24, 2032	\$8,000,000	\$4,000,000
Amendment No. 2 Area:	December 23, 2023	Eliminated	December 23, 2033	\$6,000,000	\$3,000,000
Amendment No. 6 Area:	July 11, 2030	August 11, 2020	July 11, 2045	None	\$20,000,000

* Net of Pass Through Amounts.

Based on the records of the County Auditor-Controller, through the end of fiscal year 2012-13, the Claremont Successor has received a cumulative total of \$41,173,597 in tax increment revenue from the Original Village Area, \$1,272,620 in tax increment revenue from the Amendment No. 1 Area, and \$5,235,526 in tax increment revenue from the Amendment No. 2 Area. The Fiscal Consultant projects that, based on the projected tax increment revenues to be received by the Claremont Successor assuming assessed value will increase for inflation at 0.454% in fiscal year 2014-15 and at 2% annually thereafter, the tax increment limits for the Original Village Area and Amendment No. 1 Area will not be exceeded within their time limits. The Fiscal Consultant also projects that, based on the same assumptions, it appears likely that Amendment No. 2 Area will reach its cumulative tax increment limit during fiscal year 2016-17. If value growth exceeds the amounts projected, the tax increment limits for the Original Village Area and the Amendment No. 1 Area may be reached prior to the maturity of the Claremont Refunding Bonds, and the tax increment limit may be reached even sooner for the Amendment No. 2 Area; however, Amendment No. 6 Area does not have a tax increment limit and tax increment revenues generated therein would be available to pay debt service on the Claremont Refunding Bonds.

There is a question on the applicability of tax increment limits after adoption of the Dissolution Act. The matter remains subject to further guidance from the DOF, legislation and interpretation by the courts. If the Claremont CRP cumulative tax increment limit is deemed to no longer be applicable, no interruption of tax increment revenue will occur. For purposes of the projections in this Appendix B and in that portion of Fiscal Consultant's Report with respect to the Claremont Successor appearing in Appendix C, it is assumed that all redevelopment plan limits will be enforced.

THE PROJECT AREA

General

The Claremont Refunding Bonds will be secured by former tax increment revenues from the Claremont CRP. The Claremont CRP encompasses 542.7 acres (approximately 0.85 square miles), or about 6.0% of the total incorporated area of the City. The Claremont CRP is located in the City, which is approximately 30 miles east of downtown Los Angeles and adjacent to San Bernardino County. More specifically, the Claremont CRP consists of six non-contiguous areas which includes that area surrounding the historic commercial downtown section of the City known as the Claremont Village, as well as industrial and office/professional uses adjacent to the Claremont Village, a neighborhood commercial center, an area in the south part of the City adjacent to the Interstate 10 freeway, and the area added by the Sixth Amendment. See "THE REDEVELOPMENT PLAN" in this Appendix B for more information.

The County Auditor-Controller is responsible for the aggregation of the assessed values assigned by the County Assessor for properties within the boundaries of the Claremont CRP. The reported current year Claremont CRP assessed value, less the frozen Base Year assessed value, becomes the basis for determining the computed gross property tax revenue allocable to the RPTTF. The reported Claremont CRP value for fiscal year 2013-14 is as follows.

	Fiscal Year 2013-14	Percent of Total
Secured Value	\$487,620,538	90.1%
Unsecured Value	<u>53,673,478</u>	<u>9.9</u>
Total Current Year Value	\$541,294,016	100.0%
Base Year Value	\$122,231,027	22.6%
Incremental Value	\$419,062,989	77.4%

Source: County of Los Angeles and HdL Coren & Cone.

The following table illustrates the land use of property in the Claremont CRP.

**TABLE B-1
CLAREMONT CRP
LAND USE STATISTICS
(Fiscal Year 2013-14)**

Land Use	Parcels	2013-14 Net Taxable Value	Percent of Total
Residential	288	\$ 111,954,787	20.68%
Commercial	205	283,096,289	52.30
Industrial	29	55,378,589	10.23
Government Owned	1	77,362	0.01
Institutional	4	13,455,112	2.49
Irrigated	1	50,000	0.01
Miscellaneous	1	82,120	0.02
Recreational	2	3,458,722	0.64
Vacant	42	17,214,086	3.18
Exempt	<u>60</u>	<u>0</u>	<u>0.00</u>
Subtotal	633	\$ 484,767,067	89.56%
Other		\$ 2,853,471	0.53%
Unsecured		<u>53,673,478</u>	<u>9.92</u>
Subtotal		\$ 56,526,949	10.44%
TOTAL	633	\$ 541,294,016	100.00%

Source: HdL Coren & Cone.

The ten largest taxpayers in the Claremont CRP represent approximately 27.87% of the total Claremont CRP assessed value for fiscal year 2013-14. When compared against the incremental assessed value of the Claremont CRP, these ten taxpayers represent approximately 36.00% of the total incremental assessed value. See “SPECIAL RISK FACTORS — Concentration of Ownership” in this Appendix B.

**TABLE B-2
CLAREMONT CRP
MAJOR PROPERTY TAXPAYERS
(Fiscal Year 2013-14)**

Property Owner	Primary Land Use	Total Assessed Value	Percent of Total Value	Percent of Incremental Value
1. Claremont Star ⁽¹⁾	Hilton Doubletree Hotel	\$ 39,404,619 ⁽²⁾	7.28%	9.40%
2. HFP Limited	Auto Dealerships	17,786,219 ⁽³⁾	3.29	4.24
	Retail Commercial and			
3. Claremont Village Expansion Borrower	Office Uses	16,372,695	3.02	3.91
4. ROIC Claremont Center II ⁽¹⁾	Retail Shopping Center	16,347,723	3.02	3.90
5. CHP Claremont California Owner	Medical/Dental Office Building	13,727,525	2.54	3.28
	Biological Sciences Graduate			
6. Keck Graduate Institute	School	12,700,633 ⁽⁴⁾	2.35	3.03
7. Auto Center Group	Vacant Auto Dealership	10,130,000	1.87	2.42
8. Milner Family Trust	Light Industrial Park	8,950,500	1.65	2.14
9. TTF Limited	Retail Shopping Center	8,606,091	1.59	2.05
10. Po Cheong Lo Wang and Sze Ing ⁽¹⁾	Residential Apartments	<u>6,827,521</u>	<u>1.26</u>	<u>1.63</u>
		\$ 147,716,283	27.87%	36.00%

Total Project Area Value: \$ 541,294,016
Project Area Incremental Value: \$ 419,062,989

⁽¹⁾ Currently has assessment appeals on file. See “THE PROJECT AREA — Assessment Appeals” in this Appendix B.

⁽²⁾ Includes three unsecured parcels valued at \$843,997.

⁽³⁾ Includes one unsecured parcel valued at \$190,369.

⁽⁴⁾ Includes one unsecured parcel valued at \$35,738, and does not include the Keck Property that is the subject of the Keck OPA. See “SECURITY FOR THE REFUNDING BONDS — Adjusted Annual Agency Amounts” in this Appendix B.

Source: County of Los Angeles and HdL Coren & Cone.

The Amendment No. 2 Area is expected to reach its cumulative tax increment limit during fiscal year 2016-17 and the Claremont Successor is not permitted to repay debt using tax increment from the Original Village Area after June 26, 2024. These limitations take effect prior to the maturity of the Claremont Refunding Bonds. The following tables illustrate the land use of property and the ten largest taxpayers in the Claremont CRP, exclusive of the Amendment No. 2 Area and the Original Village Area.

TABLE B-3
CLAREMONT AMENDMENT NO. 1 AND 6 AREAS
LAND USE STATISTICS
(Fiscal Year 2013-14)

Land Use	Parcels	2013-14 Net Taxable Value	Percent of Total
Residential	105	\$ 49,625,009	17.33%
Commercial	87	161,617,525	56.45
Industrial	10	24,771,065	8.65
Government Owned	1	77,362	0.03
Institutional	3	12,471,872	4.36
Irrigated	1	50,000	0.02
Miscellaneous	1	82,120	0.03
Recreational	0	0	0.00
Vacant	20	12,860,784	4.49
Exempt	<u>26</u>	0	0.00
Subtotal	254	\$261,555,737	91.36%
Other		\$0	%
Unsecured		<u>24,742,540</u>	<u>8.64</u>
Subtotal		\$ 24,742,540	8.64%
TOTAL	254	\$ 286,298,277	100.00%

Source: HdL Coren & Cone.

TABLE B-4
CLAREMONT AMENDMENT NO. 1 AND 6 AREAS
MAJOR PROPERTY TAXPAYERS
(Fiscal Year 2013-14)

Property Owner	Primary Land Use	Total Assessed Value	Percent of Total Value	Percent of Incremental Value
1. Claremont Star ⁽¹⁾	Hilton Doubletree Hotel	\$ 39,404,619 ⁽²⁾	13.76%	21.76%
2. ROIC Claremont Center II	Retail Shopping Center	16,347,723	5.71	9.03
3. CHP Claremont California Owner	Medical/Dental Office Building	13,727,525	4.79	7.58
4. TTF Limited	Retail Shopping Center	8,606,091	3.01	4.75
5. HFP Limited	Auto Dealerships	8,033,532	2.81	4.44
6. Po Cheong Lo Wang and Sze Ing ⁽¹⁾	Residential Apartments	6,827,521	2.38	3.77
7. 6464 Woodman Court	Institutional Home for the Aged	6,759,872	2.36	3.73
8. 4 DQ Claremont	Business Park	6,248,597	2.18	3.45
9. Sea Tek ⁽¹⁾	Self Storage Facility	5,792,255 ⁽³⁾	2.02	3.20
10. Taylor Morrison of California	Vacant Residential Land	<u>4,550,000</u>	<u>1.59</u>	<u>2.51</u>
		\$ 116,297,735	40.62%	64.22%
Total Project Area Value:		\$ 286,298,277		
Project Area Incremental Value:		\$ 181,100,438		

⁽¹⁾ Currently has assessment appeals on file. See "THE PROJECT AREA — Assessment Appeals" in this Appendix B.

⁽²⁾ Includes three unsecured parcels valued at \$843,997.

⁽³⁾ Includes one unsecured parcel valued at \$3,177.

Source: County of Los Angeles and HdL Coren & Cone.

Assessed Valuation

The following table sets forth the taxable assessed valuations for the Claremont CRP and the incremental taxable values for the last ten fiscal years. According to the County, the total assessed valuation of the Claremont CRP for fiscal year 2013-14 is \$541,294,016.

TABLE B-5
CLAREMONT CRP
ASSESSED VALUATIONS AND INCREMENTAL TAXABLE VALUES
(Fiscal Years 2004-05 to 2013-14)

Fiscal Year (Ending June 30)	Assessed Value	Less: Base Year Value ⁽¹⁾	Value Over Base Year
2005	\$284,410,264	\$119,853,462	\$164,556,802
2006	322,374,130	119,853,462	202,520,668
2007	395,510,619	119,853,462	275,657,157
2008	442,495,663	119,853,462	322,642,201
2009	476,556,068	119,918,727	356,702,606
2010	495,669,401	131,554,798	364,114,603
2011	517,975,319	122,231,027	395,744,292
2012	523,822,298	122,231,027	401,591,271
2013	532,324,309	122,231,027	410,093,282
2014	541,294,016	122,231,027	419,062,989

⁽¹⁾ Base Year value modified due to adjustments by State Board of Equalization. See “LIMITATIONS ON TAX REVENUES — Unitary Property” in the forepart of this Official Statement.

Source: County of Los Angeles and HdL Coren & Cone.

For projections of growth in incremental assessed valuation and Tax Revenues, see “— Projected Pledged Revenues” below. For information about assessment appeals, see “THE PROJECT AREA — Assessment Appeals” in this Appendix B.

Levy and Collections

The prior year allocation of tax increment revenues and the County Auditor Controller's distribution of property taxes to the RPTTF are a reflection of actual property tax collections experienced within the Claremont CRP. Based on a review by the Fiscal Consultant of the County's year-end tax ledgers from fiscal year 2008-09 to fiscal year 2012-13, the property taxes collected within the Claremont CRP averaged 98.3%. The County has not adopted the "Teeter Plan" alternative method for collection of taxes and, therefore, the receipt of property taxes is subject to delinquencies.

TABLE B-6
CLAREMONT CRP
TAX LEVY AND COLLECTIONS
(Fiscal Years 2008-09 to 2012-13)

Fiscal Year (Ending June 30)	Computed Levy⁽¹⁾	Actual Based on Collections Rate⁽²⁾	Percent of Collections
2009	\$3,761,626	\$3,673,528	97.7%
2010	4,319,480	4,221,624	97.7
2011	4,468,208	4,411,395	98.7
2012	4,031,230	3,995,124	99.1
2013	4,128,947	4,061,732	98.4

⁽¹⁾ Computed Levy based on reported incremental value multiplied by the tax rate to compute gross tax increment. Computed Levy also includes Unitary Taxes, if any, as reported by the County Auditor-Controller.

⁽²⁾ Amounts represent the annual tax increment revenues allocable up to fiscal year 2010-11 and prior to the dissolution of the Former Claremont RDA under AB 26. For purposes of identifying the collection of property taxes, amounts shown do not include a deduction of administrative fees, tax refunds, pass through payments, nor do they include supplemental taxes, prior year redemption payments, escaped assessments and any mid-year adjustments made by the County Auditor-Controller.

Source: County Auditor-Controller, County of Los Angeles; HdL Coren & Cone.

Assessment Appeals

There are two basic types of assessment appeals provided for under California law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the Assessor immediately subsequent to a change in ownership or completion of new construction. If the base year value assigned by the Assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs. The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value.

Property taxable values determined by the County Assessor may be subject to an appeal by the property owner. Assessment appeals are annually filed with the County Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the Assessor's original taxable value and a tax refund to the property owner. A property owner can file for a regular assessment appeal with the County between July 2 and November 30. Revenue and Taxation Code Section 1604 allows up to two years for an assessment appeal to be decided. Three of the top ten taxpayers within the Claremont CRP have filed assessment appeals that are currently pending. Additional appeals to assessed values in the Claremont CRP may be filed from time to time in the future. The Claremont Successor cannot predict the extent of these appeals or their likelihood of success.

The Fiscal Consultant researched the status of assessment appeals filed by property owners in the Claremont CRP based upon the latest information available as of April 6, 2014. The Fiscal Consultant's estimates are based upon the historical averages of successful appeals and amounts of value reductions. Actual appeals, reductions and refunds may vary from historical averages. The Fiscal Consultant's estimated reductions in values are reflected in its projections.

The following table, showing appeal data for fiscal years 2009-10 through 2013-14, summarizes the potential losses that are incorporated into the Fiscal Consultant's projections:

TABLE B-7
CLAREMONT CRP
ASSESSED VALUATION APPEALS
(Fiscal Year 2009-10 to 2013-14)

Project Sub Areas	Total No. of Appeals	No. of Resolved Appeals	No. of Successful Appeals	Average Reduction	No. of Appeals Pending	Est. No. of Pending Appeals Allowed
Original Village Area:	41	29	20	21.7%	12	8
Amendment No. 1 Area:	0	0	0	0.0	0	0
Amendment No. 2 Area:	31	20	20	12.1	11	11
Amendment No. 6 Area:	<u>64</u>	<u>19</u>	<u>10</u>	<u>21.2</u>	<u>26</u>	<u>14</u>
Combined Area: ⁽¹⁾	136	68	50	17.2%	49	33

Project Sub Areas	Combined Value Under Pending Appeal	Combined Owner Opinion of Value	Fiscal Consultant Estimated Reduction on Pending Appeals Allowed (2014-15 AV)	Fiscal Consultant Assumed Resolved Value (2014-15 AV)
Original Village Area:	\$ 22,277,738	\$ 8,090,981	\$ 3,327,848	\$ 18,949,890
Amendment No. 1 Area:	0	0	0	0
Amendment No. 2 Area:	19,281,428	1,659,436	2,328,863	16,952,565
Amendment No. 6 Area:	<u>140,328,423</u>	<u>17,659,914</u>	<u>15,643,605</u>	<u>124,684,818</u>
Combined Area: ⁽¹⁾	\$ 181,887,589	\$ 27,410,331	\$ 21,300,315	\$ 160,587,273

⁽¹⁾ Totals may not add due to rounding.

Source: County of Los Angeles and HdL Coren & Cone.

Tax refunds payable from resolved appeals (to the extent applicants are not delinquent in their property tax payments) are deducted by the County Auditor-Controller from current year gross property taxes before the County's allocation to the RPTTF.

Actual resolution of appeals are determined by a number of factors including vacancy and rental rates, circumstances of hardship and other real estate comparables, all of which are unique to the individual assessment. Therefore, actual reductions, if any, may be higher or lower than the reductions incorporated in the Fiscal Consultant's projections. An appeal may be withdrawn by the applicant, the Appeals Board may deny or modify the appeal at hearing or by stipulation, or the final value may be adjusted to an amount other than the stated opinion of value. See "— Assessed Valuation" above, for a summary of historical assessed property valuations in the Claremont CRP. For more information about appeals and the Fiscal Consultant's assumptions, see the Fiscal Consultant's Report attached to this Official Statement as Appendix C.

Projected Pledged Revenues

The following table shows the current and projected valuation of taxable property in the Claremont CRP and the projected Pledged Revenues. Such projections are estimates only and no assurance can be given that such projections will be achieved. For a discussion of certain matters that will or could cause reductions in the Pledged Revenues and, accordingly, Pledged Revenues available in future years, see “LIMITATIONS ON TAX REVENUES” and “RISK FACTORS” in the forepart of this Official Statement and “SPECIAL RISK FACTORS” in this Appendix B.

TABLE B-8
CLAREMONT CRP
PROJECTION OF PROJECT AREA PLEDGED REVENUES
ASSUMES VALUE GROWTH
(000s Omitted)

Fiscal Year Ending June 30	Total Taxable Value⁽¹⁾	Taxable Value Over Base	Gross Tax Increment Revenue⁽²⁾	Unitary Tax Revenue	Gross Tax Revenue	SB 2557 Charge⁽³⁾	Contractual Pass-Through Payments⁽⁴⁾	Statutory Pass-Through Payments⁽⁵⁾	Keck In-Lieu Payments⁽⁶⁾	Pledged Revenues⁽⁷⁾
2014	\$536,791	\$414,560	\$4,146	\$109	\$4,255	\$(61)	\$(473)	\$ (552)	\$-	\$3,169
2015	535,141	412,910	4,129	109	4,239	(61)	(445)	(557)	-	3,176
2016	574,217	451,986	4,520	109	4,629	(66)	(454)	(697)	-	3,412
2017 ⁽⁸⁾	585,016	462,785	4,612	109	4,721	(67)	(452)	(733)	-	3,469
2018	576,292	454,652	4,547	109	4,655	(67)	(345)	(769)	-	3,475
2019	587,153	465,513	4,655	109	4,764	(68)	(351)	(806)	-	3,539
2020	598,232	476,592	4,766	109	4,875	(70)	(358)	(844)	-	3,603
2021	609,533	487,893	4,879	109	4,988	(71)	(365)	(883)	-	3,669
2022	621,059	499,419	4,994	109	5,103	(73)	(372)	(922)	-	3,736
2023	632,816	511,176	5,112	109	5,220	(75)	(379)	(962)	-	3,804
2024 ⁽⁹⁾	644,808	523,168	5,232	109	5,340	(76)	(386)	(1,004)	-	3,874
2025	381,660	276,462	2,765	3	2,768	(40)	(7)	(730)	-	1,991

⁽¹⁾ Taxable values as reported by the County for fiscal year 2013-14. Real property consists of land and improvements. Taxable values are increased for inflation at 0.454% for fiscal year 2014-15 and at 2% annually thereafter. Values for fiscal year 2013-14 reflect a reduction by \$4.5 million for 11 assessment appeals from the value provided on Table B-5. Values for 2014-15 are increased by \$17.5 million for 33 transfers of ownership from January 1, 2013 through December 31, 2013 and decreased by \$21.3 million for projected value loss due to pending assessment appeals. Values for 2015-16 are increased by \$29 million for 7 transfers of ownership after January 1, 2014. Personal property is held constant at fiscal year 2013-14 levels. See “— Assessment Appeals” above.

⁽²⁾ Projected Gross Tax Increment Revenue is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value.

⁽³⁾ County SB 2557 administrative fee is estimated at 1.47% of Gross Tax Revenues.

⁽⁴⁾ County Taxing Entities receive negotiated tax-sharing amounts in the Amendment No. 1 Area and the Amendment No. 2 Area. The Consolidated Fire District receives negotiated tax-sharing amounts in the Original Village Area, the Amendment No. 1 Area and the Amendment No. 2 Area.

⁽⁵⁾ For the Amendment No. 1 Area and the Amendment No. 2 Area, by the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Former Claremont RDA has eliminated the Redevelopment Plan’s time limit for incurrence of new debt. By the elimination of this limit, the Claremont Successor is required to make Statutory Pass-Through Amounts in the fiscal year following the date of the eliminated time limit. The Amendment No. 6 Area was established after January 1, 1994 and therefore subject to the statutory pass through provisions of AB 1290.

⁽⁶⁾ Pursuant to the Keck OPA, the Claremont Successor receives in lieu payments equal to the basic tax levy (1%) of the exemption value. According to the Claremont Successor, Keck did not make payments since fiscal year 2012-13. The projections assume no payments under the Keck OPA are made going forward. See “SECURITY FOR THE REFUNDING BONDS — Adjusted Annual Agency Amounts” in this Appendix B.

⁽⁷⁾ Pledged Revenues are Gross Tax Revenues to the Claremont Successor plus any Keck In-lieu Payments less pass-through payments and collection fees charged by the County.

⁽⁸⁾ Based on the above assumptions, the Amendment No. 2 Area is expected to reach its cumulative tax increment limit during fiscal year 2016-17, prior to the maturity of the Claremont Refunding Bonds.

⁽⁹⁾ The Original Village Area’s last date to repay debt with tax increment is June 26, 2024.

Source: HdL Coren & Cone.

The following table shows the current and projected valuation of taxable property in the Claremont CRP and the projected Pledged Revenues assuming no growth in the total assessed valuation of property within the Claremont CRP.

TABLE B-9
CLAREMONT CRP
PROJECTION OF PROJECT AREA PLEDGED REVENUES
ASSUMES NO VALUE GROWTH
(000s Omitted)

Fiscal Year Ending June 30	Total Taxable Value⁽¹⁾	Taxable Value Over Base	Gross Tax Increment Revenue⁽²⁾	Unitary Tax Revenue	Gross Tax Revenues	SB 2557 Charge⁽³⁾	Contractual Pass-Through Payments⁽⁴⁾	Statutory Pass-Through Payments⁽⁵⁾	Keck In-Lieu Payments⁽⁶⁾	Pledged Revenues⁽⁷⁾
2014	\$536,791	\$414,560	\$4,146	\$109	\$4,255	\$(61)	\$(473)	\$(552)	\$ -	\$3,169
2015	532,956	410,725	4,107	109	4,217	(60)	(443)	(551)	-	3,162
2016	562,014	439,782	4,398	109	4,507	(64)	(443)	(658)	-	3,341
2017 ⁽⁸⁾	562,014	439,782	4,395	109	4,505	(64)	(442)	(658)	-	3,340
2018	543,442	421,802	4,218	109	4,327	(62)	(324)	(658)	-	3,283
2019	543,442	421,802	4,218	109	4,327	(62)	(324)	(658)	-	3,283
2020	543,442	421,802	4,218	109	4,327	(62)	(324)	(658)	-	3,283
2021	543,442	421,802	4,218	109	4,327	(62)	(324)	(658)	-	3,283
2022	543,442	421,802	4,218	109	4,327	(62)	(324)	(658)	-	3,283
2023	543,442	421,802	4,218	109	4,327	(62)	(324)	(658)	-	3,283
2024 ⁽⁹⁾	543,442	421,802	4,218	109	4,327	(62)	(324)	(658)	-	3,283
2025	314,871	209,673	2,097	3	2,100	(30)	(5)	(488)	-	1,577

⁽¹⁾ Taxable values as reported by the County for fiscal year 2013-14. Real property consists of land and improvements. Taxable values are not increased for inflation. Values for fiscal year 2013-14 reflect a reduction by \$4.5 million for 11 assessment appeals from the value provided on Table B-5. Values for 2014-15 are increased by \$17.5 million for 33 transfers of ownership from January 1, 2013 through December 31, 2013 and decreased by \$21.3 million for projected value loss due to pending assessment appeals. Values for 2015-16 are increased by \$29 million for 7 transfers of ownership after January 1, 2014. Personal property is held constant at fiscal year 2013-14 levels. See "— Assessment Appeals" above.

⁽²⁾ Projected Gross Tax Increment Revenue is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value.

⁽³⁾ County SB 2557 administrative fee is estimated at 1.47% of Gross Tax Revenues.

⁽⁴⁾ County Taxing Entities receive negotiated tax-sharing amounts in the Amendment No. 1 Area and the Amendment No. 2 Area. The Consolidated Fire District receives negotiated tax-sharing amounts in the Original Village Area, the Amendment No. 1 Area and the Amendment No. 2 Area.

⁽⁵⁾ For the Amendment No. 1 Area and the Amendment No. 2 Area, by the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Former Claremont RDA has eliminated the Redevelopment Plan's time limit for incurrence of new debt. By the elimination of this limit, the Claremont Successor is required to make Statutory Pass-Through Amounts in the fiscal year following the date of the eliminated time limit. The Amendment No. 6 Area was established after January 1, 1994 and therefore subject to the statutory pass through provisions of AB 1290.

⁽⁶⁾ Pursuant to the Keck OPA, the Claremont Successor receives in lieu payments equal to the basic tax levy (1%) of the exemption value. According to the Claremont Successor, Keck did not make payments since fiscal year 2012-13. The projections assume no payments under the Keck OPA are made going forward. See "SECURITY FOR THE REFUNDING BONDS — Adjusted Annual Agency Amounts" in this Appendix B.

⁽⁷⁾ Pledged Revenues are Gross Tax Revenues to the Claremont Successor plus any Keck In-lieu Payments less pass-through payments and collection fees charged by the County.

⁽⁸⁾ Based on the above assumptions, the Amendment No. 2 Area is expected to reach its cumulative tax increment limit during fiscal year 2016-17, prior to the maturity of the Claremont Refunding Bonds.

⁽⁹⁾ The Original Village Area's last date to repay debt with tax increment is June 26, 2024.

Source: HdL Coren & Cone.

Estimated Debt Service Coverage

The following table sets forth the debt service and coverage ratio for the Claremont Refunding Bonds and the Claremont Series 2013 Bonds. There can be no assurance that such projected Tax Revenues will be obtained. Such projections assume the issuance of the Claremont Refunding Bonds and the refunding and defeasance of the Claremont Series 2004 Bonds. For a discussion of certain matters that will or could cause reductions in the Tax Revenues and, accordingly, Pledged Revenues available in future years, see “LIMITATIONS ON TAX REVENUES” and “RISK FACTORS” in the forepart of this Official Statement and “SPECIAL RISK FACTORS” in this Appendix B.

TABLE B-10
CLAREMONT CRP
ESTIMATED DEBT SERVICE COVERAGE – ASSUMES VALUE GROWTH
(000s Omitted)

Fiscal Year Ending June 30	Projected Pledged Revenues⁽¹⁾	Claremont Series 2013 Bonds Debt Service	Claremont Refunding Bonds Debt Service	Total Parity Bond Debt Service	Debt Service Coverage On Parity Bonds
2015	\$ 3,176	\$ 638	\$ 404	\$ 1,042	305%
2016	3,412	647	406	1,053	324
2017 ⁽²⁾	3,469	656	404	1,059	328
2018	3,475	663	403	1,066	326
2019	3,539	668	407	1,075	329
2020	3,603	677	408	1,085	332
2021	3,669	684	407	1,092	336
2022	3,736	695	401	1,096	341
2023	3,804	698	405	1,103	345
2024 ⁽³⁾	3,874	-	402	402	963
2025	1,991	-	399	399	499

⁽¹⁾ Projected Pledged Revenues are Gross Tax Revenues to the Claremont Successor less pass-through payments and collection fees charged by the County. See Table B-8 in this Appendix B.

⁽²⁾ The Amendment No. 2 Area is expected to reach its cumulative tax increment limit during fiscal year 2016-17.

⁽³⁾ The Original Village Area’s last date to repay debt with tax increment is June 26, 2024.

Source: HdL Coren & Cone and Stifel Nicolaus & Company, Incorporated.

The following table sets forth the debt service and coverage ratio for the Claremont Refunding Bonds assuming no growth in total assessed valuation of property within the Claremont CRP.

TABLE B-11
CLAREMONT CRP
ESTIMATED DEBT SERVICE COVERAGE – ASSUMES NO VALUE GROWTH
(000s Omitted)

Fiscal Year Ending June 30	Projected Pledged Revenues⁽¹⁾	Claremont Series 2013 Bonds Debt Service	Claremont Refunding Bonds Debt Service	Total Parity Bond Debt Service	Debt Service Coverage On Parity Bonds
2015	\$ 3,162	\$ 638	\$ 404	\$ 1,042	303%
2016	3,341	647	406	1,053	317
2017 ⁽²⁾	3,340	656	404	1,059	315
2018	3,283	663	403	1,066	308
2019	3,283	668	407	1,075	305
2020	3,283	677	408	1,085	303
2021	3,283	684	407	1,092	301
2022	3,283	695	401	1,096	300
2023	3,283	698	405	1,103	298
2024 ⁽³⁾	3,283	-	402	402	816
2025	1,577	-	399	399	395

⁽¹⁾ Projected Pledged Revenues are Gross Tax Revenues to the Claremont Successor less pass-through payments and collection fees charged by the County. See Table B-9 in this Appendix B.

⁽²⁾ The Amendment No. 2 Area is expected to reach its cumulative tax increment limit during fiscal year 2016-17.

⁽³⁾ The Original Village Area's last date to repay debt with tax increment is June 26, 2024.

Source: HdL Coren & Cone and Stifel Nicolaus & Company, Incorporated.

Property Tax and Spending Limitations

Section 1(a) of Article XIII A of the California Constitution limits the maximum *ad valorem* tax on real property to one percent of full cash value, to be collected by the counties and apportioned according to law. For a summary of this and other California constitutional property tax and spending limitations, see "LIMITATIONS ON TAX REVENUES — Property Tax and Spending Limitations" in the forepart of this Official Statement.

Unitary Property

The Fiscal Consultant projects that the amount of unitary revenues to be allocated to the Claremont Successor for 2013-14 within the Claremont CRP is approximately \$105,000. The Claremont Successor cannot predict the effect of any future litigation or settlement agreements on the amount of unitary tax revenues received or to be received by the Claremont Successor. In addition, the Claremont Successor cannot predict the impact on unitary property tax revenues of any transfer of electrical transmission lines to tax-exempt agencies, although the Claremont Successor does not expect any transfer to have a material adverse effect on Gross Tax Revenues and, accordingly, Pledged Revenues.

SPECIAL RISK FACTORS

The following summaries are provided as additional detail supplemental to the information under the section entitled “RISK FACTORS” in the forepart of this Official Statement. Such information should be considered by prospective investors in evaluating the Series 2014A Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Series 2014A Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. For additional information, see the section entitled “RISK FACTORS” in the forepart of this Official Statement.

Tax Revenues

Tax Revenues, which primarily secure the Claremont Refunding Bonds, are determined by the incremental assessed value of taxable property in the Claremont CRP, the current rate or rates at which property in the Claremont CRP is taxed, and the percentage of taxes collected in the Claremont CRP. Several types of events which are beyond the control of the Claremont Successor could occur and cause a reduction in available Gross Tax Revenues and, accordingly, Pledged Revenues. A reduction of taxable values of property in the Claremont CRP or a reduction of the rate of increase in taxable values of property in the Claremont CRP caused by economic or other factors beyond the Claremont Successor’s control (such as a relocation out of the Claremont CRP by one or more major property owners, successful appeals by property owners for a reduction in a property’s assessed value, a reduction in the rate of transfers of property, construction activity or other events that permit reassessment of property at lower values, or the destruction of property caused by natural or other disasters, including earthquakes) could occur, thereby causing a reduction in Tax Revenues and, accordingly, Pledged Revenues. This risk increases in proportion to the percent of total assessed value attributable to any single assessee in the Claremont CRP and in relation to the concentration of property in the Claremont CRP in terms of size or land use (see “THE PROJECT AREA — General” in this Appendix B). Any reduction in Tax Revenues from the Claremont CRP could have an adverse effect on the Claremont Successor’s ability to meet its obligations under the Claremont Indenture and the Claremont Successor’s ability to pay the principal of and interest on the Claremont Refunding Bonds.

In addition to Tax Revenues, the Pledged Revenues include the Adjusted Annual Agency Amounts payable under the Keck OPA. As discussed above (see “SECURITY FOR THE REFUNDING BONDS — Adjusted Annual Agency Amounts” in this Appendix B), Keck has not made any payments to the Claremont Successor under the Keck OPA since fiscal year 2012-13. Although discussions are ongoing and future payments may be made by Keck under the Keck OPA, the Claremont Successor cannot provide any assurance of such future payments. The Fiscal Consultant’s projections of Tax Revenues (see “THE PROJECT AREA — Projected Pledged Revenues” in this Appendix B) assume no future payments will be received by the Claremont Successor under the Keck OPA.

As mentioned in the Fiscal Consultant’s Report, many issues involved in the dissolution of redevelopment agencies have yet to be resolved including the continuation of plan limits, override revenues and the treatment of ERAF. Additionally approximately 100 lawsuits have been filed on various aspects of AB 26 and AB 1484 which could impact the dissolution of redevelopment agencies. The projections in this Appendix B could be impacted as a result of future court decisions.

Projected Tax Revenues

The Fiscal Consultant has based its projections on certain assumptions with regard to the Claremont CRP, growth in assessed values and Tax Revenue growth. These projections assume that assessed value will increase for inflation at 0.454% for fiscal year 2014-15 and at 2% annually thereafter. These projections also assume that values for fiscal year 2013-14 are decreased by \$4.5 million for assumed projected value loss due to pending assessment appeals. A 2% growth rate is the maximum inflationary growth rate permitted by law. In the last ten fiscal years, the years in which less than 2% growth was realized included fiscal years 2004-05,

2010-11 and 2011-12. The State Board of Equalization announced in December, 2012 that the inflation adjustment for fiscal year 2013-14 will be 2%. There can be no assurance, however, that assessed values will increase as projected, if at all. See “THE PROJECT AREA” in this Appendix B for a discussion of these assumptions.

Any reduction in assessed value in the Claremont CRP, reduction in tax rates or reduction in taxes collected would reduce the Tax Revenues and, accordingly, Pledged Revenues available to pay debt service on the Claremont Refunding Bonds. See “RISK FACTORS” and “LIMITATIONS ON TAX REVENUES” in the forepart of this Official Statement. See also “THE PROJECT AREA” in this Appendix B for a summary of historical assessed valuation of property in the Claremont CRP, current assessment appeals and historical delinquencies.

Redevelopment Plan Limits

There is a question on the applicability of tax increment limits as to time and amounts established under redevelopment plans after the adoption of AB 26 and AB 1484. The matter remains subject to further guidance from the DOF, legislation and interpretation by the courts. If the Claremont CRP cumulative tax increment limit is deemed to no longer be applicable, no interruption of tax increment revenue will occur. For purposes of the projections in this Appendix B in that portion of the Fiscal Consultant’s Report with respect to the Claremont Successor appearing in Appendix C, it is assumed that all redevelopment plan limits will be enforced. For more information regarding redevelopment plan limits see “LIMITATIONS ON TAX REVENUES — Redevelopment Plan Limits” in the forepart of this Official Statement and “THE REDEVELOPMENT PLAN — Project Area Plan Limitations” in this Appendix B.

Parity and Subordinate Debt

While the Claremont Successor has covenanted not to issue any additional obligations with a lien on former tax increment revenues senior to the lien of the Claremont Refunding Bonds, the Claremont Indenture permits the issuance by the Claremont Successor of certain indebtedness which may have a lien upon the Pledged Revenues on parity with the lien of the Claremont Refunding Bonds, if certain coverage tests are met. See “SECURITY FOR THE REFUNDING BONDS — Parity Bonds Limited to Refunding Bonds” in this Appendix B for more information. Under the Claremont Indenture, such additional Parity Bonds may only be issued if Annual Debt Service on such additional Parity Bonds will be lower than Annual Debt Service on the bonds being refunded during every Bond Year the additional Parity Bonds will be outstanding and the final maturity of such additional Parity Bonds will not exceed the final maturity of the bonds being refunded. The Claremont Indenture does not limit the issuance of tax allocation bonds or other indebtedness secured by a pledge of tax increment revenues subordinate to the pledge of Pledged Revenues securing the Claremont Refunding Bonds.

Concentration of Ownership

The ten largest property taxpayers in the Claremont CRP, based upon the fiscal year 2013-14 locally assessed tax roll reported by the County Assessor, owned approximately 27.87% of the total assessed valuation and 36.00% of the tax incremental value of property within the Claremont CRP. Concentration of ownership presents a risk in that if one or more of the largest property owners were to default on their taxes, or were to successfully appeal the tax assessments on property within the Claremont CRP, a substantial decline in Tax Revenues and, accordingly, Pledged Revenues could result.

The Amendment No. 2 Area is expected to reach its cumulative tax increment limit during fiscal year 2016-17 and the Claremont Successor is not permitted to repay debt using tax increment from the Original Village Area after June 26, 2024. These limitations take effect prior to the maturity of the Claremont Refunding Bonds. The ten largest property taxpayers in the Amendment No. 1 Area and Amendment No. 6 Area, based upon the fiscal year 2013-14 locally assessed tax roll reported by the County Assessor, owned

approximately 40.62% of the total assessed valuation and 64.22% of the tax incremental value of property in the Claremont CRP, exclusive of the Original Village Area and the Amendment No. 2 Area. See “THE PROJECT AREA — General” in this Appendix B for more information about the ten largest property taxpayers and see “THE PROJECT AREA — Assessment Appeals” in this Appendix B for more information as to pending appeals of tax assessments.

Natural Disasters; Seismic Hazards

Natural disasters, including floods and earthquakes, could damage improvements and/or property in the Claremont CRP, or impair the ability of landowners within the Claremont CRP to develop their properties or to pay property taxes.

There are several identified faults within close proximity to or within the boundaries of the Claremont CRP, including the San Andreas Fault, that could potentially result in damage to buildings, roads, bridges, and property within the Claremont CRP in the event of an earthquake. Past earthquakes have resulted in minimal damage to the infrastructure and property within the Claremont CRP. A majority of the property within the Claremont CRP has been developed in conformity with the 1988 Uniform Building Code standards.

If an earthquake were to substantially damage or destroy taxable property within a Project Area, the assessed valuation of such property would be reduced. Such a reduction of assessed valuations could result in a reduction of the Pledged Revenues that secure the Claremont Refunding Bonds.

The property within the Claremont CRP may also be at risk from other events of force majeure, such as damaging storms, floods, fires and explosions, strikes, sabotage, riots and spills of hazardous substances, among other events. The Claremont Successor cannot predict what force majeure events may occur in the future.

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APPENDIX C

FISCAL CONSULTANT'S REPORT

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COUNTY OF LOS ANGELES REDEVELOPMENT BOND REFUNDING PROGRAM

PARTICIPATING AGENCIES:

**SUCCESSOR AGENCY TO THE CLAREMONT REDEVELOPMENT AGENCY
SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF
SOUTH GATE**

PROJECTED TAXABLE VALUES AND ANTICIPATED TAX INCREMENT REVENUES

July 8, 2014

I. Introduction

On June 28, 2011, the California Legislature and Governor enacted Assembly Bill x1 26 (AB x1 26), which generally dissolved redevelopment agencies statewide as of February 1, 2012. The bill was challenged by a suit filed before the California Supreme Court, but was upheld by the Court on December 29, 2012. On June 27, 2012 Assembly Bill 1484 (AB 1484) was signed into law, modifying and supplementing ABx1 26. AB1484 included provisions related to the refunding of outstanding obligations of former redevelopment agencies.

The County of Los Angeles (the “County”) has developed a program (the “Refunding Program”) to assist successor agencies to former community redevelopment agencies within the County to refund tax allocation bonds pursuant to Assembly Bill 1484 (Stats 2012 c. 26) (AB 1484) in order to provide debt service savings to such successor agencies, efficiencies in such refunding issuances and cost of issuance savings and to increase property tax revenues available for distribution to affected taxing entities, including the County. The County has formed the County of Los Angeles Redevelopment Refunding Authority (the “Authority”) pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (the “JPA Law”) in order to implement the Refunding Program. Among the powers to be exercised and provided to the Authority by the JPA Law will include the power to issue its bonds for the purpose of purchasing tax allocation obligations issued by said successor agencies as described in Section 34173 of the California Health and Safety Code. Such tax allocation obligations will be secured by a pledge of and lien on, and shall be repaid from certain moneys to be deposited from time to time in the Redevelopment Property Tax Trust Funds (RPTTF) established pursuant to subdivision (c) of Section 34172 of the California Health and Safety Code for each of the participating successor agencies.

The intent of the refunding will be to lower the cost of repayment of the refunded bonds in accordance with Section 34177.5 of the California Health and Safety Code. In accordance with Section 34177.5(g) of the California Health and Safety Code, the successor agency bonds shall be considered indebtedness incurred by the dissolved redevelopment agency, with the same legal effect as if the bonds, indebtedness, financing agreement, or amended enforceable obligation had been issued, incurred, or entered into prior to June 28, 2011, in full conformity with the applicable provisions of the California Community Redevelopment Law (being Part 1 of Division 24 of the Health and Safety Code and is being referred to herein as the “Law”) that existed prior to that date, shall be included in the successor agency’s Recognized Obligation Payment Schedule (ROPS), and shall be secured by a pledge of, and lien on, and shall be repaid from moneys deposited from time to time in the RPTTF.

L.A. County Tax Allocation Bond Refunding Program
Fiscal Consultant's Report
July 8, 2014, Page 2

The following successor agencies (each an "Agency Participant" and together "the Agency Participants") have opted to join the Refunding Program and issue tax allocation refunding bonds to reduce debt service costs within their respective projects area(s) listed below:

Successor Agency (SA)	Project Area(s)
SA to the Claremont Redevelopment Agency	Consolidated Redevelopment Project
SA to the Community Development Commission of the City of South Gate	South Gate Redevelopment Project 1

The Law, together with Article 16, Section 16 of the California Constitution, authorized former redevelopment agencies, now successor agencies, to receive that portion of property tax revenue generated by project area taxable values that are in excess of the Base Year value. The Base Year value is defined as the amount of the taxable values within the project area boundaries on the last equalized tax roll prior to adoption of the project area. The amount of current year taxable value that is in excess of the Base Year value is referred to as incremental taxable value.

Tax revenues generated from the incremental taxable value in a redevelopment project area are generally referred to as tax increment revenues". The Law provided that the tax increment revenues could be pledged by a redevelopment agency to the repayment of agency indebtedness. In this fiscal consultant report (the "Report"), tax increment revenues and Unitary Tax Revenues are, together, referred to as Gross Tax Revenues. Gross Tax Revenues less the amounts of tax increment revenue above any applicable, maximum annual tax increment limits; the County Property Tax Collection Reimbursement (SB 2557 Administrative Fee); amounts deemed in prior bond indentures to be senior to debt service; and, any tax sharing obligations that have a superior lien on tax increment revenues to payment of debt service on bonded indebtedness are referred to as Tax Revenues.

Allocation of tax increment revenue has been significantly altered by the passage of ABx1 26 and AB 1484. The legislations have been designed to dissolve redevelopment agencies formed pursuant to the Law while assuring that the enforceable obligations incurred by the former redevelopment agencies are repaid (see Section V Legislation). While tax increment revenues were previously allocated by the County Auditor-Controller over the period from November to August of each fiscal year, beginning with fiscal year 2012-13 revenues will only be allocated on January 2 and June 1 of each year.

The purpose of this Report is to examine property tax information for the current fiscal year and to project the amount of pledged tax increment revenues anticipated to be received by each of the Agency Participants for the current fiscal year and nine subsequent fiscal years. Provisions of the Law and the redevelopment plan for the Project Areas determine the amount of Tax Revenue that the each Agency Participant may utilize for purposes of making debt service payments and any payments on other obligations with a superior lien on Tax Revenues.

Detailed information on each Agency Participants' revenues is contained in an appendix to this report. The taxable values of property and the resulting Tax Revenues for the Project Areas are reflected on Tables 1 and 2 of the projections. These projections are based on assumptions determined by our review of the taxable value history of the Project Areas and the property tax assessment and property tax apportionment procedures of the County Auditor-Controller. The

projections illustrate the entire amount of Tax Revenues projected as being available from the Project Areas. Future year assessed values and Tax Revenues are projections based on the assumptions described in this Report and are not guaranteed as to accuracy and are not to be construed as a representation of such by HdL Coren & Cone.

II. Project Area Assessed Values

Taxable values for all parcels are prepared by the County Assessor and reported by the County Auditor-Controller each fiscal year. These values represent the aggregation of all locally assessed properties that are part of the project area. The assessments are assigned to Tax Rate Areas (TRA) that are collectively coterminous with the boundaries of the project area. The historic reported taxable values for the project areas were reviewed in order to ascertain the rate of taxable property valuation growth over the ten most recent fiscal years beginning with 2003-04.

Assessed values include those values enrolled by the County Assessor as secured, unsecured and non-unitary secured utility values. All real property (land, improvements and fixtures) in California is subject to Article XIII (A), placed in the Constitution, resulting from the passage of Proposition 13 with the election of June 6, 1978. This law is still commonly referred to as "Proposition 13." The purpose of Article XIII(A) is to stringently control the growth of real property taxes. It does so by the dual approach of restricting the tax rate to no more than one percent (with limited exceptions) of fair market value and prohibiting reappraisal of property except upon new construction or change of ownership. Newly constructed property is appraised at its market value upon the date of completion. Property values established upon change of ownership or completion of new construction are known as "base year values." The base year values referred to here should not be confused with the base year values that are described in the Law relative to computing incremental value within redevelopment project areas.

Section 33670(a) of the Law, establishes the base year value for a redevelopment project area as the assessed value on the tax roll last equalized prior to the adoption of the redevelopment project area. Section 33670(b) defines tax increment revenue as those revenues derived from growth in project area assessed value above the base year value.

III. Tax Allocation and Disbursement

A. Property Taxes

The taxable values of property are established each year on the January 1 property tax lien date. Real property values reflect the reported assessed values for secured and unsecured land and improvements. The base year value of a parcel is the value established as the full market value upon a parcel's sale, improvement or other reassessment. As discussed above, Proposition 13 provides that a parcel's base year value is revised only when locally assessed real property undergoes a change in ownership or when new construction occurs. Following the year a parcel's base year value is first enrolled, the value is factored annually for inflation. The term base year value does not, in this instance, refer to the base year value of the Project Areas. Pursuant to Article XIII A, Section 2(b) of the State Constitution and California Revenue and Taxation Code Section 51, the percentage increase cannot exceed 2% of the prior year's value.

Secured property includes property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value for tenant improvements, fixtures, inventory and personal 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 secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate. Utility property assessed by the State Board of Equalization (the Board) may be revalued annually and such assessments are not subject to the inflation limitations established by Proposition 13. The taxable value of Personal Property is also established on the lien dates and is not subject to the annual 2% limit of locally assessed real property.

Each year the Board announces the applicable adjustment factor. Since the adoption of Proposition 13 inflation has exceeded 2% and the announced factor has usually reflected the 2% cap. Through 2010-11 there were six occasions when the inflation factor has been less than 2%. Until 2010-11 the annual adjustment never resulted in a reduction to the base year values of individual parcels, however, the factor that was applied to real property assessed values for the January 1, 2010 assessment date was a -0.237% and this resulted in a reductions to the adjusted base year value of parcels. The California Consumer Price Index (CCPI) changes between October of one year and October of the next year are used to calculate the adjustment factor for the January assessment date. The table below reflects the inflation adjustment factors for the current fiscal year, ten prior fiscal years and the estimated adjustment factor for the next fiscal year.

Historical Inflation Adjustment Factors	
<u>Fiscal Year</u>	<u>Inflation Adj. Factor</u>
2003-04	2.000%
2004-05	1.867%
2005-06	2.000%
2006-07	2.000%
2007-08	2.000%
2008-09	2.000%
2009-10	2.000%
2010-11	-0.237%
2011-12	0.753%
2012-13	2.000%
2013-14	2.000%
2014-15	0.454%

The data since October last year that will be used for the adjustment applicable to the coming January 1 lien data indicates that inflation will be less than the full 2% allowed by Proposition 13. Based on inflation data from October 2012 through October, 2013, the State Board of Equalization determined that the inflation adjustment factor for fiscal year 2014-15 will be 0.454%. For purposes of this projection, this factor has been applied to the projections of value for 2014-15 and we have assumed that the annual inflation adjustment will be 2% each in each subsequent fiscal year.

B. Supplemental Assessment Revenues

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of the increase or decrease in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against Real Property.

Since 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The receipt of Supplemental Assessment Revenues by taxing entities typically follows the change of ownership by a year or more. We have **not** included revenues resulting from Supplemental Assessments in the projections.

C. Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the general levy rate of \$1.00 per \$100 of taxable value and the over-ride tax rate. The over-ride rate is that portion of the tax rate that exceeds the general levy tax rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition XIII.

A Constitutional amendment approved in June 1983 allows the levy of over-ride tax rates to repay indebtedness for the acquisition and improvement of real property, upon approval by a two-thirds vote. A subsequent amendment of the Constitution prohibits the allocation to redevelopment agencies of tax revenues derived from over-ride tax rates levied for repayment of indebtedness approved by the voters after December 31, 1988. Tax rates that were levied to support any debt approved by voters after December 31, 1988 were not allocated to redevelopment agencies. The over-ride tax rates typically decline each year as a result of (1) increasing property values (which would reduce the over-ride rate that must be levied to meet debt service) and (2) the eventual retirement of debt over time.

Section 34183(a)(1) of the Law as amended by ABx1 26 requires the Auditor Controller to allocate all revenues attributable to tax rates levied to make annual repayments of the principal and interest on any bonded indebtedness for the acquisition or improvement of real property to the taxing entity levying the tax rate. This was initially interpreted by the County to include all revenues resulting from all override tax rates that were previously being allocated to redevelopment agencies. As a result, the tax increment revenues were derived only from the general levy tax rate. Prior to the RPTTF allocation in June 2013, the County Auditor-Controller revised this interpretation of the statute. Under the revised interpretation, revenues derived from over-ride tax rates levied for pension related obligations have been determined to **not** be for 'annual repayments of the principal and interest on any bonded indebtedness for the acquisition or improvements of real property.' As a result, tax increment revenues derived from over-ride tax rates levied for pension related obligations **are included** in the revenues distributed from the RPTTF.

In Los Angeles County, there are thirteen cities that levy over-ride tax rates in order to fund pension fund obligations. None of the Participant Agencies are levying such over-ride tax rates. As a result, all projections of tax increment revenue use only the 1% general levy tax rate for the projection of tax increment revenue.

D. Allocation of Property Taxes

Property taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. Prior to February 1, 2012, the County disbursed tax increment revenue to all redevelopment agencies from November through August with approximately 35% of secured revenues apportioned by the end of December and a total of 75% of the secured revenues by the end of the following April. Unsecured revenues are disbursed in November, March and August of each fiscal year. The November payment consisted of an 80% advance on the total unsecured levy. This allocation schedule was used by Los Angeles County for many years prior to redevelopment dissolution and continues to be the pattern of tax increment revenue allocation.

As of February 1, 2012, the allocation of tax increment revenue was dictated by the legislation adopted as ABx1 26 (See Legislation, Section VI). Revenue to Successor Agencies is now made on January 2 and June 1 of each fiscal year. All tax increment revenue is accumulated by the County Auditor-Controller in the RPTTF for allocation on these two dates. The tax increment revenue available for allocation on January 2 consists of revenues collected after June 1 of the previous fiscal year and for collections in November and December of the current fiscal year. The tax increment revenues available for allocation on June 1 include revenues collected from January 1 to June 1 of the current fiscal year.

From the amounts accumulated in the RPTTF for each allocation date, the County Auditor-Controller is to deduct its own administrative charges and is to calculate and deduct amounts owed, if any, to taxing entities for tax sharing agreements entered into pursuant to Section 33401 of the Law and for statutory tax sharing obligations required by Sections 33607.5 and 33607.7 of the Law. The amount remaining after these reductions, if any, is what is available for payment by the Successor Agency of debt obligations of the former redevelopment agency.

Prior to receiving revenues on January 2 and June 1, the Successor Agency must adopt a Recognized Obligation Payment Schedule (ROPS) that lists the debt obligations of the former redevelopment agency that must be paid during the upcoming six month periods of January 1 through June 30 and July 1 through December 31. There is provision in the legislation for a Successor Agency to request additional amounts in one ROPS payment to allow it to make payments that may be beyond the revenues available in the upcoming allocation cycle. The ROPS must be submitted at least 90 days prior to each RPTTF allocation date and approved by an Oversight Board that is established in the legislation with membership consisting of representatives from various taxing entities. The ROPS must also receive approval from the State Department of Finance (the "DOF"). Filing ROPS statements is mandated by statute and penalties are incurred if they are filed late or if they are not filed at all.

The Successor Agency is entitled to receive an amount to cover the administrative costs of winding down the business of the former redevelopment agency. This amount is set by ABx1 26 at the greater of \$250,000 per year or a maximum of 3% of the amount allocated from the RPTTF. AB 1484 added language that allowed the Oversight Board to reduce the amount of the minimum administrative allowance. To the extent that revenues are insufficient to pay all of the approved ROPS obligations, the Successor Agency's administrative allowance will be reduced or eliminated. Successor Agency administrative allowance amounts that have been approved but cannot be paid due to a lack of RPTTF revenue will be carried over to the next RPTTF allocation for payment as funds become available.

If there are RPTTF amounts remaining after reductions for county administrative charges, pass through obligations, enforceable obligations and Successor Agency administrative allowance, these remainder amounts are referred to as Residual Revenue. Residual Revenue for each allocation cycle is proportionately allocated to the taxing entities and to the Educational Revenue and Augmentation Fund (ERAF). The legislation stipulates that the combination of tax sharing payments and residual revenue payments to tax entities may not exceed that taxing entity's full share of tax increment revenue. In circumstances where a taxing entity receives all or most of its share of tax increment revenue as a result of its tax sharing agreement, that taxing entity's share of the residual revenue distribution may be reduced and the portions of residual revenue allocated to the other taxing entities will be proportionately increased.

The forms and procedures used by a successor agency to submit its ROPS to its Oversight Board and to the DOF are dictated by the legislation as interpreted by DOF.

E. Annual Tax Receipts to Tax Levy

The County apportions tax revenues to the former redevelopment agencies based upon the amount of the tax levy that is received from the taxpayers. A table reflecting the percentage of tax revenue collections for each successor agency will be provided within the appendices.

F. Assessment Appeals

Assessment appeals or reductions in value granted by the County Assessor under Section 51 of the Revenue and Taxation Code that was adopted by and is also known as "Prop 8," require that, for each subsequent lien date, the value of real property shall be adjusted to be the lesser of its base year value as adjusted by the inflation factor pursuant to Proposition 13 of the State Constitution or its full cash value taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions took place in the during the mid-1990's due to declining real estate values and even deeper reductions occurred as a result of the recent economic recession and reductions in residential real estate values. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner.

After a roll reduction is granted under Prop 8, the property is reviewed on an annual basis to determine the full cash value of the property and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases shall be consistent with the full cash value of the property and, as a result, may exceed the maximum annual inflationary growth rate allowed on other properties under Proposition 13 of the State Constitution. Once the

property has regained its prior value, adjusted for inflation it, once again, is subject to the annual inflationary factor growth rate allowed under Proposition 13. (See Section III A).

Assessment appeals may also be requested as adjustments to a property's base year value. If such an appeal is granted with a change in value, the base year value of the property is adjusted accordingly and that value is subsequently adjusted for new construction, demolition and any other changes requiring revaluation of the parcel's land, improvement and personal property values and by the annual inflationary factor growth rate allowed under Proposition 13. Analysis and discussion of assessment appeals within the successor agencies will be provided in each appendix.

G. County Property Tax Collection Reimbursement

Chapter 466, adopted by Senate Bill 2557, allows counties to recover charges for property tax administration in an amount equal to their 1989-90 property tax administration costs, as adjusted annually. The amounts that are reimbursed are the costs connected with the collection and distribution of property taxes for the County Treasurer and Tax Collector, the County Auditor Controller and the County Assessor. The portions of the reimbursement amount that are allocated to each taxing entity within the County are based on the percentage of the total assessed value in the County that each taxing entity's assessed value represents. The property tax collection reimbursement charge for 2013-14 equate to 1.43% of the maximum annual Gross Tax Revenues for each Agency Participant Project Areas. For purposes of the projections, we have deducted that actual SB 2557 property tax collection charges from projected 2013-14 revenues and have assumed that these charges for all future years will be 1.43% of the projected Gross Tax Revenues.

In addition to the amounts charged by the County for administration of property taxes under Senate Bill 2557, pursuant to ABx1 26, the County may charge an administrative fee for administration of the RPTTF. These amounts vary based on the County's efforts. These amounts have not been included in the projections.

H. Allocation of State Assessed Unitary Taxes

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

The amount of unitary revenues allocated to each successor agency will continue in accordance with the allocation practices of the County prior to dissolution.

IV. Low and Moderate Income Housing Set-Aside

Sections 33334.2 and 33334.3 of the Law required redevelopment agencies to set aside not less than 20 percent of all tax increment revenues from project areas adopted after December 31, 1976 into a low and moderate income housing fund (the "Housing Set-Aside Requirement"). Sections 33334.3, 33334.6 and 33334.7 of the Law extend this requirement to redevelopment projects adopted prior to January 1, 1977. With the adoption of ABx1 26, the Housing Set-Aside Requirement was eliminated. The housing fund into which these set-aside amounts were formerly deposited has been eliminated and any unencumbered amounts remaining in that fund have been identified through a mandated Due Diligence Review. The amounts found to be unencumbered through this Due Diligence Review have been paid to the County and these funds have been allocated to the taxing entities within the former project area.

V. Legislation

In order to address State Budget deficits, the Legislature enacted SB 614, SB 844 and SB 1135 that required payments from redevelopment agencies for the 1992-93, 1993-94 and 1994-95 fiscal years into a countywide ERAF. The Former Agency could have used any funds legally available and not legally obligated for other uses, including agency reserve funds, bond proceeds, earned income, and proceeds of land sales, but not moneys in the Low and Moderate Income Housing Fund (the "Housing Fund") to satisfy this obligation. From 1995-96 to 2001-02, state budgets were adopted with no additional shifting of tax increment revenues from redevelopment agencies, however, the 2002-03 State Budget required a shift of \$75 million of tax increment revenues statewide from redevelopment agencies to ERAF to meet the state budget shortfall. AB 1768 (Chapter 1127, Statutes of 2002) was enacted by the Legislature and signed by the Governor and based upon the methodology provided in the 2002-03 budget the shift requirement for the former redevelopment agencies to make payments into the ERAF for fiscal year 2002-03 only.

As part of the State's 2003-04 budget legislation, SB 1045 (Chapter 260, Statutes of 2003) required redevelopment agencies statewide to contribute \$135 million to local County ERAF which reduced the amount of State funding for schools. This transfer of funds was limited to Fiscal Year 2003-04 only. Under the Law as amended by SB 1045, the redevelopment agencies were authorized to use a simplified methodology to amend the individual redevelopment plans to extend by one year the effectiveness of the plan and the time during which the agencies could repay debt with tax increment revenues. In addition, the amount of this payment and the ERAF payments made in prior years were to be deducted from the amounts applied to the project area cumulative tax increment revenues.

After the State's budget for 2004-05 was approved by the legislature and signed by the Governor, Senate Bill 1096 was adopted. Pursuant to SB 1096, redevelopment agencies within the State were required to pay a total of \$250 million to ERAF for fiscal year 2004-05 and for 2005-06. The payments were due on May 10 of each fiscal year. As in previous years, payments were

permitted to be made from any available funds other than the Housing Fund. If an agency was unable to make a payment, it was allowed to borrow up to 50% of the current year Housing Tax Increment Revenues, however, the borrowed amount was required to be repaid to the Housing Fund within 10 years of the last ERAF payment (May 10, 2006). Under SB 1096, redevelopment plans with less than ten years of effectiveness remaining from June 30, 2005, could be extended by one year for each year that an ERAF payment is made. For redevelopment plans with 10 to 20 years of effectiveness remaining after June 30, 2005, the plans may be extended by one year for each year that an ERAF payment is made if the city council could find that the former redevelopment agency was in compliance with specified state housing requirements. These requirements are: 1) that the agency is setting aside 20% of gross tax increment revenues; 2) that housing implementation plans are in place; 3) that replacement housing and inclusionary housing requirements are being met; and, 4) that no excess surplus exists.

In July, 2009, the Legislature adopted AB 26 4x. This bill is implementing legislation to a package of 30 bills that were adopted in order to close the State's budget deficit. Under this legislation the former redevelopment agencies statewide were required to pay \$1.7 billion in fiscal year 2009-10 and will be required to pay another \$350 million in 2010-11 into their county's "Supplemental" ERAF (the "SERAF"). Funds deposited in the SERAF will be distributed in such a way as to try to avoid the issues that were named by the Sacramento Superior Court in its ruling on AB 1389's ERAF payment requirement. Based on a State Controller formula, the former redevelopment agencies were required to pay the required amounts by May, 2010 and May, 2011.

Under this legislation, the former redevelopment agencies could use any available funds to make the SERAF payments. Any Housing Tax Increment Revenues amount used to make the SERAF payment must be repaid to the Housing Fund by June 30, 2015 and June 30, 2016. On November 12, 2009, the Governor signed SB 68 (Steinberg) into law which modified AB 26 4x by allowing former redevelopment agencies to use the accumulated balances in their housing fund (and not just current year Housing Tax Increment Revenues) to make their SERAF payments, should that become necessary. Funds used from the Housing Fund existing balance to make the 2009-10 payment to County SERAF would be considered a loan to be repaid within five years. Using funds from accumulated Housing Fund was not allowed for making payments due for 2010-11. The legislation requires that the funds be deposited into a County SERAF and distributed to K-12 school districts located in the project area in proportion to the average daily attendance of the district. The funds distributed to schools from the SERAF were to be used to serve pupils living in the project area or in housing supported by redevelopment funds. Under the requirements of Section 34191.4, redevelopment agencies that borrowed from the Housing Fund to make the required payments for 2010 and for 2011 may only repay these amounts from an amount that is 50% of the increase in annual residual revenues that are above the residual revenue for fiscal year 2012-13.

Assembly Bill x1 26 and Assembly Bill x1 27 were introduced in May 2011 as placeholder bills and were substantially amended on June 14, 2011. These bills proposed to dramatically modify the Law as part of the fiscal year 2011-12 State budget legislation. AB 1x 26 would first dissolve redevelopment agencies statewide effective October 1, 2011 and suspend all redevelopment activities as of their effective date. AB 1x 27 would allow redevelopment agencies to avoid dissolution by opting into a voluntary program requiring them to make substantial annual

contributions to local school and special districts. The bills were signed by the Governor in late June, 2011 and were challenged by a suit filed before the California Supreme Court by the CRA. On December 29, 2012, the Supreme Court ruled that ABx1 27 was unconstitutional and that ABx1 26 was not unconstitutional. On June 27, 2012 the legislature passed and the Governor signed Assembly Bill 1484. This legislation made certain revisions to the language of ABx1 26 based on experience after its implementation.

Once the obligations of the former redevelopment agencies have achieved recognition as Enforceable Obligations, the Successor Agency is obliged to manage the repayment of those Enforceable Obligations through the semiannual adoption of ROPS by an oversight board made up of representatives of taxing entities within the former redevelopment agency. Membership of the oversight board is dictated by Section 34179 of the Law. After 2016, there will be a single oversight board in each county that will be responsible for adoption of ROPS for all successor agencies in the county. The ROPS establishes the amounts that must be paid by the successor agency on the former agency's debts during the six month periods following payments from the RPTTF by the County Auditor-Controller on January 2 and June 1 of each year.

In the County, the revenue available in the RPTTF for the January 2 payment consists of collections from May, June, July and August of the prior fiscal year and collections for November and December of the current fiscal year. Collections in May, June, July and August are typically 18% to 22% of the total tax increment allocation for the full fiscal year. The collections for November and December typically consist of 90% of the fiscal year's unsecured revenue and 35% of the secured revenue for the fiscal year as estimated from the secured incremental assessed value. In addition, November and December collections commonly include revenue amounts for redemptions and supplemental assessments and revenue reductions due to taxpayer refunds. The revenues available in the RPTTF for the June 1 payments in the County would normally include about 38% to 40% of the total tax increment revenue for the fiscal year. RPTTF revenues are allocated by the County Auditor-Controller as described in Section III D.

Pursuant to Section 34187(b) of the Law, once the debts of the former redevelopment agency have been paid, the successor agency has one year to dispose of any remaining assets and terminate its existence. The enforceability of time and tax increment limits contained in the redevelopment plans is unclear. The covenants in many bond offerings require the adjustments to the deposit of tax increment revenues with the Trustee if the receipt of tax increment approaches the tax increment or time limits within the redevelopment plan. The County Auditor-Controller has indicated that it intends to abide by tax increment and time limits contained in the redevelopment plans. DOF has informally indicated that it believes the legislation intends for all enforceable obligations to be repaid notwithstanding redevelopment plan limits. If DOF's understanding of the legislation is applied, the ongoing repayment of enforceable obligations may be allowed to continue beyond the time that a project area's cumulative tax increment limit is reached.

As mentioned above in several instances, issues involved in the dissolution of redevelopment agencies have yet to be resolved including the continuation of plan limits, override revenues and the treatment of ERAF. Additionally, well over 100 suits have been filed on various aspects of ABx1 26 and AB 1484 which could impact the dissolution of redevelopment agencies including

one filed by the Successor Agency. Our projections could be impacted as a result of future court decisions.

VI. Tax Sharing Agreements and Other Obligations

The former redevelopment agencies frequently entered into tax sharing agreements with affected taxing entities in connection with project areas adopted prior to January 1, 1994. These agreements were authorized under Section 33401 of the Law and varied greatly from project area to project area. The impact of these agreements on the amount of Tax Revenue available for payment of debt service on the Bonds will be detailed within the Appendices.

Another form of tax sharing was authorized within Sections 33607.5 and 33607.7 of the Law after the adoption of AB 1290. These payments were dictated by statute and are based upon a three tiered pass through structure. Project areas adopted after January 1, 1994 and, therefore, subject to the Law as it was amended by passage of AB 1290 are required to pay a prescribed portion of the tax increment revenue pursuant to Section 33607.5 that must be shared with all taxing entities within the project area.

Section 33607.5(e) of the Law specifies a procedure whereby the former agency may request subordination of the statutory tax sharing payments to payment of debt service on the Bonds by all of the Project Area's taxing entities. As part of this request, the agency must provide substantial evidence to the taxing entities that it will have sufficient funds to make the debt service payments on the Bonds as well as making the required statutory tax sharing payments. The taxing entities may respond and agree to the subordination request, they may do nothing and after 45 days be deemed to have agreed to the subordination or they may disapprove the subordination request. A taxing entity may disapprove a subordination request only if it believes based on substantial evidence that the financial estimates are incorrect and that the tax revenues will not be adequate to make debt service and the tax sharing payments.

Within project areas adopted prior to January 1, 1994 and that have had certain redevelopment plan limits amended, a similar form of statutory tax sharing is prescribed. Section 33607.7 of the Law requires that payment be made to any taxing entity that has not previously entered into a tax sharing agreement with the former redevelopment agency. These payments are to begin in the fiscal year following the adoption of the applicable redevelopment plan amendment or in the fiscal year following the expiration of the original redevelopment plan limit that was amended, whichever is later.

The defined tax-sharing amount mentioned above has three tiers. The first tier begins with the first year that the project area receives tax increment revenue and continues for the life of the project area. The first tier of statutory tax sharing payments uses the project area assessed value for fiscal year within which the original redevelopment plan limit expired as an adjusted base year value. The annual tax sharing amount to be divided among the affected taxing entities that have not previously entered into tax sharing agreements, including the sponsoring city, is 25% of the revenue derived from the difference in assessed value between the adjusted base year value and the current year value net of 20% for the Housing Set-Aside requirement. According to the Law, these statutory tax sharing payments will continue through the date when the project area's

ability to repay indebtedness expires. The sponsoring city may elect to receive its share of the Tier 1 payments.

The second tier begins in the eleventh year after the first tax increment revenue is received. The second tier of statutory tax sharing payments required by Section 33607.7 is required beginning in the eleventh year after the Tier 1 payments are initiated and use the project area's assessed values for the tenth year as a second adjusted base year value. The annual tax sharing amount to be divided among the affected taxing entities is 21% of the revenue derived from the difference in assessed value between the adjusted base year value and the current year value net of 20% for the Housing Set-Aside requirement. The sponsoring city may not receive any share of the Tier 2 payment amounts. These statutory tax sharing payments will continue through the date when the project area's ability to repay indebtedness expires. The third tier of statutory tax sharing payments required by Section 33607.7 will not be initiated prior to the expiration of the redevelopment plan's effectiveness or its ability to repay indebtedness.

The third tier of tax sharing payments begins in the 31st year after the project area first receives tax increment revenue. This third tier is 14 percent of the tax increment revenue, net of the Housing Set-Aside Revenues that is derived from the growth in assessed value that is in excess of the assessed value of the project area in the 30th year. The three tiers of tax sharing are calculated independent of one another and continue from their inception through the life of the project area.

In March 2007 the Los Angeles Unified School District (LAUSD) filed a lawsuit challenging the method by which statutory tax sharing payments are divided among taxing entities. The Los Angeles Community College District filed a similar lawsuit arguing the same issues. The suits alleged that these payments should include amounts to be directed to ERAF accounts. The addition of shares to be directed to ERAF would increase pass through revenues that would be available to local educational agencies. Since inclusion of ERAF as a beneficiary of tax sharing payments would necessitate a reduction in the amounts paid to all taxing entities other than educational and fire-fighting agencies, funding the ERAF shares would decrease the tax sharing amounts paid to the other taxing entities. This action would not increase the statutory tax sharing amounts that must be paid pursuant to Sections 33607.5 and 33607.7. It is unclear at this time how the decision will affect the allocation of the tax sharing amounts amongst the taxing entities but the projected tax sharing amounts will not be affected.

VII. Transfers of Ownership

Value will be added to project area projected values for fiscal year 2014-15 as the result of any transfers of ownership that occurred after the January 1, 2013 lien date for the 2013-14 tax roll. In addition, value will be added to project area projected values for fiscal year 2015-16 as the result of any transfers of ownership that occurred after the January 1, 2014 lien date for the 2015-16 tax roll. These adjustments of value may be positive or negative.

IX. Trended Taxable Value Growth

In accordance with Proposition 13 of the State Constitution, growth in real property land and improvement values may reflect the year-to-year inflationary rate not to exceed 2% for any given year or reduction as shown in the consumer price index. A 2% growth rate is the maximum inflationary growth rate permitted by law and through 2013-14 this rate of growth has been realized in all but seven years since 1981. The years in which less than two percent growth was realized included fiscal years 1983-84 (1.0%), 1995-96 (1.19%), 1996-97 (1.11%), 1999-00 (1.85%), 2004-05 (1.867%), 2010-11 (-0.237%), and 2011-12 (0.753%). The State Board of Equalization announced in December, 2013 that the inflation adjustment for 2014-15 would be 0.454%. Based on this announcement, we have applied this inflationary growth factor to the projected assessed values for 2014-15. We have assumed a resumption of 2% annual inflationary growth in all subsequent fiscal years. Future values will also be impacted by changes of ownership and new construction not reflected in our projections. In addition, the values of property previously reduced in value due to assessment appeals based on reduced market values could increase more than 2% when real estate values increase more than 2% (see Section IV A above). Seismic activity and environmental conditions such as hazardous substances that are not anticipated in this Report might also impact taxable assessed values and Gross Tax Revenues. HdL Coren & Cone makes no representation that taxable assessed values will actually grow at the rate projected.

Anticipated revenues could be adjusted as a result of unidentified assessment appeal refunds, other Assessor corrections discussed previously, or unanticipated increases or decreases in property tax values. Estimated valuations from developments included in this analysis are based upon our understanding of the general practices of the County Assessor and County Auditor-Controller's Office. General assessment practices are subject to policy changes, legislative changes, and the judgment of individual appraisers. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

APPENDIX A

LOS ANGELES COUNTY TREASURER-TAX COLLECTOR TAX ALLOCATION BOND REFUNDING PROGRAM

SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF SOUTH GATE

SOUTH GATE REDEVELOPMENT PROJECT NO. 1

The purpose of this fiscal consultant report (the “Report”) is to examine property tax information for the current fiscal year and to project the amount of tax increment revenues anticipated to be received by the Successor Agency from the South Gate Redevelopment Project No. 1 (the Project Area) for the current fiscal year (FY 2013-14) and nine subsequent fiscal years. Provisions of the Law and the Redevelopment Plan for the Project Area determine the amount of Tax Revenue that the Successor Agency may utilize for purposes of making debt service payments and any payments on other obligations with a superior lien on Tax Revenues. As a result of our research, we project that the Tax Revenues for the Project Area will be as shown below:

South Gate Redevelopment Project No. 1 Projected Tax Revenues (000's Omitted)							
Fiscal Year	Gross Tax Revenues	SB 2557 Admin. Charge	HUD Loan Repayment	Tax Revenue	Statutory Tax Sharing Payments		Net Tax Revenue
					Tier 1 Payments	Tier 2 Payments	
2013-14	\$10,441	(\$150)	(\$356)	\$ 9,935	(\$ 752)	(\$ 17)	\$ 9,166
2014-15	10,017	(143)	(348)	9,526	(667)	(17)	8,842
2015-16	10,447	(149)	(344)	9,953	(753)	(28)	9,172
2016-17	10,793	(154)	(344)	10,294	(822)	(63)	9,409
2017-18	11,146	(159)	(338)	10,649	(893)	(99)	9,657
2018-19	11,506	(164)	(335)	11,007	(965)	(136)	9,906
2019-20	11,873	(170)	0	11,703	(1,038)	(174)	10,492
2020-21	12,247	(175)	0	12,073	(1,113)	(212)	10,748
2021-22	12,629	(180)	0	12,449	(1,189)	(251)	11,009
2022-23	13,019	(186)	0	12,833	(1,267)	(317)	11,249

The taxable values of property and the resulting Tax Revenues for the Project Area summarized above are reflected on Tables 1 and 2 of the projections (attached). These projections are based on assumptions determined by our review of the taxable value history of the Project Area and the property tax assessment and property tax apportionment procedures of the Los Angeles County Auditor-Controller. The projection illustrates the entire amount of Tax Revenues projected as being available from the Project Area. Future year assessed values and Tax Revenues are projections based on the assumptions described in this Report and are not guaranteed as to accuracy and are not to be construed as a representation of such by HdL Coren & Cone.

REDEVELOPMENT PLAN ADOPTION AND AMENDMENTS

The City Council established the Redevelopment Project by the adoption of **Ordinance No. 1238** on July 15, 1974. This ordinance created the original redevelopment plan developed by the Redevelopment Agency of the City of South Gate. The Project No. 1 Original Area was comprised of eight non-contiguous sub-areas, designated as Redevelopment Location Nos. 1, 2, 3, 4, 5, 6, 7, and 8. The effective date of the adoptive ordinance was July 15, 1974. The redevelopment plan was amended by **Ordinance**

No. 1326 that was adopted on April 11, 1977. This amendment made revisions to permitted land uses in Location #1 and Location #4 but added no territory. On August 10, 1981 the City Council adopted **Ordinance No. 1490** that eliminated a portion of Location #4 from the Project Area. Minor errors that were contained in Ordinance No. 1490 as adopted were corrected by the adoption of **Ordinance No. 1497** on September 21, 1981. Location #6 within the Original Area was eliminated from the Project Area by the adoption of **Ordinance No. 11502** on December 15, 1981.

The redevelopment plan was amended on December 8, 1986 by **Ordinance No. 1719** to establish a limit on the receipt of tax increment of \$792,782,000; to establish a time limit on incurrence of new debt of January 8, 2010; and, to establish a time limit on the exercise of eminent domain proceedings of January 8, 1999. The inclusion of these plan limits was required by Section 33333.4 of the Law. On November 13, 1990, the City Council adopted **Ordinance No. 1849**, which amended the redevelopment plan to bring the Project Area development and land use standards into conformance with the requirements of the Municipal Code; and to incorporate certain requirements made applicable to the Project Area by changes to the Redevelopment Law. On January 10, 1995, the City Council adopted **Ordinance No. 1979**, which amended the Original Plan to shorten the time limit to incur debt to January 1, 2004; and to establish a time limit to repay debt of July 15, 2019. The foregoing changes to the redevelopment plan were required by Section 33333.6 of the Redevelopment Law as added by Assembly Bill 1290.

On June 11, 1996, the City Council adopted **Ordinance No. 2004**, which amended the Redevelopment Plan to add an additional sub-area designated as Location #9 to the Project Area. The amended redevelopment plan included limits that were applicable only to the area added as Location #9. These limits included an expiration date for redevelopment activities of June 11, 2026; a limit on the amount of outstanding bonded indebtedness of \$103 million; a time limit for incurrence of new debt of June 11, 2016 and a time limit for repayment of debt of June 11, 2041. As a result of the passage of Assembly Bill 1342 (Statutes of 1998, chapter 635, section 1), the City Council adopted **Ordinance No. U-2045** on April 13, 1999. This ordinance served to amend the redevelopment plan limits as they applied to the redevelopment plan locations other than Location #9. These amendments extended the time limit on redevelopment plan effectiveness to July 15, 2014; extended the time limit on repayment of indebtedness to July 15, 2024; and, extended the time limit on incurrence of new debt to January 1, 2014. The redevelopment plan limits for Location #9 remain as required by the Law as it relates to project areas and added territory adopted after January 1, 1994.

Ordinance No. 2122 was adopted on December 9, 2002 declared the need for a community development commission and transferred the duties, powers and responsibilities of conducting redevelopment activities from the former South Gate Redevelopment Agency to the Community Development Commission of the City of South Gate. On July 10, 2007 the City Council adopted **Ordinance No. 2235** that served to clarify the intent of Ordinance U-2045 relative to the redevelopment time limits adopted by Ordinance No. 2004 as part of the addition of Location #9 to the Project Area. On June 28, 2005 the City Council adopted **Ordinance No. U-2198** that amended the redevelopment plan pursuant to Senate Bill 1045 ("SB 1045") to extend the term of effectiveness of said redevelopment plan and to extend the time to repay indebtedness by one year pursuant to Sections 33333.6(e)(2)(C) and 33681.12 of the Law due to payment made to the Education Revenue Augmentation Fund ("ERAF"). On August 9, 2005 the City adopted **Ordinance No. 2199** that amended the redevelopment plan pursuant to Senate Bill 1096 ("SB 1096") to extend the term of effectiveness of the redevelopment plan and the time to repay indebtedness by one year pursuant to Sections 33333.6(e)(2)(D) and 33681.12 of the Redevelopment Law based on and due to payment to the ERAF made in May, 2005. The City Council subsequently adopted **Ordinances 2236**

and 2237 on July 10, 2007 that served to clarify that the extension of time limits approved by Ordinances U-2198 and 2199 applied only to the original portions of the Project Area and not to Location #9. The redevelopment plan limits applicable to Location #9 remain as established at the time of the amendment area's adoption by Ordinance No. 2004.

On July 10, 2007, the City Council adopted two additional ordinances that caused revisions to the redevelopment plan limits. **Ordinance No. 2238** amended the redevelopment plan to eliminate the time limit on incurring new indebtedness for all portions of the Project Area except Location #9. The elimination of this time limit requires the initiation of tax sharing payments pursuant to Section 33607.5 and 33607.7 of the Law as applied to these areas. Also adopted on this day was **Ordinance No. 2239** that amended the redevelopment plan pursuant to SB 1096 to extend the effectiveness of the redevelopment plan and the time to repay indebtedness by one year pursuant to Sections 33333.6(e)(2)(D) and 33681.12 of the Redevelopment Law based on and due to payment to the ERAF made in May, 2006. On July 13, 2010, the City Council adopted **Ordinance No. 2273** that amended the redevelopment plan to add approximately 849.4 acres of territory, referred to therein as Location #10, to the Project Area and adopt this amended and restated redevelopment plan as the official redevelopment plan for the South Gate Redevelopment Project No. 1.

REDEVELOPMENT PLAN LIMITS

Chapter 942, Statutes of 1993, (See Section VI B below), limits the life of existing redevelopment plans to 40 years from the date of adoption or January 1, 2009, whichever is later and limits the period within which a redevelopment project area may receive tax increment to the life of the redevelopment plan plus ten years beyond the termination of redevelopment activities.

In accordance with the Redevelopment Law, a redevelopment plan adopted prior to January 1, 1994 is required to include a limitation on the number of tax increment dollars that may be allocated to the redevelopment agency; a time limit on the establishing of indebtedness to be repaid with tax increment; and a limit on the amount of bonded indebtedness to be repaid with tax increment that can be outstanding at one time. These limits can be extended only by an amendment of the redevelopment plan. Chapter 942 limits for redevelopment plans adopted prior to 1994 stipulate that the time limit for establishing indebtedness shall not exceed 20 years from the adoption of the redevelopment plan or January 1, 2004, whichever is later. Chapter 942 also limits the receipt of tax increment to ten years after the termination of redevelopment activities except for specific low and moderate-income housing obligations and any bond, indebtedness or other obligation authorized prior to January 1, 1994.

The City Council adopted **Ordinance No. 1979** that revised the time limits of the redevelopment plan as it applies to those areas not included in Locations #9 and #10 to the provisions of Chapter 942. Adoption of Ordinance U-2045 subsequently extended the time limits of the areas other than Locations #9 and #10 to the maximum allowed by Chapter 942. The redevelopment plan limits for any project areas adopted or territories added to existing project areas after January 1, 1994 are established by the Law. By the adoption of Ordinance No. 2238, the time limits for incurring new indebtedness within the areas other than Locations #9 and #10 were eliminated.

The currently applicable Redevelopment Plan limits for the Project Area are summarized below:

**South Gate Redevelopment Project Area No. 1
Plan Limits**

	Plan Expiration	Last Date to Incur New Debt	Last Date to Repay Debt	Tax Increment Limit	Limit on Total Bonded Debt
Original Area	7/15/2017	Eliminated	7/15/2027	\$792,782,000	None
Location #9	6/11/2026	6/11/2016	6/11/2041	None	\$103 million
Location #10	7/13/2040	7/13/2030	7/13/2055	None	\$250 million

Based on the County records of revenue allocated to the Original Area, there has been a total of \$185,963,350 allocated from 1975-76 through 2012-13. The amendment that established the cumulative tax increment limit for the Original Area stipulated that the total was to be based only on the amount of revenue allocated from 1985-86 forward. Based on this restriction, the total amount of tax increment revenue allocated to the Original Area and subject to the cumulative tax increment limit is \$161,682,330. The Original Area is not projected to reach the limit using either cumulative total. Growth in assessed value within the Original Area would have to exceed 22% per year through the time limit on repayment of indebtedness in order to reach this tax increment limit.

LAND USE

The table below represents the breakdown of land use in the Project Area component areas by the number of parcels and their taxable value for fiscal year 2013-14. This information is based on County land use designations as provided by Los Angeles County through tax roll data. It should be noted that the County land use designations do not necessarily parallel City land use and zoning designations. Unsecured, Other and SBE Non-Unitary values are connected with parcels that are already accounted for in other categories.

South Gate Redevelopment Project No. 1 Land Use Categories			
Category	No. Parcels	Taxable Value	% of Total Taxable Value
Residential	2,101	\$513,690,373	27.18%
Commercial	781	467,987,235	24.76%
Industrial	369	551,554,070	29.18%
Government Owned	2	3,212,569	0.17%
Institutional	34	10,383,585	0.55%
Irrigated	2	9,031,047	0.48%
Miscellaneous	2	463,547	0.02%
Recreational	12	4,024,888	0.21%
Vacant	265	37,039,405	1.96%
Exempt	375	0	0.00%
Subtotal	3,943	\$1,597,386,719	84.51%
Outer Parcels		4,457	0.00%
Other		4,104,669	0.22%
Unsecured		288,714,868	15.27%
Subtotal		\$292,823,994	15.49%
Total:		\$1,890,210,713	100.00%

ASSESSED VALUES

Assessed values are prepared and reported by the County Auditor-Controller each fiscal year and represent the aggregation of all locally assessed properties that are part of the Project Area. The assessments are assigned to Tax Rate Areas (TRA) that are coterminous with the boundaries of the Project Area. The historic reported taxable values were reviewed in order to ascertain the rate of taxable property valuation growth over the ten most recent fiscal years beginning with 2004-05. Between fiscal years 2004-05 and 2013-14, the secured taxable value within the Project Area increased by \$850.4 million (113.2%). Except for minor declines in value reflected by the assessed values for 2009-10 (-1.08%) and 2010-11 (-2.28%), secured values have increased in all fiscal years since 2004-05. Secured values rose by \$605.4 million for 2011-12 but this was due to the Amendment 13 addition of Location #10. This component of the Project Area had negative incremental value reflected on the tax rolls for fiscal year 2011-12 only. The increase in secured values due to the addition of Location #10 is offset by an increase in secured base year value of \$652 million. Project Area secured incremental value dropped by \$46.6 million (-5.79%) for the first year that Location #10 was in place (2011-12) but it increased by \$70.9 million (9.35%) in 2012-13 and by \$17.9 million (2.16%) for 2013-14.

Between fiscal years 2004-05 and 2013-14, the unsecured taxable value within the Project Area increased by \$125.5 million (76.87%). Unsecured values within the Project Area were relatively flat from 2004-05 through 2011-12. Unsecured values rose by \$128.8 million (81.2%) for 2012-13 as a result of the addition of Location #10 to the Project Area. This growth was offset by a large increase in the unsecured base year value. When a new project area or territory addition was made, it was normal for the unsecured base year value to be added in the first year the new project area or added territory was eligible to receive tax increment but for the unsecured current year value to not be added until the second year of the project area or added territory's life. This was the case for the addition of Location #10 to the Project Area and this caused unsecured incremental value to decline by \$74.8 million (-54.8%) for 2011-12. For 2012-13, however, unsecured incremental value increased by \$128.8 million (208.5%). For 2013-14, unsecured incremental values increased by \$1.2 million (0.65%).

Total taxable assessed values within the Project Area increased by \$975.9 million (106.73%) between 2004-05 and 2013-14. Because of the addition of a sizeable amount of both base year and current year value resulting from the adoption of Location #10, incremental value is a better gauge of Project Area growth over this ten year period. Incremental assessed values within the Project Area increased by \$298.4 million (40.32%) between 2004-05 and 2013-14. This reflects an average annual growth in incremental value of 4.03% per year over this 10 year period.

ALLOCATION OF STATE ASSESSED UNITARY TAXES

Within the Project Area, the Auditor Controller has allocated \$121,447 in unitary tax revenue within the Project Area for 2013-14. These revenue amounts tend to remain fairly constant but are subject to adjustments by the SBE for inflation growth, declines in value due to assessment appeals by utility companies and others taxed under this system and increases in value resulting from development of new facilities. Because we cannot reasonably project changes in this revenue stream, we have assumed that the unitary tax revenue will remain constant in future years.

TAX RATES USED IN THE PROJECTION OF TAX REVENUE

ABx1 26 was adopted in late June, 2011. Section 34183(a)(1) of that legislation requires the Auditor Controller to allocate all revenues attributable to tax rates levied to make annual repayments of the principal and interest on any bonded indebtedness for the acquisition or improvement of real property to

the taxing entity levying the tax rate. This has been interpreted by Los Angeles County to include all revenues resulting from the override tax rates that are being levied by the Metropolitan Water District. All override tax rates authorized by voters prior to January 1, 1989 that are levied within the Project Area are considered by the Auditor-Controller as being levied for purposes of paying principal and interest on bonded indebtedness for the acquisition or improvement of real property. Based on this interpretation, no revenues from any override tax rates are being deposited in the Redevelopment Property Tax Trust Fund for allocation to the Successor Agency.

As a result, the tax increment revenues used in this projection are derived only from the 1% general levy tax rate

TOP TEN TAXABLE PROPERTY OWNERS

A review of the top ten taxable property owners in the Project Area for fiscal year 2013-14 was conducted. Within the Project Area, the aggregate total taxable value for the ten largest taxpayers totaled \$363.2 million. The top ten taxpayers totaled 19.21% of the Project Area's total taxable assessed value and 34.98% of the Project Area's incremental value. The largest taxpayer represents 5.45% of the Project Area's total taxable value and 9.92% of the Project Area's incremental value. The table below details the valuations of the top ten taxpayers.

South Gate Redevelopment Project No. 1			
Top Ten Taxpayers			
	<u>Assessed Value</u>	<u>% Total Value</u>	<u>% Incremental Value</u>
<i>Project Area Total & Incremental Values</i>		<i><u>\$1,890,210,713</u></i>	<i><u>\$1,038,363,977</u></i>
1 Schultz Steel	\$102,959,969	5.45%	9.92%
2 El Paseo South Gate	54,624,869	2.89%	5.26%
3 Tesoro Refining and Marketing	44,771,374	2.37%	4.31%
4 South Gate Business and Industrial Park	31,034,059	1.64%	2.99%
5 Armstrong Cork (1)	26,577,060	1.41%	2.56%
6 Hudd Distribution Services	25,432,986	1.35%	2.45%
7 World Oil	23,558,278	1.25%	2.27%
8 Rockview Dairies	20,383,132	1.08%	1.96%
9 Saputo Cheese USA	17,975,768	0.95%	1.73%
10 Koo S Manufacturing	<u>15,871,230</u>	<u>0.84%</u>	<u>1.53%</u>
Total	\$363,188,725	19.21%	34.98%

(1) Pending appeals.

ASSESSMENT APPEALS

Within the Project Area, there have been 294 assessment appeals filed since 2009. Of the 294 appeals filed, 88 have been allowed with a reduction in value and 79 have been denied. There are 127 appeals currently pending within the Project Area. The total value under appeal on the pending appeals is \$608 million. Based on the historical averages, we expect that 65 of the currently pending appeals will be allowed and that these successful appeals will result in an assessed value reduction of \$88,428,534 for fiscal year 2014-15. This reduction has been incorporated in the projection as a reduction to the 2014-15 assessed value. Only one of the top taxpayers in the Project Area has a currently pending assessment

appeal. In addition, we identified a total of 15 successful appeals that were resolved early in fiscal year 2013-14 and that have resulted in a reduction in the current year assessed values. The total reduction in value caused by these successful appeals was \$6,372,480. For purposes of the projections, we have reduced the current year assessed values by this amount.

Our estimates are based upon the historical averages of successful appeals and amounts of value reductions. Actual appeals, reductions and refunds may vary from historical averages. Our estimated reductions in values are reflected on Tables 1 and 2 of the projections. The table below summarizes the potential losses that are incorporated into the projections.

South Gate Redevelopment Project No. 1 HISTORICAL ASSESSMENT APPEAL DATA FISCAL YEARS 2009-10 THROUGH 2013-14						
Total No. of Appeals	No. of Resolved Appeals	No. of Successful Appeals	Average Reduction	No. of Appeals Pending	Estimated No. of Appeals Allowed	Est. Reduction on Pending Appeals Allowed (2014-15 AV Adjustment)
294	167	88	27.26%	127	65	\$88,428,534

HISTORICAL COLLECTIONS

A review was made of the receivable and allocated tax revenues for the Project Area for fiscal years 2008-09 through 2012-13. The collection rate for the Project Area has been comparable to the collection rates for other taxing entities within the County for each year. The table below shows the collection rates for the Project Area during these fiscal years. Collection rates are a comparison of current year revenues to the adjusted tax roll assessed values at the end of each fiscal year. Prior year collections, including supplemental revenues, escaped assessment revenues from prior years and penalties are not considered. Collection rates have not been factored into the projections.

South Gate Redevelopment Project No. 1 Collections			
Fiscal Year	Computed Levy (1)	Actual Based on Collections Rate (2)	Percent of Collections
2008-09	\$ 9,818,873	\$ 9,477,910	96.5%
2009-10	9,813,914	9,536,213	97.2%
2010-11	9,588,273	9,382,713	97.9%
2011-12	9,688,927	9,603,309	99.1%
2012-13	10,267,000	10,187,498	99.2%
Average % Collections:			97.4%

- (1) Computed Levy based on reported incremental value multiplied by the tax rate to compute gross tax increment. Computed Levy also includes Unitary Taxes, if any, as reported by the County Auditor-Controller.
- (2) Source: County Auditor-Controller year-end tax ledger detail. Amounts represent the annual current year tax increment revenues allocable up to FY 2010-11 and prior to dissolution of redevelopment agencies pursuant to AB 1x26. For purposes of identifying the collection of property taxes, amounts shown do not include deductions for administrative fees, tax refunds or pass through payments. Revenues are based on current year assessed values only and do not include supplemental taxes, prior year redemption payments, escaped assessments or mid-year adjustments made by the Assessor or Auditor-Controller.

PASS THROUGH AND OTHER OBLIGATIONS

Tax Sharing Obligations

South Gate Redevelopment Project Area No. 1 – Original Area

The former redevelopment agency did not enter into any tax sharing agreements relative to the Original Area.

With the adoption of the Ordinance No. U-2045 the last date for issuing new debt within the Original Area was extended from January 1, 2004 to January 1, 2014. Pursuant to Section 33607.5 and 33607.7 of the Law, commencing with the first year following the expiration of the existing time limits to incur debt (fiscal year 2004-05) and using the 2003-04 valuations as an adjusted base year value, the Agency began to pay to the affected taxing entities their proportionate shares of an amount that is 25 percent of all tax increment revenue derived from the incremental increase in assessed value above the adjusted base year value after deducting the 20 percent housing set-aside obligation. This first tier of tax sharing continues through the last date the Original Area may receive Tax Revenue for repayment of indebtedness. The City of South Gate has exercised its option to elect to receive its share of the first tier of these statutory tax sharing amounts.

In addition, beginning eleven years after the initiation of the Tier 1 payments, in Fiscal Year 2015-16, using the values for Fiscal Year 2014-15 as an adjusted base year value, a Tier 2 payment will be initiated whereby the affected taxing entities, after deducting the 20% housing set-aside obligation, an amount that is 21% of the revenue that is derived from the increase in assessed value above the new adjusted base year value. This Tier 2 tax sharing will also continue through last date to repay debt with tax increment of the Original Area. The City may not elect to receive a share of the Second Tier Tax Sharing. A third tier of tax sharing payments will not be applicable because the Redevelopment Plan, as it applies to the Original Area, terminates prior to the date that this third tier of payments is incurred. As permitted by Section 33607.5(e) of the Law, the Successor Agency has requested and received agreement from taxing entities for subordination of their statutory tax sharing payments to the payment of debt service on the Bonds.

South Gate Redevelopment Project Area No. 1 – Amendment 8 (Location #9)

The Amendment 8 Area was adopted after January 1, 1994 and is, therefore, subject to the Law as it was amended by passage of AB 1290. As amended, the Law requires that for project areas adopted after January 1, 1994, a prescribed portion of the Agency's tax increment revenue must be shared with all taxing entities within the Amendment Area. This defined tax-sharing amount has three tiers. The first tier begins with the first year that the project area receives tax increment revenue and continues for the life of the project area. This first tier tax-sharing amount is 25 percent of the Agency's gross tax increment revenue net of the Housing Set-Aside Revenues. The City of South Gate has elected to receive its share of the Tier 1 payments.

The second tier began in the eleventh year after the Agency first received tax increment revenue (fiscal year 2008-09). This second tier payment amount is 21 percent of the tax increment revenue, net of the Housing Set-Aside Revenues, that is derived from the growth in assessed value that is in excess of the

adjusted base year assessed value of the project area in year ten (fiscal year 2007-08). The third tier begins in the 31st year after the Agency first receives tax increment revenue (fiscal year 2028-29). This third tier is 14 percent of the tax increment revenue, net of the Housing Set-Aside Revenues that is derived from the growth in assessed value that is in excess of the assessed value of the project area in the 30th year (fiscal year 2027-28). The three tiers of tax sharing are calculated independent of one another and continue from their inception through the life of the project area. The City may not receive any share of the Tier 2 and Tier 3 payment amounts. As permitted by Section 33607.5(e) of the Law, the Successor Agency has requested and received agreement from taxing entities for subordination of their statutory tax sharing payments to the payment of debt service on the Bonds.

South Gate Redevelopment Project Area No. 1 – Amendment 13 (Location #10)

The Amendment 8 Area was adopted after January 1, 1994 and is, therefore, subject to the Law as it was amended by passage of AB 1290. As amended, the Law requires that for project areas adopted after January 1, 1994, a prescribed portion of the Agency's tax increment revenue must be shared with all taxing entities within the Amendment Area. This defined tax-sharing amount has three tiers. The first tier begins with the first year that the project area receives tax increment revenue and continues for the life of the project area. This first tier tax-sharing amount is 25 percent of the Agency's gross tax increment revenue net of the Housing Set-Aside Revenues. The City of South Gate has elected to receive its share of the Tier 1 payments.

The second tier began in the eleventh year after the Agency first received tax increment revenue (fiscal year 2008-09). This second tier payment amount is 21 percent of the tax increment revenue, net of the Housing Set-Aside Revenues, that is derived from the growth in assessed value that is in excess of the adjusted base year assessed value of the project area in year ten (fiscal year 2007-08). The third tier begins in the 31st year after the Agency first receives tax increment revenue (fiscal year 2028-29). This third tier is 14 percent of the tax increment revenue, net of the Housing Set-Aside Revenues that is derived from the growth in assessed value that is in excess of the assessed value of the project area in the 30th year (fiscal year 2027-28). The three tiers of tax sharing are calculated independent of one another and continue from their inception through the life of the project area. The City may not receive any share of the Tier 2 and Tier 3 payment amounts. As permitted by Section 33607.5(e) of the Law, the Successor Agency has requested and received agreement from taxing entities for subordination of their statutory tax sharing payments to the payment of debt service on the Bonds.

Owner Participation Agreements

On July 1, 1999, the City of South Gate and the former Community Development Commission, acting as the redevelopment agency for the City of South Gate, entered into a series of agreements whereby the City secured a loan of \$3,625,000 from HUD under their Section 108 program and, in turn, loaned this money to the Community Development Agency for assistance to the development of the Towne Center development on Garfield Avenue within the Original Area. The repayment of this loan requires annual interest payments each February 1 and principal and interest payments each August 1 through August 2019. The repayment of the loan is a pledge of tax increment and has been included in the projections as an obligation within the Original Area.

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1
Projection of Incremental Taxable Value & Tax Increment Revenue



(000's Omitted)

7/8/2014

Table 1

Taxable Values (1)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Real Property (2)	1,729,774	1,687,309	1,730,289	1,764,895	1,800,193	1,836,197	1,872,921	1,910,379	1,948,587	1,987,558
Personal Property (3)	154,064	154,064	154,064	154,064	154,064	154,064	154,064	154,064	154,064	154,064
Total Projected Value	1,883,838	1,841,373	1,884,353	1,918,959	1,954,257	1,990,261	2,026,985	2,064,443	2,102,651	2,141,622
Taxable Value over Base	851,847	1,031,991	989,526	1,032,507	1,067,112	1,102,410	1,138,414	1,175,138	1,212,596	1,289,776
Gross Tax Increment Revenue (4)	10,320	9,895	10,325	10,671	11,024	11,384	11,751	12,126	12,508	12,898
Unitary Tax Revenue	121	121	121	121	121	121	121	121	121	121
Gross Revenues	10,441	10,017	10,447	10,793	11,146	11,506	11,873	12,247	12,629	13,019
LESS:										
SB 2557 Admin. Fee (5)	(150)	(143)	(149)	(154)	(159)	(164)	(170)	(175)	(180)	(186)
HUD Section 108 Loan Repayment (6)	(356)	(348)	(344)	(344)	(338)	(335)	0	0	0	0
Tax Revenues	9,935	9,526	9,953	10,294	10,649	11,007	11,703	12,073	12,449	12,833
Pass Throughs										
SB 211 Statutory Tax Sharing Tier 1 (7)	(552)	(507)	(562)	(602)	(642)	(683)	(725)	(768)	(812)	(856)
SB 211 Statutory Tax Sharing Tier 2 (7)	0	0	(9)	(42)	(76)	(110)	(146)	(182)	(218)	(256)
AB 1290 Statutory Tax Sharing Tier 1 (8)	(200)	(159)	(190)	(220)	(250)	(281)	(313)	(345)	(378)	(411)
AB 1290 Statutory Tax Sharing Tier 2 (8)	(17)	(17)	(19)	(21)	(23)	(26)	(28)	(30)	(33)	(61)
AB 1290 Statutory Tax Sharing Tier 3 (8)	0	0	0	0	0	0	0	0	0	0
Net Tax Revenues	9,166	8,842	9,172	9,409	9,657	9,906	10,492	10,748	11,009	11,249

- (1) Taxable values as reported by Los Angeles County for fiscal year 2013-14.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% for 2014-15 and at 2% annually thereafter. Values for 2013-14 are increased by \$38,511,466 for 105 transfers of ownership from 1/1/2013 through 12/31/2013 and reduced by \$6,372,480 for value loss due to 15 assessment appeals. Values for 2014-15 are increased by \$9,234,199 for 18 transfers of ownership after 1/1/2014 and decreased by \$88,428,534 for projected value loss due to pending assessment appeals.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) L.A. County Administrative fee is actual for 2013-14 and estimated at 1.43% of Gross Revenue thereafter.
- (6) The former redevelopment agency entered into a loan agreement with HUD under that agency's Section 108 community development program. This loan was in the amount of \$3,625,000. The loan amortization schedule calls for payments to be made bi-annually in August and February of each fiscal year. The loan is amortized after the payment in August 2019. This loan was used to assist the development of the Towne Center Plaza development within the Original Area.
- (7) For the Original Project Area, by the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency has eliminated the Plan's time limit for incurrence of new debt. By the elimination of this limit, the Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (Jan. 1, 2004). Using the assessed values for 2003-04 as a base year and beginning in 2004-05, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of tax increment revenue net of Housing Set-Aside. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of tax revenue on incremental value above 10th year value net of Housing Set-Aside. All statutory tax sharing payments are subordinate to payment of debt service on the Bonds per Section 33607.5.
- (8) For the Project No. 1 - 8th Amendment and Project No. 1 - Amendment #13, all Taxing Entities receive their shares of 25% of total tax increment revenue net of Housing Set-Aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of Housing Set-Aside. After year 30, Taxing Entities also receive 14% of tax revenue on incremental value above the year 30 value net of Housing Set-Aside. All statutory tax sharing payments are subordinate to payment of debt service on the Bonds per Section 33607.5.

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1
Projection of Incremental Taxable Value & Tax Increment Revenue
(000s Omitted)



7/8/2014

Table 2

		Total	Taxable Value	Gross Tax	SB 2557	HUD Loan	Tax	Statutory Tax Sharing			Tax
		<u>Taxable Value</u>	<u>Over Base</u>	<u>Revenue</u>	<u>Charge</u>	<u>Repayment</u>	<u>Revenues</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Revenues</u>
1	2013-14	1,883,838	1,031,991	10,441	(150)	(356)	9,935	(752)	(17)	0	9,166
2	2014-15	1,841,373	989,526	10,017	(143)	(348)	9,526	(667)	(17)	0	8,842
3	2015-16	1,884,353	1,032,507	10,447	(149)	(344)	9,953	(753)	(28)	0	9,172
4	2016-17	1,918,959	1,067,112	10,793	(154)	(344)	10,294	(822)	(63)	0	9,409
5	2017-18	1,954,257	1,102,410	11,146	(159)	(338)	10,649	(893)	(99)	0	9,657
6	2018-19	1,990,261	1,138,414	11,506	(164)	(335)	11,007	(965)	(136)	0	9,906
7	2019-20	2,026,985	1,175,138	11,873	(170)	0	11,703	(1,038)	(174)	0	10,492
8	2020-21	2,064,443	1,212,596	12,247	(175)	0	12,073	(1,113)	(212)	0	10,748
9	2021-22	2,102,651	1,250,804	12,629	(180)	0	12,449	(1,189)	(251)	0	11,009
10	2022-23	2,141,622	1,289,776	13,019	(186)	0	12,833	(1,267)	(317)	0	11,249
11	2023-24	2,181,374	1,329,527	13,417	(192)	0	13,225	(1,347)	(383)	0	11,495
12	2024-25	2,221,920	1,370,073	13,822	(197)	0	13,625	(1,428)	(451)	0	11,745
13	2025-26	2,263,277	1,411,430	14,236	(203)	0	14,032	(1,511)	(521)	0	12,001
14	2026-27 (1)	2,305,461	1,453,614	14,658	(209)	0	14,448	(1,595)	(592)	0	12,261
15	2027-28	1,007,074	294,244	2,943	(42)		2,901	(589)	(210)	0	2,102
16	2028-29	1,025,902	313,073	3,132	(45)		3,087	(626)	(242)	(2)	2,217
17	2029-30	1,045,108	332,278	3,324	(48)		3,276	(665)	(274)	(4)	2,334
18	2030-31	1,064,697	351,867	3,520	(50)		3,469	(704)	(307)	(6)	2,453
19	2031-32	1,084,678	371,848	3,719	(53)		3,666	(744)	(340)	(8)	2,574
20	2032-33	1,105,059	392,229	3,923	(56)		3,867	(785)	(375)	(10)	2,698
21	2033-34	1,125,847	413,018	4,131	(59)		4,072	(826)	(410)	(12)	2,824
22	2034-35	1,147,051	434,222	4,343	(62)		4,281	(869)	(445)	(14)	2,953
23	2035-36	1,168,680	455,850	4,559	(65)		4,494	(912)	(482)	(16)	3,085
24	2036-37	1,190,740	477,911	4,780	(68)		4,712	(956)	(519)	(18)	3,219
25	2037-38	1,213,242	500,413	5,005	(72)		4,933	(1,001)	(556)	(21)	3,355
26	2038-39	1,236,194	523,365	5,235	(75)		5,160	(1,047)	(595)	(23)	3,495
27	2039-40	1,259,606	546,776	5,469	(78)		5,390	(1,094)	(634)	(25)	3,637
28	2040-41 (2)	1,283,485	570,655	5,707	(82)		5,626	(1,141)	(674)	(28)	3,782
29	2041-42	1,192,845	513,941	5,140	(74)		5,066	(1,028)	(622)	0	3,416
30	2042-43	1,215,475	536,571	5,366	(77)		5,289	(1,073)	(660)	(25)	3,531
31	2043-44	1,238,558	559,654	5,597	(80)		5,517	(1,119)	(698)	(51)	3,648
32	2044-45	1,262,102	583,198	5,832	(84)		5,749	(1,166)	(738)	(78)	3,767
33	2045-46	1,286,117	607,213	6,072	(87)		5,985	(1,214)	(778)	(104)	3,888
34	2046-47	1,310,613	631,709	6,317	(90)		6,227	(1,263)	(820)	(132)	4,012
35	2047-48	1,335,598	656,694	6,567	(94)		6,473	(1,313)	(861)	(160)	4,138
36	2048-49	1,361,084	682,179	6,822	(98)		6,724	(1,364)	(904)	(188)	4,267
37	2049-50	1,387,078	708,174	7,082	(101)		6,981	(1,416)	(948)	(218)	4,399
38	2050-51	1,413,593	734,689	7,347	(105)		7,242	(1,469)	(993)	(247)	4,533
39	2051-52	1,440,638	761,734	7,618	(109)		7,508	(1,524)	(1,038)	(278)	4,670
40	2052-53	1,468,224	789,320	7,893	(113)		7,780	(1,579)	(1,084)	(308)	4,809
41	2053-54	1,496,362	817,458	8,175	(117)		8,058	(1,635)	(1,132)	(340)	4,951
42	2054-55 (3)	1,525,062	846,158	8,462	(121)		8,341	(1,692)	(1,180)	(372)	5,096
				324,330	(4,638)	(2,065)	317,627	(46,156)	(21,779)	(2,687)	247,005

- (1) Final year for receipt of tax increment within Original Area
(2) Final year for receipt of tax increment within 8th Amendment Area.
(3) Final year for receipt of tax increment within 13th Amendment Area.

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1

Historical Values (1)
 Table 3

	Base Year Various	2004-05	2005-06	2006-07	2007-08	Revised Base Year (2008-09)	2008-09	Revised Base Year (2009-10)	2009-10	Revised Base Year (2010-11)	2010-11	Revised Base Year (2011-12)	2011-12	Revised Base Year (2012-13)	2012-13	2013-14
Secured (2)																
Land	53,305,803	321,797,312	351,310,764	389,349,122	430,904,051	51,914,379	467,236,206	51,990,857	456,055,200	51,914,379	440,494,326	420,659,140	768,291,206	386,516,965	789,234,094	805,055,438
Impts	64,096,487	408,980,004	448,430,969	461,274,224	488,273,023	64,096,446	508,279,907	64,096,446	509,656,207	64,096,446	502,415,580	392,835,554	788,440,581	344,909,885	794,668,990	810,310,050
Pers Prop	30,162,258	23,063,670	26,318,542	28,520,705	25,094,219	30,162,258	17,472,687	30,162,258	17,779,355	30,162,258	18,066,315	35,792,785	22,779,738	35,748,182	23,108,826	21,025,553
Exemptions	(762,620)	(2,750,426)	(3,363,094)	(9,963,621)	(8,372,735)	(732,699)	(10,319,213)	(732,699)	(11,460,080)	(732,699)	(11,147,486)	(51,888,450)	(24,325,702)	(12,233,882)	(23,418,879)	(34,899,653)
Total Secured	146,801,928	751,090,560	822,697,181	869,180,430	935,898,558	145,440,384	982,669,587	145,516,862	972,030,682	145,440,384	949,828,735	797,399,029	1,555,185,823	754,941,150	1,583,593,031	1,601,491,388
Unsecured																
Land	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Impts	8,615,528	93,772,396	93,056,808	83,685,101	83,160,892	8,615,528	93,706,479	8,615,528	92,537,948	8,615,528	91,008,931	44,582,666	83,879,607	44,585,166	153,332,071	155,680,820
Pers Prop	18,910,804	69,484,528	73,771,433	65,398,922	66,537,080	18,910,804	73,670,277	18,910,804	72,804,901	18,910,804	73,177,781	52,324,920	74,874,510	52,340,420	134,270,956	133,165,505
Exemptions	0	(20,000)	(20,000)	(25,000)	(25,000)	0	(25,000)	0	(102,000)	0	(97,000)	(20,000)	(97,000)	(20,000)	(117,000)	(127,000)
Total Unsecured	27,526,332	163,236,924	166,808,241	149,059,023	149,672,972	27,526,332	167,351,756	27,526,332	165,240,849	27,526,332	164,089,712	96,887,586	158,657,117	96,905,586	287,486,027	288,719,325
GRAND TOTAL	174,328,260	914,327,484	989,505,422	1,018,239,453	1,085,571,530	172,966,716	1,150,021,343	173,043,194	1,137,271,531	172,966,716	1,113,918,447	894,286,615	1,713,842,940	851,846,736	1,871,079,058	1,890,210,713
Incremental Value:	739,999,224	815,177,162	843,911,193	911,243,270	977,054,627	964,228,337	940,951,731	819,556,325	1,019,232,322	1,038,363,977						
Annual Assessed Value Change:		8.22%	2.90%	6.61%	5.94%	-1.11%	-2.05%	53.86%	9.17%	1.02%						

(1) Source: County of Los Angeles Lien Date Rolls.

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

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Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1
TOP TEN TAXABLE PROPERTY OWNERS

Fiscal Year 2013-14

Table 4



7/8/2014

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Sec. Inc. Value	Value	Parcels	% Unsec. Inc. Value	Value	% of Total Value	% of Inc. Value	
1. Schultz Steel	\$29,289,525	7	3.46%	\$73,670,444	3	38.41%	\$102,959,969	5.45%	9.92%	Aerospace and Industrial Forging
2. El Paseo South Gate	54,624,869	2	6.45%	0	0	0.00%	54,624,869	2.89%	5.26%	Retail Shopping Center
3. Tesoro Refining and Marketing	44,771,374	4	5.29%	0	0	0.00%	44,771,374	2.37%	4.31%	Oil Products Storage
4. South Gate Business and Industrial Park	31,034,059	7	3.67%	0	0	0.00%	31,034,059	1.64%	2.99%	Light industrial & Business Park
5. Armstrong Cork	26,577,060	1	3.14%	0	0	0.00%	26,577,060	1.41%	2.56%	Commercial Flooring Manufacturing
6. Hudd Distribution Services	25,432,986	5	3.00%	0	0	0.00%	25,432,986	1.35%	2.45%	Freight Shipping
7. World Oil	21,265,633	12	2.51%	2,292,645	2	1.20%	23,558,278	1.25%	2.27%	Manufacturing/Hauling of Oil Products
8. Rockview Dairies	17,186,830	4	2.03%	3,196,302	1	1.67%	20,383,132	1.08%	1.96%	Dairy Products/Distribution
9. Saputo Cheese USA	\$0	0	0.00%	\$17,975,768	2	9.37%	17,975,768	0.95%	1.73%	Cheese Products Manufacturing
10. Koo S Manufacturing	0	0	0.00%	15,871,230	3	8.27%	15,871,230	0.84%	1.53%	Fashion Jeans Manufacturing
	\$250,182,336	42	29.55%	\$113,006,389	11	58.91%	\$363,188,725	19.21%	34.98%	
Project Area Assessed Value	\$1,601,491,388			\$288,719,325			\$1,890,210,713			
Project Area Incremental Value:	\$846,550,238			\$191,813,739			\$1,038,363,977			

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Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1
New Development Table
Table 5



7/8/2014

												000's omitted	
REAL	SqFt/ Units	Value	Total Value	Less Existing (1)	Total Value Added	Start	Complete	2014-15	2015-16	2016-17	2017-18		
	0	\$0.00	\$0	\$0	\$0			0	0	0	0		
	0	\$0.00	\$0	\$0	\$0			0	0	0	0		
	0	\$0.00	\$0	\$0	\$0			0	0	0	0		
	0	\$0.00	\$0	\$0	\$0			0	0	0	0		
	0	\$0.00	\$0	\$0	\$0			0	0	0	0		
	0	\$0.00	\$0	\$0	\$0			0	0	0	0		
	0	\$0.00	\$0	\$0	\$0			0	0	0	0		
Transfers of Ownership from 1/1/2013 thru 12/31/2	105	Lump Sum	\$129,010,000	\$90,498,534	\$38,511			38,511	0	0	0		
Transfers of Ownership after 1/1/2014	18	Lump Sum	\$14,756,000	\$5,521,801	\$9,234			0	9,234	0	0		
Total Real Property			\$143,766,000	\$96,020,335	\$47,746			38,511	9,234	0	0		

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Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1 - Original Area



Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)

7/8/2014

Table 1

Taxable Values (1)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Real Property (2)	982,746	960,509	987,975	1,007,735	1,027,889	1,048,447	1,069,416	1,090,804	1,112,621	1,134,873
Personal Property (3)	<u>88,424</u>	<u>88,424</u>	<u>88,424</u>	<u>88,424</u>	<u>88,424</u>	<u>88,424</u>	<u>88,424</u>	<u>88,424</u>	<u>88,424</u>	<u>88,424</u>
Total Projected Value	1,071,170	1,048,933	1,076,399	1,096,159	1,116,313	1,136,871	1,157,840	1,179,228	1,201,045	1,223,297
Taxable Value over Base	139,017	932,153	909,916	937,382	957,142	977,296	997,854	1,018,823	1,040,211	1,062,027
Gross Tax Increment Revenue (4)	9,322	9,099	9,374	9,571	9,773	9,979	10,188	10,402	10,620	10,843
Unitary Tax Revenue	<u>121</u>	<u>121</u>	<u>121</u>	<u>121</u>	<u>121</u>	<u>121</u>	<u>121</u>	<u>121</u>	<u>121</u>	<u>121</u>
Gross Revenues	9,442	9,220	9,494	9,692	9,893	10,099	10,309	10,523	10,741	10,963
LESS:										
SB 2557 Admin. Fee (5)	(136)	(132)	(136)	(138)	(141)	(144)	(147)	(150)	(153)	(156)
Pass Throughs										
HUD Section 108 Loan Repayment (6)	<u>(356)</u>	<u>(348)</u>	<u>(344)</u>	<u>(344)</u>	<u>(338)</u>	<u>(335)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Revenues	8,950	8,740	9,014	9,209	9,415	9,620	10,162	10,372	10,588	10,807
Subordinate Pass Throughs										
SB 211 Statutory Tax Sharing Tier 1 (7)	(552)	(507)	(562)	(602)	(642)	(683)	(725)	(768)	(812)	(856)
SB 211 Statutory Tax Sharing Tier 2 (7)	0	0	(9)	(42)	(76)	(110)	(146)	(182)	(218)	(256)
Net Tax Revenues	8,399	8,232	8,443	8,565	8,697	8,827	9,291	9,423	9,558	9,695

- (1) Taxable values as reported by Los Angeles County for fiscal year 2013-14.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% for 2014-15 and at 2% annually thereafter. Values for 2013-14 are reduced by \$5,370,510 for value loss due to 11 assessment appeals. Values for 2014-15 are increased by \$32,750,123 for 64 transfers of ownership from 1/1/2013 through 12/31/2013 and decreased by \$59,179,471 for projected value loss due to pending assessment appeals. Values for 2015-16 are increased by \$8,255,610 for 13 transfers of ownership after 1/1/2014.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) L.A. County Administrative fee is actual for 2013-14 and estimated at 1.43% of Gross Revenue thereafter.
- (6) The former redevelopment agency entered into a loan agreement with HUD under that agency's Section 108 community development program. This loan was in the amount of \$3,625,000. The loan amortization schedule calls for payments to be made bi-annually in August and February of each fiscal year. The loan is amortized after the payment in August 2019. This loan was used to assist the development of the Towne Center Plaza development within the Original Area.
- (7) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency has eliminated the Plan's time limit for incurrence of new debt. By the elimination of this limit, the Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (Jan. 1, 2004). Using the assessed values for 2003-04 as a base year and beginning in 2004-05, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of tax increment revenue net of Housing Set-Aside. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of tax revenue on incremental value above 10th year value net of Housing Set-Aside. Pursuant to HSC Section 33607.5(e), the statutory tax sharing payments payable from the Project Area are subordinate to the payment of debt service on the Bonds.

Successor Agency of the City of South Gate

South Gate Redevelopment Project No. 1 - Original Area

Projection of Incremental Taxable Value & Tax Increment Revenue

(000s Omitted)

Table 2



7/8/2014

		Taxable Value		Gross Tax	SB 2557	HUD Loan	Tax	Statutory Tax Sharing		Net Tax
		Total	Over Base							
		<u>Taxable Value</u>	<u>139,017</u>	<u>Revenue</u>	<u>Charge</u>	<u>Repayment</u>	<u>Revenues</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Revenues</u>
1	2013-14	1,071,170	932,153	9,442	(136)	(356)	8,950	(552)	0	8,399
2	2014-15	1,048,933	909,916	9,220	(132)	(348)	8,740	(507)	0	8,232
3	2015-16	1,076,399	937,382	9,494	(136)	(344)	9,014	(562)	(9)	8,443
4	2016-17	1,096,159	957,142	9,692	(138)	(344)	9,209	(602)	(42)	8,565
5	2017-18	1,116,313	977,296	9,893	(141)	(338)	9,415	(642)	(76)	8,697
6	2018-19	1,136,871	997,854	10,099	(144)	(335)	9,620	(683)	(110)	8,827
7	2019-20	1,157,840	1,018,823	10,309	(147)	0	10,162	(725)	(146)	9,291
8	2020-21	1,179,228	1,040,211	10,523	(150)	0	10,372	(768)	(182)	9,423
9	2021-22	1,201,045	1,062,027	10,741	(153)	0	10,588	(812)	(218)	9,558
10	2022-23	1,223,297	1,084,280	10,963	(156)	0	10,807	(856)	(256)	9,695
11	2023-24	1,245,994	1,106,977	11,190	(160)	0	11,031	(902)	(294)	9,835
12	2024-25	1,269,146	1,130,129	11,422	(163)	0	11,259	(948)	(333)	9,978
13	2025-26	1,292,760	1,153,743	11,658	(166)	0	11,492	(995)	(372)	10,124
14	2026-27	1,316,847	1,177,830	11,899	(170)	0	11,729	(1,043)	(413)	10,273
				146,545	(2,092)	(2,065)	142,387	(10,599)	(2,449)	129,339

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1 - Original Area

Historical Values (1)

Table 3

7/8/2014

	Base Year 1973-74	2004-05	2005-06	2006-07	2007-08	Revised Base Year (2008-09)	2008-09	Revised Base Year (2009-10)	2009-10	Revised Base Year (2010-11)	2010-11	Revised Base Year (2011-12)	2011-12	Revised Base Year (2012-13)	2012-13	2013-14
Secured (2)																
Land	35,682,432	296,382,522	324,785,854	361,624,089	401,438,809	34,291,008	434,488,046	34,367,486	416,444,004	34,291,008	402,340,243	34,163,400	403,003,420	34,281,666	409,154,006	420,721,131
Improvements	54,720,578	387,531,578	425,889,578	438,991,453	465,533,182	54,720,537	484,757,103	54,720,537	480,969,479	54,720,537	478,507,096	54,508,788	485,678,001	54,705,412	496,105,907	505,175,991
Personal Property	29,874,840	22,985,872	26,107,485	28,228,654	25,094,219	29,874,840	17,472,687	29,874,840	17,779,355	29,874,840	18,066,315	29,874,840	17,195,638	29,874,840	19,495,243	17,488,276
Exemptions	(762,620)	(2,750,426)	(3,363,094)	(9,963,621)	(8,372,735)	(732,699)	(10,319,213)	(732,699)	(11,460,080)	(732,699)	(11,147,486)	(729,955)	(17,394,873)	(732,498)	(12,242,724)	(23,792,050)
Total Secured	119,515,230	704,149,546	773,419,823	818,880,575	883,693,475	118,153,686	926,398,623	118,230,164	903,732,758	118,153,686	887,766,168	117,817,073	888,482,186	118,129,420	912,512,432	919,593,348
Unsecured																
Land	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Improvements	5,018,760	82,833,433	79,896,637	80,834,324	79,905,308	5,018,760	90,104,328	5,018,760	88,833,059	5,018,760	87,961,397	5,018,760	80,919,292	5,018,760	87,104,556	86,011,195
Personal Property	15,868,923	61,317,362	64,210,246	62,569,523	62,778,732	15,868,923	68,985,901	15,868,923	67,182,202	15,868,923	68,319,820	15,868,923	70,187,232	15,868,923	71,928,864	71,037,699
Exemptions	0	(20,000)	(20,000)	(25,000)	(25,000)	0	(25,000)	0	(102,000)	0	(97,000)	0	(97,000)	0	(97,000)	(102,000)
Total Unsecured	20,887,683	144,130,795	144,086,883	143,378,847	142,659,040	20,887,683	159,065,229	20,887,683	155,913,261	20,887,683	156,184,217	20,887,683	151,009,524	20,887,683	158,936,420	156,946,894
GRAND TOTAL	140,402,913	848,280,341	917,506,706	962,259,422	1,026,352,515	139,041,369	1,085,463,852	139,117,847	1,059,646,019	139,041,369	1,043,950,385	138,704,756	1,039,491,710	139,017,103	1,071,448,852	1,076,540,242
Incremental Value:		707,877,428	777,103,793	821,856,509	885,949,602		946,422,483		920,528,172		904,909,016		900,786,954		932,431,749	937,523,139
Annual Change:			9.78%	5.76%	7.80%		6.83%		-2.74%		-1.70%		-0.46%		3.51%	0.55%

(1) Source: County of Los Angeles Lien Date Rolls.

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

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1 - Original Area

TOP TEN TAXABLE PROPERTY OWNERS

Fiscal Year 2013-14

Table 4



7/8/2014

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Sec. Inc. Value	Value	Parcels	% Unsec. Inc. Value	Value	% of Total Value	% of Inc. Value	
1. Schultz Steel	\$29,289,525	7	3.65%	\$73,670,444	3	54.15%	\$102,959,969	9.56%	10.98%	Aerospace and Industrial Forging
2. El Paseo South Gate	54,624,869	2	6.82%	0	0	0.00%	54,624,869	5.07%	5.83%	Retail Shopping Center
3. Tesoro Refining and Marketing	44,771,374	4	5.59%	0	0	0.00%	44,771,374	4.16%	4.78%	Oil Products Storage
4. South Gate Business and Industrial Park	31,034,059	7	3.87%	0	0	0.00%	31,034,059	2.88%	3.31%	Light industrial & Business Park
5. Armstrong Cork	26,577,060	1	3.32%	0	0	0.00%	26,577,060	2.47%	2.83%	Commercial Flooring Manufacturing
6. Hudd Distribution Services	25,432,986	5	3.17%	0	0	0.00%	25,432,986	2.36%	2.71%	Freight Shipping
7. World Oil	21,265,633	12	2.65%	2,292,645	2	1.69%	23,558,278	2.19%	2.51%	Manufacturing/Hauling of Oil Products
8. Rockview Dairies	17,186,830	4	2.14%	3,196,302	1	2.35%	20,383,132	1.89%	2.17%	Dairy Products/Distribution
9. Koos Manufacturing	0	0	0.00%	15,871,230	3	11.66%	15,871,230	1.47%	1.69%	Fashion Jeans Manufacturing
10. Sully-Miller Contracting	<u>6,756,606</u>	<u>1</u>	<u>0.84%</u>	<u>6,622,645</u>	<u>1</u>	<u>4.87%</u>	<u>13,379,251</u>	<u>1.24%</u>	<u>1.43%</u>	Construction Contractor
	\$256,938,942	43	32.06%	\$101,653,266	10	74.71%	\$358,592,208	33.31%	38.25%	
Project Area Assessed Value	\$919,593,348			\$156,946,894			\$1,076,540,242			
Project Area Incremental Value:	\$801,463,928			\$136,059,211			\$937,523,139			

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1 - Original Area
 New Development Table
 Table 5



7/8/2014

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing (1)</u>	000's omitted		<u>Start</u>	<u>Complete</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
					<u>Total Value</u>	<u>Added</u>						
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
Transfers of Ownership from 1/1/2013 thru 12/31/2013	64 Lump Sum	\$101,154,000	\$68,403,877	\$32,750	\$32,750				32,750	0	0	0
Transfers of Ownership after 1/1/2014	13 Lump Sum	\$11,971,000	\$3,715,390	\$8,256	\$8,256				0	8,256	0	0
Total Real Property			\$113,125,000	\$72,119,267	\$41,006				32,750	8,256	0	0

f:\Bond Services\Tax Allocation Bonds\LATTC Refunding Program - South Gate\South Gate - 2014 Refunding TAB v6

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1 - 8th Amendment
Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)



7/8/2014

Table 1

Taxable Values (1)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Real Property (2)	65,089	64,853	66,150	67,473	68,823	70,199	71,603	73,035	74,496	75,986
Personal Property (3)	<u>4,300</u>	<u>4,300</u>	<u>4,300</u>	<u>4,300</u>	<u>4,300</u>	<u>4,300</u>	<u>4,300</u>	<u>4,300</u>	<u>4,300</u>	<u>4,300</u>
Total Projected Value	69,389	69,153	70,450	71,773	73,122	74,499	75,903	77,335	78,796	80,286
Taxable Value over Base	33,925	35,464	35,228	36,525	37,848	39,197	40,574	41,977	43,410	44,870
Gross Tax Increment Revenue (4)	355	352	365	378	392	406	420	434	449	464
Unitary Tax Revenue	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Gross Revenues	355	353	366	379	393	406	420	435	449	464
LESS:										
SB 2557 Admin. Fee (5)	(5)	(5)	(5)	(5)	(6)	(6)	(6)	(6)	(6)	(7)
Tax Revenues	<u>350</u>	<u>348</u>	<u>361</u>	<u>374</u>	<u>387</u>	<u>401</u>	<u>414</u>	<u>429</u>	<u>443</u>	<u>458</u>
Pass Throughs										
AB 1290 Statutory Tax Sharing Tier 1 (6)	(71)	(71)	(73)	(76)	(79)	(81)	(84)	(87)	(90)	(93)
AB 1290 Statutory Tax Sharing Tier 2 (6)	(17)	(17)	(19)	(21)	(23)	(26)	(28)	(30)	(33)	(35)
AB 1290 Statutory Tax Sharing Tier 3 (6)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Tax Revenues	<u>262</u>	<u>261</u>	<u>269</u>	<u>277</u>	<u>285</u>	<u>294</u>	<u>302</u>	<u>311</u>	<u>320</u>	<u>329</u>

- (1) Taxable values as reported by Los Angeles County for fiscal year 2013-14.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% for 2014-15 and at 2% annually thereafter. Values for 2013-14 are unchanged due to transfers of ownership after 1/1/2013 and reduced by \$33,042 for value loss due to 1 assessment appeal. Values for 2014-15 are decreased by \$529,410 for projected value loss due to pending assessment appeals.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) L.A. County Administrative fee is actual for 2013-14 and estimated at 1.43% of Gross Revenue thereafter.
- (6) All Taxing Entities receive their shares of 25% of total tax increment revenue net of Housing Set-Aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of Housing Set-Aside. After year 30, Taxing Entities also receive 14% of tax revenue on incremental value above the year 30 value net of Housing Set-Aside. Statutory tax sharing payments are subordinate to the payment of debt service on the Bonds pursuant to HSC Section 33607.5

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1 - 8th Amendment



Projection of Incremental Taxable Value & Tax Increment Revenue

(000s Omitted)

7/8/2014

Table 2

		Taxable Value		Gross Tax Revenue	SB 2557 Charge	Tax Revenues	Statutory Tax Sharing			Net Tax Revenues
		Total Taxable Value	Over Base 33,925				Tier 1	Tier 2	Tier 3	
1	2013-14	69,389	35,464	355	(5)	350	(71)	(17)	0	262
2	2014-15	69,153	35,228	353	(5)	348	(71)	(17)	0	261
3	2015-16	70,450	36,525	366	(5)	361	(73)	(19)	0	269
4	2016-17	71,773	37,848	379	(5)	374	(76)	(21)	0	277
5	2017-18	73,122	39,197	393	(6)	387	(79)	(23)	0	285
6	2018-19	74,499	40,574	406	(6)	401	(81)	(26)	0	294
7	2019-20	75,903	41,977	420	(6)	414	(84)	(28)	0	302
8	2020-21	77,335	43,410	435	(6)	429	(87)	(30)	0	311
9	2021-22	78,796	44,870	449	(6)	443	(90)	(33)	0	320
10	2022-23	80,286	46,360	464	(7)	458	(93)	(35)	0	329
11	2023-24	81,805	47,880	479	(7)	473	(96)	(38)	0	339
12	2024-25	83,355	49,430	495	(7)	488	(99)	(41)	0	348
13	2025-26	84,936	51,011	511	(7)	503	(102)	(43)	0	358
14	2026-27	86,549	52,624	527	(8)	519	(105)	(46)	0	368
15	2027-28	88,194	54,269	543	(8)	536	(109)	(49)	0	378
16	2028-29	89,872	55,947	560	(8)	552	(112)	(51)	(2)	387
17	2029-30	91,584	57,658	577	(8)	569	(115)	(54)	(4)	395
18	2030-31	93,329	59,404	595	(9)	586	(119)	(57)	(6)	404
19	2031-32	95,110	61,184	613	(9)	604	(123)	(60)	(8)	413
20	2032-33	96,926	63,001	631	(9)	622	(126)	(63)	(10)	422
21	2033-34	98,779	64,853	649	(9)	640	(130)	(66)	(12)	432
22	2034-35	100,668	66,743	668	(10)	659	(134)	(70)	(14)	441
23	2035-36	102,595	68,670	687	(10)	678	(137)	(73)	(16)	451
24	2036-37	104,561	70,636	707	(10)	697	(141)	(76)	(18)	461
25	2037-38	106,567	72,641	727	(10)	717	(145)	(80)	(21)	471
26	2038-39	108,612	74,687	748	(11)	737	(150)	(83)	(23)	482
27	2039-40	110,698	76,773	768	(11)	757	(154)	(86)	(25)	492
28	2040-41	112,826	78,901	790	(11)	778	(158)	(90)	(28)	503
				15,297	(219)	15,078	(3,059)	(1,377)	(185)	10,456

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1 - 8th Amendment

Historical Values (1)

Table 3

	Base Year 1995-96	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
<u>Secured (2)</u>											
Land	17,623,371	25,414,790	26,524,910	27,725,033	29,465,242	32,748,160	39,611,196	38,154,083	38,629,757	39,380,511	36,994,743
Improvements	9,375,909	21,448,426	22,541,391	22,282,771	22,739,841	23,522,804	28,686,728	23,908,484	24,238,990	24,649,340	25,131,503
Personal Property	287,418	77,798	211,057	292,051	0	0	0	0	0	0	0
Exemptions	0	0	0	0	0	0	0	0	0	0	0
Total Secured	27,286,698	46,941,014	49,277,358	50,299,855	52,205,083	56,270,964	68,297,924	62,062,567	62,868,747	64,029,851	62,126,246
<u>Unsecured</u>											
Land	0	0	0	0	0	0	0	0	0	0	0
Improvements	3,596,768	10,938,963	13,160,171	2,850,777	3,255,584	3,602,151	3,704,889	3,047,534	2,960,315	2,973,290	2,996,246
Personal Property	3,041,881	8,167,166	9,561,187	2,829,399	3,758,348	4,684,376	5,622,699	4,857,961	4,687,278	4,571,604	4,299,730
Exemptions	0	0	0	0	0	0	0	0	0	0	0
Total Unsecured	6,638,649	19,106,129	22,721,358	5,680,176	7,013,932	8,286,527	9,327,588	7,905,495	7,647,593	7,544,894	7,295,976
GRAND TOTAL	33,925,347	66,047,143	71,998,716	55,980,031	59,219,015	64,557,491	77,625,512	69,968,062	70,516,340	71,574,745	69,422,222
Incremental Value:		32,121,796	38,073,369	22,054,684	25,293,668	30,632,144	43,700,165	36,042,715	36,590,993	37,649,398	35,496,875
Annual Change:			18.53%	-42.07%	14.69%	21.11%	42.66%	-17.52%	1.52%	2.89%	-5.72%

(1) Source: County of Los Angeles Lien Date Rolls.

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

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1 - 8th Amendment

TOP TEN TAXABLE PROPERTY OWNERS

Fiscal Year 2013-14

Table 4



7/8/2014

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Sec. Inc. Value	Value	Parcels	% Unsec. Inc. Value	Value	% of Total Value	% of Inc. Value	
1. East Firestone	\$13,760,697	1	39.50%	\$0	0	0.00%	\$13,760,697	19.82%	38.77%	Warehouse/Distribution
Pending Appeals on Parcels										
2. Carencar	13,655,452	3	39.20%	0	0	0.00%	13,655,452	19.67%	38.47%	Warehouse/Distribution
3. ELG Metals	6,546,219	1	18.79%	2,992,409	1	455.24%	9,538,628	13.74%	26.87%	Super-Alloy Scrap Metal Recycling
4. Riverside Development Partners	3,462,451	1	9.94%	0	0	0.00%	3,462,451	4.99%	9.75%	Vacant Industrial
5. California Piazza Properties	2,605,189	2	7.48%	0	0	0.00%	2,605,189	3.75%	7.34%	Trucking Terminal
6. Rayogate	2,234,672	1	6.41%	0	0	0.00%	2,234,672	3.22%	6.30%	Light Manufacturing/Bimbo Bakeries
7. Huffburt Property	1,836,597	1	5.27%	0	0	0.00%	1,836,597	2.65%	5.17%	Light Manufacturing
8. Ian and Marilyn S. MacLeod Trust	1,578,176	8	4.53%	0	0	0.00%	1,578,176	2.27%	4.45%	Light Industrial/Distribution Buildings
9. Brena	1,219,700	1	3.50%	160,050	1	24.35%	1,379,750	1.99%	3.89%	America's Best Value Inn Motel
Pending Appeals on Parcels										
10. Jeffery Palmer	<u>1,322,609</u>	<u>1</u>	<u>3.80%</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>1,322,609</u>	<u>1.91%</u>	<u>3.73%</u>	Industrial/Reliable Steel
	\$48,221,762	20	138.41%	\$3,152,459	2	479.59%	\$51,374,221	74.00%	144.73%	
Project Area Assessed Value	\$62,126,246			\$7,295,976			\$69,422,222			
Project Area Incremental Value:	\$34,839,548			\$657,327			\$35,496,875			

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1 - 8th Amendment
 New Development Table
 Table 5



7/8/2014

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing (1)</u>	<u>000's omitted</u> <u>Total Value</u>		<u>Start</u>	<u>Complete</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
					<u>Added</u>							
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
Transfers of Ownership after 1/1/2013	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	Lump Sum	\$0	\$0	\$0				0	0	0	0
Total Real Property			\$0	\$0	\$0				0	0	0	0

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1 - Amendment #13



Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)

7/8/2014

Table 1

Taxable Values (1)	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Real Property (2)	681,939	661,946	676,164	689,687	703,481	717,550	731,901	746,539	761,470	776,700
Personal Property (3)	<u>61,340</u>	<u>61,340</u>	<u>61,340</u>	<u>61,340</u>	<u>61,340</u>	<u>61,340</u>	<u>61,340</u>	<u>61,340</u>	<u>61,340</u>	<u>61,340</u>
Total Projected Value	743,279	723,287	737,504	751,027	764,821	778,891	793,242	807,880	822,811	838,040
Taxable Value over Base	678,904	64,375	44,382	58,600	72,123	85,917	99,986	114,337	128,976	143,906
Gross Tax Increment Revenue (4)	644	444	586	721	859	1,000	1,143	1,290	1,439	1,591
Unitary Tax Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Gross Revenues	644	444	586	721	859	1,000	1,144	1,290	1,439	1,592
LESS:										
SB 2557 Admin. Fee (5)	(9)	(6)	(8)	(10)	(12)	(14)	(16)	(18)	(21)	(23)
Tax Revenues	<u>635</u>	<u>438</u>	<u>578</u>	<u>711</u>	<u>847</u>	<u>986</u>	<u>1,127</u>	<u>1,272</u>	<u>1,419</u>	<u>1,569</u>
Pass Throughs										
AB 1290 Statutory Tax Sharing Tier 1 (6)	(129)	(89)	(117)	(144)	(172)	(200)	(229)	(258)	(288)	(318)
AB 1290 Statutory Tax Sharing Tier 2 (6)	0	0	0	0	0	0	0	0	0	(26)
AB 1290 Statutory Tax Sharing Tier 3 (6)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Tax Revenues	<u>506</u>	<u>349</u>	<u>461</u>	<u>567</u>	<u>675</u>	<u>786</u>	<u>899</u>	<u>1,014</u>	<u>1,131</u>	<u>1,225</u>

- (1) Taxable values as reported by Los Angeles County for fiscal year 2013-14.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% for 2014-15 and at 2% annually thereafter. Values for 2013-14 are reduced by \$968,928 for value loss due to 3 assessment appeals. Values for 2014-15 are increased by \$5,761,343 for 41 transfers of ownership from 1/1/2013 through 12/31/2013 and decreased by \$28,719,653 for projected value loss due to pending assessment appeals. Values for 2015-16 are increased by \$978,589 for 5 transfers of ownership after 1/1/2014.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) L.A. County Administrative fee is actual for 2013-14 and estimated at 1.43% of Gross Revenue thereafter.
- (6) All Taxing Entities receive their shares of 25% of total tax increment revenue net of Housing Set-Aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of Housing Set-Aside. After year 30, Taxing Entities also receive 14% of tax revenue on incremental value above the year 30 value net of Housing Set-Aside. Statutory tax sharing payments are subordinate to the payment of debt service on the Bonds pursuant to HSC Section 33607.5

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1 - Amendment #13



Projection of Incremental Taxable Value & Tax Increment Revenue

(000s Omitted)

7/8/2014

Table 2

		Taxable Value		Gross Tax Revenue	SB 2557 Charge	Tax Revenues	Statutory Tax Sharing			Net Tax Revenues
		Total Taxable Value	Over Base 678,904				Tier 1	Tier 2	Tier 3	
1	2013-14	743,279	64,375	644	(9)	635	(129)	0	0	506
2	2014-15	723,287	44,382	444	(6)	438	(89)	0	0	349
3	2015-16	737,504	58,600	586	(8)	578	(117)	0	0	461
4	2016-17	751,027	72,123	721	(10)	711	(144)	0	0	567
5	2017-18	764,821	85,917	859	(12)	847	(172)	0	0	675
6	2018-19	778,891	99,986	1,000	(14)	986	(200)	0	0	786
7	2019-20	793,242	114,337	1,144	(16)	1,127	(229)	0	0	899
8	2020-21	807,880	128,976	1,290	(18)	1,272	(258)	0	0	1,014
9	2021-22	822,811	143,906	1,439	(21)	1,419	(288)	0	0	1,131
10	2022-23	838,040	159,136	1,592	(23)	1,569	(318)	(26)	0	1,225
11	2023-24	853,574	174,670	1,747	(25)	1,722	(349)	(52)	0	1,321
12	2024-25	869,419	190,514	1,905	(27)	1,878	(381)	(78)	0	1,419
13	2025-26	885,580	206,676	2,067	(30)	2,037	(413)	(105)	0	1,519
14	2026-27	902,065	223,161	2,232	(32)	2,200	(446)	(133)	0	1,620
15	2027-28	918,880	239,975	2,400	(34)	2,366	(480)	(161)	0	1,724
16	2028-29	936,030	257,126	2,571	(37)	2,535	(514)	(190)	0	1,830
17	2029-30	953,524	274,620	2,746	(39)	2,707	(549)	(220)	0	1,938
18	2030-31	971,368	292,464	2,925	(42)	2,883	(585)	(250)	0	2,048
19	2031-32	989,568	310,664	3,107	(44)	3,062	(621)	(280)	0	2,161
20	2032-33	1,008,133	329,229	3,293	(47)	3,245	(659)	(311)	0	2,276
21	2033-34	1,027,069	348,164	3,482	(50)	3,432	(696)	(343)	0	2,392
22	2034-35	1,046,383	367,479	3,675	(53)	3,622	(735)	(376)	0	2,512
23	2035-36	1,066,084	387,180	3,872	(55)	3,817	(774)	(409)	0	2,633
24	2036-37	1,086,179	407,275	4,073	(58)	4,015	(815)	(442)	0	2,758
25	2037-38	1,106,676	427,772	4,278	(61)	4,217	(856)	(477)	0	2,884
26	2038-39	1,127,583	448,678	4,487	(64)	4,423	(897)	(512)	0	3,013
27	2039-40	1,148,907	470,003	4,700	(67)	4,633	(940)	(548)	0	3,145
28	2040-41	1,170,659	491,754	4,918	(70)	4,847	(984)	(584)	0	3,279
29	2041-42	1,192,845	513,941	5,140	(74)	5,066	(1,028)	(622)	0	3,416
30	2042-43	1,215,475	536,571	5,366	(77)	5,289	(1,073)	(660)	(25)	3,531
31	2043-44	1,238,558	559,654	5,597	(80)	5,517	(1,119)	(698)	(51)	3,648
32	2044-45	1,262,102	583,198	5,832	(84)	5,749	(1,166)	(738)	(78)	3,767
33	2045-46	1,286,117	607,213	6,072	(87)	5,985	(1,214)	(778)	(104)	3,888
34	2046-47	1,310,613	631,709	6,317	(90)	6,227	(1,263)	(820)	(132)	4,012
35	2047-48	1,335,598	656,694	6,567	(94)	6,473	(1,313)	(861)	(160)	4,138
36	2048-49	1,361,084	682,179	6,822	(98)	6,724	(1,364)	(904)	(188)	4,267
37	2049-50	1,387,078	708,174	7,082	(101)	6,981	(1,416)	(948)	(218)	4,399
38	2050-51	1,413,593	734,689	7,347	(105)	7,242	(1,469)	(993)	(247)	4,533
39	2051-52	1,440,638	761,734	7,618	(109)	7,508	(1,524)	(1,038)	(278)	4,670
40	2052-53	1,468,224	789,320	7,893	(113)	7,780	(1,579)	(1,084)	(308)	4,809
41	2053-54	1,496,362	817,458	8,175	(117)	8,058	(1,635)	(1,132)	(340)	4,951
42	2054-55	1,525,062	846,158	8,462	(121)	8,341	(1,692)	(1,180)	(372)	5,096
				162,488	(2,327)	160,161	(32,498)	(17,953)	(2,502)	107,209

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1 - Amendment #13

Historical Values (1)

Table 3



7/8/2014

<u>Secured (2)</u>	<u>Base Year 2009-10</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>Revised Base Year (2012-13)</u>	<u>2012-13</u>	<u>2013-14</u>
Land	368,872,369								326,658,029	334,611,928	340,699,577	347,339,564
Improvements	328,950,857								278,523,590	280,828,564	273,913,743	280,002,556
Personal Property	5,630,527								5,584,100	5,585,924	3,613,583	3,537,277
Exemptions	(51,158,495)								(6,930,829)	(11,501,384)	(11,176,155)	(11,107,603)
Total Secured	652,295,258								603,834,890	609,525,032	607,050,748	619,771,794
<u>Unsecured</u>												
Land	0								0	0	0	0
Improvements	35,967,138								0	35,969,638	63,254,225	66,673,379
Personal Property	33,414,116								0	33,429,616	57,770,488	57,828,076
Exemptions	(20,000)								0	(20,000)	(20,000)	(25,000)
Total Unsecured	69,361,254								0	69,379,254	121,004,713	124,476,455
GRAND TOTAL	721,656,512								603,834,890	678,904,286	728,055,461	744,248,249
Incremental Value:									0		49,151,175	65,343,963
Annual Change:												32.94%

(1) Source: County of Los Angeles Lien Date Rolls.

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

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1 - Amendment #13

TOP TEN TAXABLE PROPERTY OWNERS

Fiscal Year 2013-14

Table 4



7/8/2014

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Sec. Inc. Value	Value	Parcels	% Unsec. Inc. Value	Value	% of Total Value	% of Inc. Value	
1. Saputo Cheese USA	\$0	0	0.00%	\$17,975,768	2	32.63%	\$17,975,768	2.42%	27.51%	Cheese Products Manufacturing
2. Dickson Testing Company	5,538,600	2	54.05%	5,106,036	1	9.27%	10,644,636	1.43%	16.29%	Destructive Testing Laboratory
3. Lawrence F. Layne Pending Appeals on Parcels	10,412,385	2	101.62%	28,228	1	0.05%	10,440,613	1.40%	15.98%	Self Storage Facility
4. South Gate Industrial Center	10,416,148	7	101.65%	0	0	0.00%	10,416,148	1.40%	15.94%	Heavy Manufacturing/Distribution
5. Astro Aluminum Treating Company	2,797,133	3	27.30%	7,582,869	1	13.76%	10,380,002	1.39%	15.89%	Aluminum Heat Treating
6. South Gate Foods Pending Appeals on Parcels	4,788,837	2	46.74%	5,268,275	1	9.56%	10,057,112	1.35%	15.39%	Egg Producer
7. Geneerco	9,271,065	11	90.48%	0	0	0.00%	9,271,065	1.25%	14.19%	Heavy Industrial Buildings
8. Technicast	0	0	0.00%	8,872,137	1	16.10%	8,872,137	1.19%	13.58%	Centrifugal Casting Foundry
9. 8633 California Pending Appeals on Parcels	7,950,783	1	77.59%	0	0	0.00%	7,950,783	1.07%	12.17%	Senior Housing Development
10. Bam Bowers Pending Appeals on Parcels	<u>7,277,634</u>	<u>3</u>	<u>71.02%</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>7,277,634</u>	<u>0.98%</u>	<u>11.14%</u>	Heavy Manufacturing/Vacant
	\$58,452,585	31	570.45%	\$44,833,313	7	81.37%	\$103,285,898	13.88%	158.06%	
Project Area Assessed Value	\$619,771,794			\$124,476,455			\$744,248,249			
Project Area Incremental Value:	\$10,246,762			\$55,097,201			\$65,343,963			

Successor Agency of the City of South Gate
South Gate Redevelopment Project No. 1 - Amendment #13
 New Development Table
 Table 5



7/8/2014

000's omitted												
<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing (1)</u>	<u>Total Value Added</u>	<u>Start</u>	<u>Complete</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
Transfers of Ownership from 1/1/2013 thru 12/31/2	41 Lump Sum		\$27,856,000	\$22,094,657	\$5,761			5,761	0	0	0	
Transfers of Ownership after 1/1/2014	5 Lump Sum		\$2,785,000	\$1,806,411	\$979			0	979	0	0	
Total Real Property			\$30,641,000	\$23,901,068	\$6,740			5,761	979	0	0	

f:\Bond Services\Tax Allocation Bonds\LATTC Refunding Program - South Gate\South Gate - 2014 Refunding TAB v6

APPENDIX B

LOS ANGELES COUNTY TREASURER-TAX COLLECTOR TAX ALLOCATION BOND REFUNDING PROGRAM

SUCCESSOR AGENCY TO THE CLAREMONT REDEVELOPMENT AGENCY

CONSOLIDATED REDEVELOPMENT PROJECT

The purpose of this fiscal consultant report (the “Report”) is to examine property tax information for the current fiscal year and to project the amount of tax increment revenues anticipated to be received by the Successor Agency from the Consolidated Redevelopment Project (the Project Area) for the current fiscal year and nine subsequent fiscal years. Provisions of the Law and the Redevelopment Plan for the Project Area determine the amount of Tax Revenue that the Successor Agency may utilize for purposes of making debt service payments and any payments on other obligations with a superior lien on Tax Revenues. As a result of our research, we project that the Tax Revenues for the Project Area will be as shown below:

Consolidated Redevelopment Project Projected Tax Revenues (000's Omitted)						
Fiscal Year	Gross Tax Revenues	SB 2557 Admin. Charge	Pass Through Agreement Payments	SB 211 Statutory Tax Sharing	AB 1290 Statutory Tax Sharing	Tax Revenue
2013-14	\$4,255	(\$61)	(\$473)	(\$175)	(\$377)	\$3,169
2014-15	4,239	(61)	(445)	(173)	(384)	3,176
2015-16	4,629	(66)	(454)	(187)	(511)	3,412
2016-17	4,721	(67)	(452)	(201)	(533)	3,469
2017-18	4,655	(67)	(345)	(214)	(555)	3,475
2018-19	4,764	(68)	(351)	(228)	(578)	3,539
2019-20	4,875	(70)	(358)	(243)	(601)	3,603
2020-21	4,988	(71)	(365)	(257)	(625)	3,669
2021-22	5,103	(73)	(372)	(273)	(650)	3,736
2022-23	5,220	(75)	(379)	(288)	(674)	3,804
2023-24	5,340	(76)	(386)	(304)	(700)	3,874
2024-25	2,768	(40)	(7)	(4)	(725)	1,991

The taxable values of property and the resulting Tax Revenues for the Project Area summarized above are reflected on Tables 1 and 2 of the projections (attached). These projections are based on assumptions determined by our review of the taxable value history of the Project Area and the property tax assessment and property tax apportionment procedures of the Los Angeles County Auditor-Controller. The projection illustrates the entire amount of Tax Revenues projected as being available from the Project Area. Future year assessed values and Tax Revenues are projections based on the assumptions described in this Report and are not guaranteed as to accuracy and are not to be construed as a representation of such by HdL Coren & Cone.

REDEVELOPMENT PLAN ADOPTION AND AMENDMENTS

The City Council of the City of Claremont adopted the redevelopment plan for the Village Redevelopment Project by Ordinance No. 73-8 on June 26, 1973 (“Original Area”) and was comprised of 192.8 acres encompassing generally the area surrounding the historic commercial downtown section of

the City known as the Claremont “Village” and adjacent industrial and office/professional uses. The Plan was subsequently amended by Ordinance No. 81-7 on February 24, 1981 to add the 4.5 acre Cambridge Shopping Center site (“Amendment No. 1”). Ordinance 82-11 further amended the Plan on November 23, 1982 to add 16.4 acres of commercial area south of the San Bernardino Freeway (“Amendment No. 2”). The Original Area was subsequently amended with the adoption of Ordinance No. 86-10 on November 25, 1986 to comply with Section 33333.4 of the Code by establishing limits on the amount of tax increment the Agency could receive and establishing a final date for the Agency to incur new debt. On November 29, 1994 the City Council adopted Ordinance No. 94-17 which amended the Original Area, the Amendment No. 1 and the Amendment No. 2 to conform to further changes in state law caused by the passage of Assembly Bill 1290. These changes to state law required that redevelopment plans have time limits on the establishment of loans, advances and indebtedness; a time limit for the effectiveness of the plan; and, a time limit on the Agency’s ability to pay indebtedness or receive tax revenues. Amendment No. 5, adopted by Ordinance No. 97-15 on November 11, 1997 extended the time during which the Agency could exercise the power of eminent domain within the Original and Annex areas to November 11, 2009. Pursuant to Section 33333.6 of the Code, the Agency adopted Ordinance No. 99-05 on July 13, 1999 amending the limitations previously adopted by Ordinance No. 94-17.

The sixth amendment to the Village Project Area was adopted by Ordinance No. 2000-05 on July 11, 2000 (“Amendment No. 6”). The purpose of Amendment No. 6 was to annex 329 acres and to extend the time limit for the Agency to incur debt within the existing Project Area. Prior to the adoption of Amendment No. 6, the Agency’s Foothill Corridor Project Area was dissolved. Much of the territory that was formerly within the Foothill Corridor Project Area was included within Amendment No. 6. The Original Area, the Amendment No. 1, the Amendment No. 2 and Amendment No. 6 were renamed the Consolidated Redevelopment Project Area. The area added by Amendment No. 6 is comprised of four non-contiguous areas. The first area is located north and south of the San Bernardino Freeway at Indian Hill Boulevard. The second area is comprised of the City Yard property and is located south of Bonita Avenue and west of Cornell Avenue. The third area includes selected properties along the length of Foothill Boulevard from Towne Avenue to the eastern City limits, including areas from Foothill Boulevard north to Base Line Road and east of Claremont Boulevard and Monte Vista Avenue. The fourth area includes parcels south of Base Line Road between Towne Avenue and Indian Hill Boulevard.

The Project Area is now approximately 542.7 acres in size.

REDEVELOPMENT PLAN LIMITS

Chapter 942, Statutes of 1993, (See Section VI B below), limits the life of existing redevelopment plans to 40 years from the date of adoption or January 1, 2009, whichever is later and limits the period within which a redevelopment project area may receive tax increment to the life of the redevelopment plan plus ten years beyond the termination of redevelopment activities.

In accordance with the Redevelopment Law, a redevelopment plan adopted prior to January 1, 1994 is required to include a limitation on the number of tax increment dollars that may be allocated to the redevelopment agency; a time limit on the establishing of indebtedness to be repaid with tax increment; and a limit on the amount of bonded indebtedness to be repaid with tax increment that can be outstanding at one time. These limits can be extended only by an amendment of the redevelopment plan. Chapter 942 limits for redevelopment plans adopted prior to 1994 stipulate that the time limit for establishing

indebtedness shall not exceed 20 years from the adoption of the redevelopment plan or January 1, 2004, whichever is later. Chapter 942 also limits the receipt of tax increment to ten years after the termination of redevelopment activities except for specific low and moderate-income housing obligations and any bond, indebtedness or other obligation authorized prior to January 1, 1994.

The City Council adopted a series of ordinances conforming the time limits of the Project Area to the provisions of Chapter 942. The tax sharing agreement signed by the Agency with the County of Los Angeles specifies the life of the Amendment No. 1 as forty years and Amendment No. 2 as thirty-five years and stipulates that these Projects term could not be extended without prior written consent of the County. No such approval has been given. Because the modifications to the Plan Limitations enacted by Ordinance No. 94-17 were mandated by statute, however, to the extent such Plan Limitations are in harmony with Section 33333.6, the Agency has taken the position that such modifications are effective without the County's consent.

On January 13, 2004, the City Council adopted Ordinance No. 2004-01 that extended the redevelopment plan termination dates for the Original, Amendment No. 1 and Amendment No. 2 areas by one year pursuant to Section 33333.6 of the Law as amended by Senate Bill 1045. This amendment did not apply to Amendment No. 6. This extension served also to extend the last date for repayment of debt with tax increment by one year for the Original, Amendment No. 1 and Amendment No. 2 areas. Ordinance No. 2004-02 was adopted on March 23, 2004 that eliminated the time limit on incurring new indebtedness for Amendment Areas No. 1 and No. 2.

On January 11, 2005, the City Council adopted Ordinance No. 2005-01 that extended the redevelopment plan termination dates for the original area by two years pursuant to Section 33333.6 of the Law as amended by Senate Bill 1096. This extension served also to extend the last date for repayment of debt with tax increment by one year. The extension contemplated in Ordinance 2005-01 was adopted prior to the payment by the former redevelopment agency of the ERAF payment due by May, 2006. This calls into question whether the former redevelopment agency was entitled to extend the time limits of the original area by the second year that was authorized by SB 1096. In the interest of taking a conservative approach to the projections, we have not included this second one year time extension in the Plan Expiration time limit and in the limit on repayment of debt. The most recent amendment to the redevelopment plan was by adoption of Ordinance No. 2009-20 on December 8, 2009 that extended the period during which the former redevelopment agency could exercise its power of eminent domain. The currently applicable Redevelopment Plan limits for the Project Area are summarized below:

**Consolidated Redevelopment Project Area
Plan Limits**

	Plan Expiration	Last Date to Incur New Debt	Last Date to Repay Debt with Tax Increment	Tax Increment Limit	Limit on Total Tax Increment Bond Debt
Orig. Village Project Area	6/26/2014	1/1/2014	6/26/2024	\$217,000,000	None
Amendment No. 1	2/24/2022	Eliminated	2/24/2032	\$8,000,000	\$4,000,000
Amendment No. 2	12/23/2023	Eliminated	12/23/2033	\$6,000,000	\$3,000,000
Amendment 6	7/11/2030	7/11/2020	7/11/2045	None	\$20,000,000

Based on the County records of revenue allocated to the Project Area component areas through fiscal year 2012-13, there have been a total of \$41,173,597 allocated within the Original Area; \$1,272,620 allocated within Amendment No. 1; and, \$5,235,526 allocated within Amendment No. 2. It is not anticipated that the tax increment limits for the Original or Amendment 1 areas will be reached prior to the expiration of the time limit on repayment of indebtedness. Within the Amendment 2 area, however, based on the amount of revenue allocated to date and on the projections, we expect the tax increment limit to be reached during fiscal year 2016-17. Once this limit is reached, no more revenue is projected to be allocated from within the Amendment 2 area.

LAND USE

The table below represents the breakdown of land use in the Project Area component areas by the number of parcels and their taxable value for fiscal year 2013-14. This information is based on County land use designations as provided by Los Angeles County through tax roll data. It should be noted that the County land use designations do not necessarily parallel City land use and zoning designations. Unsecured, Cross Reference and SBE Non-Unitary values are connected with parcels that are already accounted for in other categories.

Consolidated Redevelopment Project Area			
Land Use Categories			
Category	No. Parcels	Net Taxable Value	% of Total
Residential	288	\$111,954,787	20.68%
Commercial	205	283,096,289	52.30%
Industrial	29	55,378,589	10.23%
Government Owned	1	77,362	0.01%
Institutional	4	13,455,112	2.49%
Irrigated	1	50,000	0.01%
Miscellaneous	1	82,120	0.02%
Recreational	2	3,458,722	0.64%
Vacant	42	17,214,086	3.18%
Exempt	60	0	0.00%
Subtotal	633	\$484,767,067	89.56%
Cross Reference		2,853,471	0.53%
Unsecured		53,673,478	9.92%
Subtotal		\$56,526,949	10.44%
Total:		\$541,294,016	100.00%

ASSESSED VALUES

Assessed values are prepared and reported by the County Auditor-Controller each fiscal year and represent the aggregation of all locally assessed properties that are part of the Project Area. The assessments are assigned to Tax Rate Areas (TRA) that are coterminous with the boundaries of the Project Area. The historic reported taxable values were reviewed in order to ascertain the rate of taxable property valuation growth over the ten most recent fiscal years beginning with 2004-05. Between fiscal years

2004-05 and 2013-14, the secured taxable value within the Project Area increased by \$247.2 million (102.8%). Secured values have increased in all fiscal years since 2004-05.

Between fiscal years 2004-05 and 2013-14, the unsecured taxable value within the Project Area increased by \$9.7 (22.06%). Unsecured values have decreased in three of the ten fiscal years since 2004-05 but each of these decreases in unsecured value was minor. For 2013-14, unsecured values accounted for only 9.9% of all taxable value in the Project Area. Total taxable assessed values within the Project Area increased by \$256.9 million (90.32%) between 2004-05 and 2013-14. Annual growth was 36.11% for 2006-07 but has been a little over 2% per year over the past two years. Over this 10 year period of dramatic increases in value and a period of recession, annual growth in taxable value has averaged 11.48%.

ALLOCATION OF STATE ASSESSED UNITARY TAXES

Within the Project Area, the Auditor Controller allocated \$105,458 in unitary tax revenue within the Project Area in 2012-13. These revenue amounts tend to remain fairly constant but are subject to adjustments by the SBE for inflation growth, declines in value due to assessment appeals by utility companies and others taxed under this system and increases in value resulting from development of new facilities. Because we cannot reasonably project changes in this revenue stream, we have assumed that the unitary tax revenue will remain constant in future years.

TAX RATES USED IN THE PROJECTION OF TAX REVENUE

ABx1 26 was adopted in late June, 2011. Section 34183(a)(1) of that legislation requires the Auditor Controller to allocate all revenues attributable to tax rates levied to make annual repayments of the principal and interest on any bonded indebtedness for the acquisition or improvement of real property to the taxing entity levying the tax rate. This has been interpreted by Los Angeles County to include all revenues resulting from the override tax rates that are being levied by the Metropolitan Water District. All override tax rates authorized by voters prior to January 1, 1989 that are levied within the Project Area are considered by the Auditor-Controller as being levied for purposes of paying principal and interest on bonded indebtedness for the acquisition or improvement of real property. Based on this interpretation, no revenues from any override tax rates are being deposited in the Redevelopment Property Tax Trust Fund for allocation to the Successor Agency.

As a result, the tax increment revenues used in this projection are derived only from the 1% general levy tax rate

TOP TEN TAXABLE PROPERTY OWNERS

A review of the top ten taxable property owners in the Project Area for fiscal year 2013-14 was conducted. Within the Project Area, the aggregate total taxable value for the ten largest taxpayers totaled \$147.7 million. The top ten taxpayers totaled 27.87% of the Project Area's taxable assessed value. The largest taxpayers represent 36.00% of the Project Area's incremental value. The table below details the valuations of the top ten taxpayers.

Consolidated Redevelopment Project Top Ten Taxpayers			
	Assessed Value	% Total Value	% Incremental Value
<i>Project Area Total & Incremental Values</i>		<u>\$541,294,016</u>	<u>\$419,062,989</u>
1 Claremont Star (1)	\$39,404,619	7.28%	9.40%
2 HFP Limited	17,786,219	3.29%	4.24%
3 Claremont Village Expansion Borrower	16,372,695	3.02%	3.91%
4 ROIC Claremont Center II (1)	16,347,723	3.02%	3.90%
5 CHP Claremont California Owner	13,727,525	2.54%	3.28%
6 Keck Graduate Institute	12,700,633	2.35%	3.03%
7 Auto Center Group	10,130,000	1.87%	2.42%
8 Milner Family Trust	8,950,500	1.65%	2.14%
9 TTF Limited	8,606,091	1.59%	2.05%
10 P Cheong Lo Wang and Sze Ing	<u>6,827,521</u>	<u>1.26%</u>	<u>1.63%</u>
Total	\$147,716,283	27.87%	36.00%

(1) Pending appeals.

ASSESSMENT APPEALS

Within the Project Area, there have been 117 assessment appeals filed since 2009. Of the 117 appeals filed, 50 have been allowed with a reduction in value and 18 have been denied. There are 49 appeals currently pending within the Project Area. The total value under appeal on the pending appeals is \$181.9 million. Based on the historical averages, we expect that 33 of the currently pending appeals will be allowed and that these successful appeals will result in an assessed value reduction of \$21,300,315. This reduction has been incorporated in the projection as a reduction to the 2014-15 assessed value. The top taxpayer and the one of the remaining nine largest taxpayers within the Project Area have filed assessment appeals that are currently pending.

Our estimates are based upon the historical averages of successful appeals and amounts of value reductions. Actual appeals, reductions and refunds may vary from historical averages. Our estimated reductions in values are reflected on Tables 1 and 2 of the projections. The table below summarizes the potential losses that are incorporated into the projections.

Consolidated Redevelopment Project HISTORICAL ASSESSMENT APPEAL DATA FISCAL YEARS 2009-10 THROUGH 2013-14						
Total No. of Appeals	No. of Resolved Appeals	No. of Successful Appeals	Average Reduction	No. of Appeals Pending	Estimated No. of Appeals Allowed	Est. Reduction on Pending Appeals Allowed (2014-15 AV Adjustment)
117	68	50	17.21%	49	33	\$21,300,315

HISTORICAL COLLECTIONS

A review was made of the receivable and allocated tax revenues for the Project Area for fiscal years 2008-09 through 2012-13. The collection rate for the Project Area has been comparable to the collection rates for other taxing entities within the County for each year. The table below shows the collection rates for the Project Area during these fiscal years. Collection rates are a comparison of current year revenues to the adjusted tax roll assessed values at the end of each fiscal year. Prior year collections, including supplemental revenues, escaped assessment revenues from prior years and penalties are not considered. Collection rates have not been factored into the projections.

Consolidated Redevelopment Project Collections			
Fiscal Year	Computed Levy (1)	Actual Based on Collections Rate (2)	Percent of Collections
2008-09	\$3,761,626	\$3,673,528	97.7%
2009-10	4,319,480	4,221,624	97.7%
2010-11	4,468,208	4,411,395	98.7%
2011-12	4,031,230	3,995,124	99.1%
2012-13	4,128,947	4,061,732	98.4%
Average % Collections:			98.3%

- (1) Computed Levy based on reported incremental value multiplied by the tax rate to compute gross tax increment. Computed Levy also includes Unitary Taxes, if any, as reported by the County Auditor-Controller.
- (2) Source: County Auditor-Controller year-end tax ledger detail. Amounts represent the annual current year tax increment revenues allocable up to FY 2010-11 and prior to dissolution of redevelopment agencies pursuant to AB 1x26. For purposes of identifying the collection of property taxes, amounts shown do not include deductions for administrative fees, tax refunds or pass through payments. Revenues are based on current year assessed values only and do not include supplemental taxes, prior year redemption payments, escaped assessments or mid-year adjustments made by the Assessor or Auditor-Controller.

PASS THROUGH AND OTHER OBLIGATIONS

Tax Sharing Obligations

Original Village Project Area

Under a tax sharing agreement with the County of Los Angeles dated September 19, 1989, the Agency pays to the Consolidated Fire Protection District its entire share (14.34%) of general levy tax increment revenue. These tax-sharing payments are subordinate to debt service payments on all debt service exist as of the date of the agreement. In a subsequent subordination agreement dated January 10, 2000, the Consolidated Fire Protection District agreed that their tax sharing payments would be subordinate to debt service on the Bonds.

In 1973, the Agency entered into an agreement with the City and the Claremont Unified School District ("School District"), whereby the Agency agreed to pay the School District an amount equal to all of the general purpose real property tax revenue allocated to the Agency, which would have been received by

the School District in absence of the Redevelopment Plan. Subsequent to entering into the 1973 Agreement, the School District was designated an equalization aid district thereby guarantying the School District a level of funding by the State. The School District now receives an annual amount from the State equal to the general purpose real property tax revenue it would have received absent the Redevelopment Plan. The Agency is therefore not currently obligated to make payments to the School District pursuant to the 1973 Agreement. For the purposes of the projections, we have assumed the Agency would not be obligated to make payments to the School District. In the event of a future change in the California property tax system, which creates a financial burden or detriment to the School District, the Agency would be obligated to pay to the School District in accordance to the 1973 Agreement. The School District portion of the general purpose real property tax revenue is 18.98%.

Pursuant to section 33607.7 of the Health and Safety Code, added by Assembly Bill (AB) 1290, any amendment that increases the amount of tax increment to be received by a Project or extends any of the measure's required time limits triggers payments to taxing entities with whom the agency does not have a tax sharing agreement. The AB 1290 payments, which are to begin the fiscal year following the year that the Project's original plan limitations would have taken effect, are calculated using the increase in revenue less the amount of revenue generated by the Project Area in the year that the former limit would have been reached.

With the adoption of the Ordinance No. 2000-05 the last date for the Project Area to issue new debt was extended. The AB 1290 time limit on incurring debt for the Project Area was January 1, 2004. Commencing with the first year following the expiration of the existing time limits to incur debt (fiscal year 2004-05) and using the 2003-04 valuations as an adjusted base year value, the Agency began to pay to the affected taxing entities that had not entered in a tax sharing agreement their proportionate shares of an amount that is 25 percent of all tax increment revenue derived from the incremental increase in assessed value above the adjusted base year value after deducting the 20 percent housing set-aside obligation. Because the assessed value in the Original Village Project Area was less in 2004-05 than in 2003-04, payments did not begin until 2005-06 when assessed values had risen to a level above those of the 2003-04 adjusted base year. This first tier of tax sharing continues through the last date the Project Area may receive Tax Revenue for repayment of indebtedness. The City of Claremont has exercised its option to elect to receive its share of the first tier of these statutory tax sharing amounts.

In addition, beginning eleven years after the initiation of the Tier 1 payments, in Fiscal Year 2015-16, using the values for Fiscal Year 2014-15 as an adjusted base year value, the Agency must pay to affected taxing entities, after deducting the 20% housing set-aside obligation, an amount that is 21% of the revenue derived from the increase in assessed value above the new adjusted base year value (the "Second Tier Tax Sharing"). This Second Tier Tax Sharing will also continue through last date to repay debt with Tax Revenue of the Project Area. The City may not elect to receive a share of the Second Tier Tax Sharing. A third tier of tax sharing payments will not be applicable because the Redevelopment Plan terminates prior to the date that this third tier of payments is incurred.

Consolidated Redevelopment Project – Amendment No. 1

Under a tax sharing agreement with the County of Los Angeles dated December 22, 1982, the Agency pays to the Consolidated Fire Protection District (14.34%), County Library (2.39%) and the Flood Control District (1.46%) their shares of general levy tax increment revenue. In addition, the County General Fund receives its share (41.0%) of inflationary growth on base year real property value. The County General

Fund, Library and Flood Control District also receive their shares of debt service override tax rates levied by these entities. The County General Fund levied an override tax rate of 0.001314% in 2000-01. The Flood Control District levied an override tax rate of 0.001552% in 2000-01. The County Library has no current override tax rate and any future rate will not be allocated to the Agency because it will have had to be voter approved after January 1, 1989. Tax sharing payments made pursuant to this agreement have a lien on tax revenue that is superior to debt service on the Bonds.

Pursuant to section 33607.7 of the Health and Safety Code, added by Assembly Bill (AB) 1290, any amendment that increases the amount of tax increment to be received by a Project or extends any of the measure's required time limits triggers payments to taxing entities with whom the agency does not have a tax sharing agreement. The AB 1290 payments, which are to begin the fiscal year following the year that the Project's original plan limitations would have taken effect, are calculated using the increase in revenue less the amount of revenue generated by the Project Area in the year that the former limit would have been reached.

With the adoption of the Ordinance No. 2000-05 the last date for the Project Area to issue new debt was extended. The AB 1290 time limit on incurring debt for the Project Area was January 1, 2004. Commencing with the first year following the expiration of the existing time limits to incur debt (fiscal year 2004-05) and using the 2003-04 valuations as an adjusted base year value, the Agency began to pay to the affected taxing entities that had not entered in a tax sharing agreement their proportionate shares of an amount that is 25 percent of all tax increment revenue derived from the incremental increase in assessed value above the adjusted base year value after deducting the 20 percent housing set-aside obligation. Because the assessed value in the Amendment 1 Project Area was less in 2004-05 than in 2003-04, payments did not begin until 2005-06 when assessed values had risen to a level above those of the 2003-04 adjusted base year. This first tier of tax sharing continues through the last date the Project Area may receive Tax Revenue for repayment of indebtedness. The City of Claremont has exercised its option to elect to receive its share of the first tier of these statutory tax sharing amounts.

In addition, beginning eleven years after the initiation of the Tier 1 payments, in Fiscal Year 2015-16, using the values for Fiscal Year 2014-15 as an adjusted base year value, the Agency must pay to affected taxing entities, after deducting the 20% housing set-aside obligation, an amount that is 21% of the revenue derived from the increase in assessed value above the new adjusted base year value (the "Second Tier Tax Sharing"). This Second Tier Tax Sharing will also continue through last date to repay debt with tax increment of the Project Area. The City may not elect to receive a share of the Second Tier Tax Sharing. A third tier of tax sharing payments will not be applicable because the Redevelopment Plan terminates prior to the date that this third tier of payments is incurred.

Consolidated Redevelopment Project – Amendment No. 2

Under a tax sharing agreement with the County of Los Angeles dated March 1, 1981, the Agency pays to the Consolidated Fire Protection District (15.9%) and the County Taxing Entities (County General Fund, Library and Flood Control District) (50.1%) their shares of general levy tax increment revenue. Tax sharing payments made pursuant to this agreement have a lien on tax revenue that is superior to debt service on the Bonds.

Pursuant to section 33607.7 of the Health and Safety Code, added by Assembly Bill (AB) 1290, any amendment that increases the amount of tax increment to be received by a Project or extends any of the

measure's required time limits triggers payments to taxing entities with whom the agency does not have a tax sharing agreement. The AB 1290 payments, which are to begin the fiscal year following the year that the Project's original plan limitations would have taken effect, are calculated using the increase in revenue less the amount of revenue generated by the Project Area in the year that the former limit would have been reached.

With the adoption of the Ordinance No. 2000-05 the last date for the Project Area to issue new debt was extended. The AB 1290 time limit on incurring debt for the Project Area was January 1, 2004. Commencing with the first year following the expiration of the existing time limits to incur debt (fiscal year 2004-05) and using the 2003-04 valuations as an adjusted base year value, the Agency began to pay to the affected taxing entities that had not entered in a tax sharing agreement their proportionate shares of an amount that is 25 percent of all tax increment revenue derived from the incremental increase in assessed value above the adjusted base year value after deducting the 20 percent housing set-aside obligation. This first tier of tax sharing continues through the last date the Project Area may receive Tax Revenue for repayment of indebtedness. The City of Claremont has exercised its option to elect to receive its share of the first tier of these statutory tax sharing amounts.

In addition, beginning eleven years after the initiation of the Tier 1 payments, in Fiscal Year 2014-15, using the values for Fiscal Year 2013-14 as an adjusted base year value, the Agency must pay to affected taxing entities, after deducting the 20% housing set-aside obligation, an amount that is 21% of the revenue derived from the increase in assessed value above the new adjusted base year value (the "Second Tier Tax Sharing"). This Second Tier Tax Sharing will also continue through last date to repay debt with tax increment of the Project Area. The City may not elect to receive a share of the Second Tier Tax Sharing. A third tier of tax sharing payments will not be applicable because the Redevelopment Plan terminates prior to the date that this third tier of payments is incurred.

Village Redevelopment Project – Amendment No. 6

The Amendment No. 6 Project is subject to the terms of Chapter 942. As a result, stipulated tax sharing payments to all taxing entities are required. The Chapter 942 pass through occurs in three tiers. The first tier pass through of 25% of tax increment revenue net of housing set aside is required for the life of the Amendment No. 6 Project. Beginning in fiscal year 2011-12, the eleventh year of the project's life and using the assessed value of the project area in 2010-11 as an adjusted base year value for calculation of the second tier of incremental value, 21% of second tier tax increment revenue net of housing set aside is passed through to the taxing entities in addition to the initial pass through amount. Beginning in year 2031-32 the third tier of incremental value, 14% of third tier tax increment revenue net of housing set aside is passed through to the taxing entities in addition to the pass through amounts required in earlier years.

Owner Participation Agreements

On June 13, 2000, the Agency and the City entered into an agreement with Keck Graduate Institute of Applied Life Sciences, as modified by a letter of agreement by and between the City, the Agency and Keck dated as of February 7, 2001 (as modified, the "Keck OPA"). Keck acquired property within the Original Project Area for use as a graduate school. As a result of the purchase, approximately \$5,653,702 in assessed value within the Project Area has become tax exempt. Pursuant to the Keck OPA, among other things, Keck has agreed to pay the Agency each year "Adjusted Annual Agency Amount(s)" (as

defined therein) which are intended to be in lieu of tax increment revenue which the Agency would have received from property owned by Keck if a property tax exemption were not otherwise applicable to such property (including improvement, fixtures, and personal property) (the "Keck Property"). Pursuant to the Keck OPA, the Adjusted Annual Agency Amount(s) is to be determined by the Executive Director of the Agency based upon the following process:

- (a) Step 1: there shall be subtracted from the value of the Keck Property, as determined by the Los Angeles County Assessor, the sum of Two Million Eight Hundred Seventy Two Thousand Three Hundred Seventy Two Dollars (\$2,872,372);
- (b) Step 2: the number resulting from Step 1 shall be multiplied by the tax rate used for general property tax levies as in effect from time to time under the California Constitution and the California Revenue and Taxation Code (the "Basic Levy Rate").
- (c) Step 3: there shall be deducted from the number resulting from Step 2 any tax increment revenue received for such period by the Agency from property taxes resulting from the basic levy rate and paid for the Keck Property.

Each Adjusted Annual Agency Amount is to be paid yearly in two equal payments at the times established in the California Revenue and Taxation Code for payment of property taxes on the secured roll. Keck is required to make such payments during all periods during which the Agency derives tax allocation revenues under Section 33670(b) of the law for the Project Area.

Since the dissolution of redevelopment activities Keck has determined that payments to the Agency under this agreement are no longer required. The Agency feels that the payments continue to be required for as long as debt obligations remain to be paid. For purposes of this report, we have shown no payments being made pursuant to this agreement, however, it is possible that these payments will be continued.

Claremont Successor Agency
Claremont Consolidated Redevelopment Project Total



7/8/2014

Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)

Table 1

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Taxable Values (1)										
Real Property (2)	502,562	500,911	539,987	550,787	561,803	573,039	584,499	596,189	608,113	620,275
Personal Property (3)	<u>34,230</u>	<u>34,230</u>	<u>34,230</u>	<u>34,230</u>	<u>34,230</u>	<u>34,230</u>	<u>34,230</u>	<u>34,230</u>	<u>34,230</u>	<u>34,230</u>
Total Projected Value	536,791	535,141	574,217	585,016	596,032	607,268	618,729	630,419	642,343	654,505
Taxable Value over Base	122,231	414,560	412,910	451,986	462,785	473,801	485,037	496,498	508,188	520,112
Gross Tax Increment Revenue (4)	4,146	4,129	4,520	4,628	4,547	4,655	4,766	4,879	4,994	5,112
Unitary Tax Revenue	<u>109</u>	<u>109</u>	<u>109</u>	<u>109</u>	<u>109</u>	<u>109</u>	<u>109</u>	<u>109</u>	<u>109</u>	<u>109</u>
Gross Revenues	4,255	4,239	4,629	4,721	4,655	4,764	4,875	4,988	5,103	5,220
LESS:										
SB 2557 Admin. Fee (5)	(61)	(61)	(66)	(67)	(67)	(68)	(70)	(71)	(73)	(75)
Pass Throughs										
Consolidated Fire Protection District (6)	(357)	(351)	(357)	(362)	(340)	(347)	(353)	(360)	(367)	(374)
L.A. County Taxing Entities (7)	(116)	(95)	(96)	(91)	(4)	(4)	(4)	(5)	(5)	(5)
SB 211 Statutory Tax Sharing (8)	(175)	(173)	(187)	(201)	(214)	(228)	(243)	(257)	(273)	(288)
AB 1290 Statutory Tax Sharing (9)	<u>(377)</u>	<u>(384)</u>	<u>(511)</u>	<u>(533)</u>	<u>(555)</u>	<u>(578)</u>	<u>(601)</u>	<u>(625)</u>	<u>(650)</u>	<u>(674)</u>
Tax Revenues	3,169	3,176	3,412	3,469	3,475	3,539	3,603	3,669	3,736	3,804
Keck In Lieu Payments (10)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Pledged Revenues	3,169	3,176	3,412	3,469	3,475	3,539	3,603	3,669	3,736	3,804

- (1) Taxable values as reported by Los Angeles County for fiscal year 2013-14.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% for 2014-15 and at 2% annually thereafter. Values for 2013-14 are reduced by \$4,502,534 for value loss due to 11 assessment appeals. Values for 2014-15 are increased by \$17,464,865 for 33 transfers of ownership from 1/1/2013 through 12/31/2013 and decreased by \$21,300,315 for projected value loss to pending assessment appeals. Values for 2015-16 are increased by \$29,057,488 for 7 transfers of ownership after 1/1/2014.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities. After 2015-16, no revenue is realized from the Amendment 2 component area.
- (5) L.A. County Administrative fee is actual for 2013-14 and estimated at 1.43% of Gross Revenue thereafter.
- (6) Consolidated Fire District receives 14.34% of general levy in the Original Area and the 83 Annex and 15.9% of general levy on inflationary growth of base year value in the 82 Annex.
- (7) L.A. County Taxing Entities receive 44.85% of general levy revenue from inflationary growth on base year real property value within 82 Annex and 50.1% of general levy revenue from base year inflationary growth from within the 83 Annex.
- (8) For the Village RP Original, 82 Annex and 83 Annex project areas, by the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency has eliminated the Plan's time limit for incurrence of new debt. By the elimination of this limit, the Agency is required to make statutory tax sharing payments as outlined in the Health and Safety Code beginning in the fiscal year following the date of the eliminated time limit (January 1, 2004). All payment calculated per HSC Section 33607.7.
- (9) All Taxing Entities within Amendment #6 receive their shares of 25% of total tax increment revenue net of Housing Set-Aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value and net of Housing Set-Aside. After year 30, Taxing Entities also receive 14% of tax revenue on incremental value above the year 30 value net of Housing Set-Aside. All payments calculated per HSC Section 33607.5.
- (10) In the Original Area, the Agency receives in lieu payments equal to the basic tax levy (1%) of the exemption value. These payment are required by an OPA with Keck Graduate Institute to replace revenue lost to the property's tax exemption. The 2013-14 exemption value is \$8,799,989 and is increased annually to reflect inflation. The participant in this agreement has stopped making payment due to the dissolution of redevelopment. While the Agency believes that these payments are still required, for purposes of this agreement, no payment has been assumed.

Claremont Successor Agency
Claremont Consolidated Redevelopment Project Total
Projection of Incremental Taxable Value & Tax Increment Revenue
(000s Omitted)



7/8/2014

Table 2

		Total	Taxable Value	Gross Tax	SB 2557	Pass-Throughs	SB 211	AB 1290	Tax	Keck In Lieu	Pledged
		<u>Taxable Value</u>	<u>Over Base</u>	<u>Revenue</u>	<u>Charge</u>	<u>Agreements</u>	<u>Statutory</u>	<u>Statutory</u>	<u>Revenues</u>	<u>Payments</u>	<u>Revenues</u>
			<u>Various</u>				<u>Tax Sharing</u>	<u>Tax Sharing</u>			
1	2013-14	536,791	414,560	4,255	(61)	(473)	(175)	(377)	3,169	0	3,169
2	2014-15	535,141	412,910	4,239	(61)	(445)	(173)	(384)	3,176	0	3,176
3	2015-16	574,217	451,986	4,629	(66)	(454)	(187)	(511)	3,412	0	3,412
4	2016-17	585,016	462,785	4,721	(67)	(452)	(201)	(533)	3,469	0	3,469
5	2017-18	596,032	473,801	4,655	(67)	(345)	(214)	(555)	3,475	0	3,475
6	2018-19	607,268	485,037	4,764	(68)	(351)	(228)	(578)	3,539	0	3,539
7	2019-20	618,729	496,498	4,875	(70)	(358)	(243)	(601)	3,603	0	3,603
8	2020-21	630,419	508,188	4,988	(71)	(365)	(257)	(625)	3,669	0	3,669
9	2021-22	642,343	520,112	5,103	(73)	(372)	(273)	(650)	3,736	0	3,736
10	2022-23	654,505	532,274	5,220	(75)	(379)	(288)	(674)	3,804	0	3,804
11	2023-24	666,911	544,679	5,340	(76)	(386)	(304)	(700)	3,874	0	3,874
12	2024-25	404,184	298,396	2,768	(40)	(7)	(4)	(725)	1,991	0	1,991
13	2025-26	411,984	306,195	2,841	(41)	(7)	(5)	(752)	2,037		2,037
14	2026-27	419,939	314,150	2,917	(42)	(8)	(5)	(779)	2,084		2,084
15	2027-28	428,053	322,264	2,993	(43)	(8)	(5)	(806)	2,131		2,131
16	2028-29	436,330	330,541	3,071	(44)	(8)	(6)	(834)	2,180		2,180
17	2029-30	444,772	338,983	3,151	(45)	(8)	(6)	(863)	2,229		2,229
18	2030-31	453,383	347,594	3,233	(46)	(9)	(6)	(892)	2,280		2,280
19	2031-32	462,166	356,378	3,259	(47)	(9)	(3)	(930)	2,271		2,271
20	2032-33	458,540	353,800	3,285	(47)			(970)	2,268		2,268
21	2033-34	440,710	336,561	3,368	(48)			(1,010)	2,310		2,310
22	2034-35	449,263	345,114	3,454	(49)			(1,051)	2,354		2,354
23	2035-36	457,987	353,837	3,541	(51)			(1,093)	2,398		2,398
24	2036-37	466,885	362,736	3,630	(52)			(1,136)	2,443		2,443
25	2037-38	475,961	371,812	3,721	(53)			(1,179)	2,489		2,489
26	2038-39	485,219	381,070	3,814	(55)			(1,224)	2,535		2,535
27	2039-40	494,662	390,513	3,908	(56)			(1,269)	2,583		2,583
28	2040-41	504,294	400,144	4,004	(57)			(1,315)	2,632		2,632
29	2041-42	514,118	409,969	4,103	(59)			(1,362)	2,682		2,682
30	2042-43	524,139	419,990	4,203	(60)			(1,410)	2,732		2,732
31	2043-44	534,360	430,211	4,305	(62)			(1,460)	2,784		2,784
32	2044-45	544,786	440,637	4,409	(63)			(1,510)	2,837		2,837
				126,767	(1,813)	(4,443)	(2,581)	(28,756)	89,173	0	89,173

Claremont Successor Agency
Claremont Consolidated Redevelopment Project Total
Historical Values (1)



7/8/2014

Table 3 - Grand Total

	Base Year Various	2004-05	2005-06	2006-07	2007-08	Revised Base Year (2008-09)	2008-09	Revised Base Year (2009-10)	2009-10	Revised Base Year (2010-11)	2010-11	2011-12	2012-13	2013-14
Secured (2)														
Land	55,021,243	122,330,054	136,012,991	168,410,701	197,441,856	55,016,508	213,038,545	57,350,192	223,252,353	57,339,956	221,629,720	225,634,491	231,527,504	240,147,969
Impts	50,929,657	133,703,151	156,404,954	191,176,744	216,657,700	50,929,657	233,941,395	50,929,657	239,764,732	50,918,509	274,305,064	271,596,759	273,187,108	278,051,211
Pers Prop	2,175,130	3,782,104	3,942,721	4,316,314	4,115,778	2,175,130	4,567,198	2,175,130	3,819,375	2,175,130	2,957,548	2,745,050	2,335,577	2,387,850
Exemptions	(1,629,645)	(19,376,411)	(20,978,039)	(21,453,603)	(21,745,362)	(1,559,645)	(22,850,247)	(1,559,645)	(23,157,773)	(1,559,645)	(27,649,499)	(24,084,342)	(28,795,762)	(32,966,492)
Total Secured	106,496,385	240,438,898	275,382,627	342,450,156	396,469,972	106,561,650	428,696,891	108,895,334	443,678,687	108,873,950	471,242,833	475,891,958	478,254,427	487,620,538
Unsecured														
Land	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Impts	3,404,859	19,614,684	20,382,835	20,218,287	14,640,910	3,749,399	17,931,549	3,749,399	18,282,207	3,749,399	17,525,064	17,768,818	21,969,518	21,831,735
Pers Prop	6,753,944	27,559,618	26,671,434	32,892,176	31,399,781	9,733,964	29,991,678	9,733,964	33,835,274	9,733,964	29,293,048	31,504,576	33,814,724	31,994,043
Exemptions	3,198,274	(3,202,936)	(62,766)	(50,000)	(15,000)	(126,286)	(64,050)	(126,286)	(126,767)	(126,286)	(85,626)	(1,343,054)	(1,714,360)	(152,300)
Total Unsecured	13,357,077	43,971,366	46,991,503	53,060,463	46,025,691	13,357,077	47,859,177	22,659,464	51,990,714	13,357,077	46,732,486	47,930,340	54,069,882	53,673,478
GRAND TOTAL	119,853,462	284,410,264	322,374,130	395,510,619	442,495,663	119,918,727	476,556,068	131,554,798	495,669,401	122,231,027	517,975,319	523,822,298	532,324,309	541,294,016
Incremental Value:		164,556,802	202,520,668	275,657,157	322,642,201		356,702,606		364,114,603		395,744,292	401,591,271	410,093,282	419,062,989
Annual Change:			23.07%	36.11%	17.04%		10.56%		2.08%		8.69%	1.48%	2.12%	2.19%

(1) Source: County of Los Angeles Lien Date Rolls.

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

Claremont Successor Agency
Claremont Consolidated Redevelopment Project Total
TOP TEN TAXABLE PROPERTY OWNERS
Fiscal Year 2013-14
Table 4



7/8/2014

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Sec. Inc. Value	Value	Parcels	% Unsec. Inc. Value	Value	% of Total Value	% of Inc. Value	
1. Claremont Star	\$38,560,622	3	10.18%	\$843,997	3	2.09%	\$39,404,619	7.28%	9.40%	Hilton Doubletree Hotel
2. HFP Limited	17,595,850	5	4.65%	190,369	1	0.47%	17,786,219	3.29%	4.24%	Auto Dealerships
3. Claremont Village Expansion Borrower	\$16,372,695	5	4.32%	\$0	0	0.00%	16,372,695	3.02%	3.91%	Retail Commercial and Office Uses
4. ROIC Claremont Center II	16,347,723	2	4.32%	0	0	0.00%	16,347,723	3.02%	3.90%	Retail Shopping Center
5. CHP Claremont California Owner	13,727,525	1	3.62%	0	0	0.00%	13,727,525	2.54%	3.28%	Medical/Dental Office Building
6. Keck Graduate Institute	12,664,895	4	3.34%	35,738	1	0.09%	12,700,633	2.35%	3.03%	Biological Sciences Graduate School
7. Auto Center Group	\$10,130,000	4	2.67%	\$0	0	0.00%	10,130,000	1.87%	2.42%	Vacant Auto Dealership
8. Milner Family Trust	\$8,950,500	6	2.36%	\$0	0	0.00%	8,950,500	1.65%	2.14%	Light Industrial Park
9. TTF Limited	\$8,606,091	2	2.36%	\$0	0	0.00%	8,606,091	1.59%	2.05%	Retail Shopping Center
10. Po Cheong Lo Wang and Sze Ing	<u>6,827,521</u>	<u>1</u>	4.31%	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>6,827,521</u>	<u>1.26%</u>	<u>1.63%</u>	Residential Apartments
	\$149,783,422	33	39.55%	\$1,070,104	5	2.65%	\$150,853,526	27.87%	36.00%	
Project Area Assessed Value	\$487,620,538			\$53,673,478			\$541,294,016			
Project Area Incremental Value:	\$378,746,588			\$40,316,401			\$419,062,989			

Claremont Successor Agency
Claremont Consolidated Redevelopment Project Total
 New Development Table
 Table 5



7/8/2014

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing (1)</u>	000's omitted		<u>Start</u>	<u>Complete</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
					<u>Total Value</u>	<u>Added</u>						
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
Transfers of Ownership from 1/1/2013 thru 12/31/2013	33 Lump Sum		\$63,550,800	\$46,085,935	\$17,465				17,465	0	0	0
Transfers of Ownership after 1/1/2014	7 Lump Sum		<u>\$36,389,000</u>	<u>\$7,331,512</u>	<u>\$29,057</u>				<u>0</u>	<u>29,057</u>	<u>0</u>	<u>0</u>
Total Real Property			\$99,939,800	\$53,417,447	\$46,522				17,465	29,057	0	0

Claremont Successor Agency

Claremont Consolidated Redevelopment Project - Village RP Original Area

Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)



7/8/2014

Table 1

Taxable Values (1)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	
Real Property (2)	208,808	209,423	213,682	217,956	222,315	226,761	231,297	235,923	240,641	245,454	
Personal Property (3)	<u>20,010</u>	<u>20,010</u>	<u>20,010</u>	<u>20,010</u>	<u>20,010</u>	<u>20,010</u>	<u>20,010</u>	<u>20,010</u>	<u>20,010</u>	<u>20,010</u>	
Total Projected Value	228,817	229,433	233,692	237,966	242,325	246,771	251,306	255,932	260,651	265,464	
Taxable Value over Base	16,442	212,375	212,990	217,250	221,523	225,883	230,329	234,864	239,490	244,208	249,021
Gross Tax Increment Revenue (4)	2,124	2,130	2,172	2,215	2,259	2,303	2,349	2,395	2,442	2,490	
Unitary Tax Revenue	<u>106</u>	<u>106</u>	<u>106</u>	<u>106</u>	<u>106</u>	<u>106</u>	<u>106</u>	<u>106</u>	<u>106</u>	<u>106</u>	
Gross Revenues	2,229	2,235	2,278	2,321	2,364	2,409	2,454	2,500	2,548	2,596	
<u>LESS:</u>											
SB 2557 Admin. Fee (5)	(32)	(32)	(33)	(33)	(34)	(34)	(35)	(36)	(36)	(37)	
<u>Pass Throughs</u>											
SB 211 Statutory Tax Sharing Tier 1 (6)	(170)	(171)	(178)	(186)	(193)	(201)	(208)	(216)	(224)	(233)	
SB 211 Statutory Tax Sharing Tier 2 (6)	0	0	(6)	(12)	(19)	(25)	(31)	(38)	(45)	(52)	
Consolidated Fire Protection District (7)	<u>(320)</u>	<u>(321)</u>	<u>(327)</u>	<u>(333)</u>	<u>(339)</u>	<u>(346)</u>	<u>(352)</u>	<u>(359)</u>	<u>(365)</u>	<u>(372)</u>	
Tax Revenues	1,708	1,712	1,734	1,757	1,780	1,803	1,827	1,852	1,876	1,902	
Keck In Lieu Payments (8)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Pledged Revenues	1,708	1,712	1,734	1,757	1,780	1,803	1,827	1,852	1,876	1,902	

- (1) Taxable values as reported by Los Angeles County for fiscal year 2013-14.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% for 2014-15 and at 2% annually thereafter. Values for 2013-14 are reduced by \$624,218 for value loss due to 3 assessment appeals. Values for 2014-15 are increased by \$3,010,183 for 12 transfers of ownership from 1/1/2013 through 12/31/2013 and decreased by \$3,327,848 for projected value loss to pending assessment appeals. Values for 2015-16 are increased by \$71,000 for 1 transfer of ownership after 1/1/2014.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) L.A. County Administrative fee is actual for 2013-14 and estimated at 1.43% of Gross Revenue thereafter.
- (6) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency has eliminated the Plan's time limit for incurrence of new debt (Jan. 1, 2004). By the elimination of this limit, the Agency is required to make statutory tax sharing payments beginning in the fiscal year following the date of the eliminated time limit. Using the assessed values for 2003-04 as the adjusted base year and beginning in 2004-05, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of tax increment revenue net of Housing Set-Aside. Due to negative tax increment in 2004-05, payments began in 2005-06. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of tax revenue on incremental value above 10th year value net of Housing Set-Aside. The City is entitled to receive its share of Tier 1 payments but no share of Tier 2 payments.
- (7) Consolidated Fire Protection District receives its share (14.34%) of general levy tax increment.
- (8) Pursuant to an OPA, the Agency receives in lieu payments equal to the basic tax levy (1%) of the exemption value. The 2013-14 exemption value is \$8,799,989 and is increased annually to reflect inflation. The participant in this agreement has stopped making payment due to the dissolution of redevelopment. While the Agency believes that these payments are still required, for purposes of this agreement, no payment has been assumed.

Claremont Successor Agency
Claremont Consolidated Redevelopment Project - Village RP Original Area
Projection of Incremental Taxable Value & Tax Increment Revenue

(000s Omitted)



7/8/2014

Table 2

		Taxable Value		Gross Tax Revenue	SB 2557 Charge	Statutory Tax Sharing		Fire Protection District Payment	Tax Revenues	Keck In Lieu Payments	Pledged Revenues
		Total Taxable Value	Over Base 16,442			Tier 1	Tier 2				
1	2013-14	228,817	212,375	2,229	(32)	(170)	0	(320)	1,708	0	1,708
2	2014-15	229,433	212,990	2,235	(32)	(171)	0	(321)	1,712	0	1,712
3	2015-16	233,692	217,250	2,278	(33)	(178)	(6)	(327)	1,734	0	1,734
4	2016-17	237,966	221,523	2,321	(33)	(186)	(12)	(333)	1,757	0	1,757
5	2017-18	242,325	225,883	2,364	(34)	(193)	(19)	(339)	1,780	0	1,780
6	2018-19	246,771	230,329	2,409	(34)	(201)	(25)	(346)	1,803	0	1,803
7	2019-20	251,306	234,864	2,454	(35)	(208)	(31)	(352)	1,827	0	1,827
8	2020-21	255,932	239,490	2,500	(36)	(216)	(38)	(359)	1,852	0	1,852
9	2021-22	260,651	244,208	2,548	(36)	(224)	(45)	(365)	1,876	0	1,876
10	2022-23	265,464	249,021	2,596	(37)	(233)	(52)	(372)	1,902	0	1,902
11	2023-24	270,373	253,930	2,645	(38)	(241)	(59)	(379)	1,928	0	1,928
12	2024-25	0	0	0	0	0	0	0	0	0	0
13	2025-26	0	0	0	0	0	0	0	0	0	0
14	2026-27	0	0	0	0	0	0	0	0	0	0
15	2027-28	0	0	0	0	0	0	0	0	0	0
16	2028-29	0	0	0	0	0	0	0	0	0	0
17	2029-30	0	0	0	0	0	0	0	0	0	0
18	2030-31	0	0	0	0	0	0	0	0	0	0
19	2031-32	0	0	0	0	0	0	0	0	0	0
20	2032-33	0	0	0	0	0	0	0	0	0	0
21	2033-34	0	0	0	0	0	0	0	0	0	0
22	2034-35	0	0	0	0	0	0	0	0	0	0
23	2035-36	0	0	0	0	0	0	0	0	0	0
24	2036-37	0	0	0	0	0	0	0	0	0	0
25	2037-38	0	0	0	0	0	0	0	0	0	0
26	2038-39	0	0	0	0	0	0	0	0	0	0
27	2039-40	0	0	0	0	0	0	0	0	0	0
				26,579	(380)	(2,221)	(287)	(3,813)	19,879	0	19,879

Claremont Successor Agency
Claremont Consolidated Redevelopment Project - Village RP Original Area
Historical Values (1)



7/8/2014

Table 3

	Base Year 1972-73	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	Revised Base Year (2009-10)	<u>2009-10</u>	Revised Base Year 2010-11	<u>2010-00</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
<u>Secured (2)</u>													
Land	5,855,821	43,678,132	52,265,709	69,101,064	84,348,469	86,460,440	5,939,774	89,157,174	5,929,538	87,090,696	90,702,785	94,864,039	97,537,646
Impts	5,642,492	61,413,906	77,520,986	96,848,372	106,132,269	110,881,502	5,642,492	114,264,621	5,631,344	128,790,465	124,940,901	128,410,306	131,383,867
Pers Prop	1,212,297	3,488,859	3,610,775	3,811,769	3,626,515	4,107,903	1,212,297	3,303,997	1,212,297	2,590,982	2,407,378	2,097,604	2,075,625
Exemptions	0	(17,546,860)	(18,065,226)	(18,602,323)	(18,841,299)	(19,906,233)	0	(19,414,904)	0	(23,921,247)	(20,329,014)	(24,967,975)	(29,087,387)
Total Secured	12,710,610	91,034,037	115,332,244	151,158,882	175,265,954	181,543,612	12,794,563	187,310,888	12,773,179	194,550,896	197,722,050	200,403,974	201,909,751
<u>Unsecured</u>													
Land	0	0	0	0	0	0	0	0	0	0	0	0	0
Impts	344,540	13,846,387	12,409,339	11,689,817	9,155,869	12,071,650	344,540	12,232,603	344,540	11,962,805	10,263,525	10,150,810	9,597,706
Pers Prop	3,324,560	17,592,501	13,689,287	15,491,336	14,557,495	16,198,930	3,324,560	19,205,898	3,324,560	18,703,346	19,501,546	19,087,956	18,002,631
Exemptions	0	(3,149,363)	0	(5,000)	(5,000)	(9,050)	0	(71,767)	0	(65,626)	(69,303)	(68,593)	(68,487)
Total Unsecured	3,669,100	28,289,525	26,098,626	27,176,153	23,708,364	28,261,530	3,669,100	31,366,734	3,669,100	30,600,525	29,695,768	29,170,173	27,531,850
GRAND TOTAL	16,379,710	119,323,562	141,430,870	178,335,035	198,974,318	209,805,142	16,463,663	218,677,622	16,442,279	225,151,421	227,417,818	229,574,147	229,441,601
Incremental Value:		102,943,852	125,051,160	161,955,325	182,594,608	193,425,432		202,213,959		208,709,142	210,975,539	213,131,868	212,999,322
Annual Change:			21.48%	29.51%	12.74%	5.93%		4.54%		3.21%	1.09%	1.02%	-0.06%

(1) Source: County of Los Angeles Lien Date Rolls.

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

Claremont Successor Agency
Claremont Consolidated Redevelopment Project - Village RP Original Area

TOP TEN TAXABLE PROPERTY OWNERS

Fiscal Year 2013-14

Table 4



7/8/2014

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Sec. Inc. Value	Value	Parcels	% Unsec. Inc. Value	Value	% of Total Value	% of Inc. Value	
1. Claremont Village Expansion Borrower	\$16,372,695	5	8.66%	\$0	0	0.00%	\$16,372,695	7.14%	7.69%	Retail Commercial and Office Uses
2. Keck Graduate Institute	12,664,895	4	6.70%	35,738	1	0.15%	12,700,633	5.54%	5.96%	Biological Sciences Graduate School
3. Milner Family Trust	8,950,500	6	4.73%	0	0	0.00%	8,950,500	3.90%	4.20%	Light Industrial Park
4. Linus Inland Investments	6,772,607	1	3.58%	0	0	0.00%	6,772,607	2.95%	3.18%	Retail Shopping Center
5. Green Spot Packaging	6,406,267	2	3.39%	3,531	1	0.01%	6,409,798	2.79%	3.01%	Beverage Container Manufacturing
6. Frederick Baumann Trust	6,282,982	4	3.32%	0	0	0.00%	6,282,982	2.74%	2.95%	Light Industrial
7. KC Cook Industrial Properties	5,712,000	2	3.02%	0	0	0.00%	5,712,000	2.49%	2.68%	Light Industrial
8. Claremont Village Inn	4,420,925	2	2.34%	619,253	1	2.60%	5,040,178	2.20%	2.37%	Casa 425 Hotel - 28 rooms
9. Laemmle Claremont	3,450,000	1	1.82%	731,967	1	3.07%	4,181,967	1.82%	1.96%	Movie Theater
10. Time Warner Cable Pacific West	<u>560,000</u>	<u>2</u>	<u>0.30%</u>	<u>3,475,287</u>	<u>3</u>	<u>14.56%</u>	<u>4,035,287</u>	<u>1.76%</u>	<u>1.89%</u>	Cable Television Infrastructure
Pending Appeals on Parcels										
	\$71,592,871	29	37.85%	\$4,865,776	7	20.39%	\$76,458,647	33.32%	35.90%	
Project Area Assessed Value	\$201,909,751			\$27,531,850			\$229,441,601			
Project Area Incremental Value:	\$189,136,572			\$23,862,750			\$212,999,322			

Claremont Successor Agency
Claremont Consolidated Redevelopment Project - Village RP Original Area
 New Development Table
 Table 5



7/8/2014

000's omitted												
REAL	SqFt/ Units	Value	Total Value	Less Existing (1)	Total Value Added	Start	Complete	2014-15	2015-16	2016-17	2017-18	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
Transfers of Ownership from 1/1/2013 thru 12/31/2	12	Lump Sum	\$10,545,000	\$7,534,817	\$3,010			3,010	0	0	0	
Transfers of Ownership after 1/1/2014	1	Lump Sum	<u>\$520,000</u>	<u>\$449,000</u>	<u>\$71</u>			<u>0</u>	<u>71</u>	<u>0</u>	<u>0</u>	
Total Real Property			\$11,065,000	\$7,983,817	\$3,081			3,010	71	0	0	

Claremont Successor Agency
Claremont Consolidated Redevelopment Project - Amendment No. 1



Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)

7/8/2014

Table 1

Taxable Values (1)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Real Property (2)	8,683	8,723	8,897	9,075	9,257	9,442	9,630	9,823	10,020	10,220
Personal Property (3)	127	127	127	127	127	127	127	127	127	127
Total Projected Value	8,810	8,850	9,024	9,202	9,383	9,569	9,757	9,950	10,146	10,347
Taxable Value over Base	1,049	7,762	7,801	7,975	8,153	8,335	8,520	8,709	8,901	9,298
Gross Tax Increment Revenue (4)	78	78	80	82	83	85	87	89	91	93
Unitary Tax Revenue	0	0	0	0	0	0	0	0	0	0
Gross Revenues	78	78	80	82	84	85	87	89	91	93
LESS:										
SB 2557 Admin. Fee (5)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Pass Throughs										
Consolidated Fire Protection District (6)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(2)	(2)
L.A. County Taxing Entities (7)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(5)	(5)	(5)
SB 211 Statutory Tax Sharing Tier 1 (8)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(3)
SB 211 Statutory Tax Sharing Tier 2 (8)	0	0	0	(0)	(0)	(0)	(1)	(1)	(1)	(1)
Tax Revenues	71	71	72	74	75	76	77	79	80	82

- (1) Taxable values as reported by Los Angeles County for fiscal year 2013-14.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% for 2014-15 and at 2% annually thereafter. Values for 2013-14 are increased by \$0 for 0 transfers of ownership after 1/1/2013 and decreased by \$0 for projected value loss due to pending assessment appeals.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) L.A. County Administrative fee is actual for 2013-14 and estimated at 1.43% of Gross Revenue thereafter.
- (6) Consolidated Fire Protection District receives its share (14.34%) of general levy revenue on the inflationary adjusted base year value.
- (7) L.A. County General Fund (41.0%), Library (2.39%) and Flood Control District (1.46%) receive their shares of the general levy revenue from inflationary growth of base year real property value.
- (8) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency has eliminated the Plan's time limit for incurrence of new debt (Jan. 1, 2004). By the elimination of this limit, the Agency is required to make statutory tax sharing payments beginning in the fiscal year following the date of the eliminated time limit. Using the assessed values for 2003-04 as the adjusted base year and beginning in 2004-05, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of tax increment revenue net of Housing Set-Aside. Due to negative tax increment in 2004-05 and 2005-06, payments began in 2006-07. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of tax revenue on incremental value above 10th year value net of Housing Set-Aside. The City receives its share of Tier 1 tax sharing but no share of the Tier 2 tax sharing payments.

Claremont Successor Agency

Claremont Consolidated Redevelopment Project - Amendment No. 1

Projection of Incremental Taxable Value & Tax Increment Revenue

(000s Omitted)

7/8/2014

Table 2



		Total	Taxable Value	Gross Tax	SB 2557	Pass-Throughs	Statutory Tax Sharing		Tax
		<u>Taxable Value</u>	<u>Over Base</u>	<u>Revenue</u>	<u>Charge</u>	<u>Agreements</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Revenues</u>
			1,049						
1	2013-14	8,810	7,762	78	(1)	(5)	(1)	0	71
2	2014-15	8,850	7,801	78	(1)	(5)	(1)	0	71
3	2015-16	9,024	7,975	80	(1)	(5)	(2)	0	72
4	2016-17	9,202	8,153	82	(1)	(5)	(2)	(0)	74
5	2017-18	9,383	8,335	84	(1)	(5)	(2)	(0)	75
6	2018-19	9,569	8,520	85	(1)	(6)	(2)	(0)	76
7	2019-20	9,757	8,709	87	(1)	(6)	(2)	(1)	77
8	2020-21	9,950	8,901	89	(1)	(6)	(2)	(1)	79
9	2021-22	10,146	9,098	91	(1)	(6)	(3)	(1)	80
10	2022-23	10,347	9,298	93	(1)	(7)	(3)	(1)	82
11	2023-24	10,551	9,503	95	(1)	(7)	(3)	(1)	83
12	2024-25	10,760	9,711	97	(1)	(7)	(3)	(1)	85
13	2025-26	10,972	9,924	99	(1)	(7)	(3)	(1)	86
14	2026-27	11,189	10,141	102	(1)	(8)	(3)	(1)	88
15	2027-28	11,411	10,362	104	(1)	(8)	(4)	(2)	89
16	2028-29	11,636	10,588	106	(2)	(8)	(4)	(2)	91
17	2029-30	11,866	10,818	108	(2)	(8)	(4)	(2)	93
18	2030-31	12,101	11,053	111	(2)	(9)	(4)	(2)	94
19	2031-32	12,341	11,292	57	(1)	(9)	(2)	(1)	44
20	2032-33	0	0	0	0	0	0	0	0
21	2033-34	0	0	0	0	0	0	0	0
22	2034-35	0	0	0	0	0	0	0	0
23	2035-36	0	0	0	0	0	0	0	0
24	2036-37	0	0	0	0	0	0	0	0
25	2037-38	0	0	0	0	0	0	0	0
26	2038-39	0	0	0	0	0	0	0	0
27	2039-40	0	0	0	0	0	0	0	0
				1,727	(25)	(125)	(50)	(17)	1,510

Claremont Successor Agency
Claremont Consolidated Redevelopment Project - Amendment No. 1
Historical Values (1)



7/8/2014

Table 3

	Base Year	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
<u>Secured (2)</u>											
Land	487,720	3,143,500	3,143,500	3,679,068	3,752,649	3,827,701	3,904,255	3,895,001	3,924,330	4,002,815	4,082,870
Impts	305,800	3,482,500	3,482,500	4,075,866	4,157,383	4,240,530	4,325,340	4,315,088	4,347,580	4,434,531	4,523,221
Pers Prop	0	0	0	0	0	0	0	0	0	0	0
Exemptions	0	0	0	0	0	0	0	0	0	0	0
Total Secured	793,520	6,626,000	6,626,000	7,754,934	7,910,032	8,068,231	8,229,595	8,210,089	8,271,910	8,437,346	8,606,091
<u>Unsecured</u>											
Land	0	0	0	0	0	0	0	0	0	0	0
Impts	170,440	156,894	133,889	188,167	136,720	272,813	66,679	234,801	108,268	106,197	77,095
Pers Prop	84,580	213,316	230,137	250,484	296,657	279,787	410,640	326,936	165,789	177,794	126,938
Exemptions	0	0	0	0	0	0	0	0	0	0	0
Total Unsecured	255,020	370,210	364,026	438,651	433,377	552,600	477,319	561,737	274,057	283,991	204,033
GRAND TOTAL	1,048,540	<u>6,996,210</u>	<u>6,990,026</u>	<u>8,193,585</u>	<u>8,343,409</u>	<u>8,620,831</u>	<u>8,706,914</u>	<u>8,771,826</u>	<u>8,545,967</u>	<u>8,721,337</u>	<u>8,810,124</u>
Incremental Value:		5,947,670	5,941,486	7,145,045	7,294,869	7,572,291	7,658,374	7,723,286	7,497,427	7,672,797	7,761,584
Annual Change:			-0.10%	20.26%	2.10%	3.80%	1.14%	0.85%	-2.92%	2.34%	1.16%

(1) Source: County of Los Angeles

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

Claremont Successor Agency

Claremont Consolidated Redevelopment Project - Amendment No. 1

TOP TEN TAXABLE PROPERTY OWNERS

Fiscal Year 2013-14

Table 4



7/8/2014

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Sec. Inc. Value	Value	Parcels	% Unsec. Inc. Value	Value	% of Total Value	% of Inc. Value	
1. TTF Limited	\$8,606,091	2	110.16%	\$0	0	0.00%	\$8,606,091	97.68%	110.88%	Retail Shopping Center
2. Juneja Subway	0	0	0.00%	77,598	1	-152.19%	77,598	0.88%	1.00%	Sandwich Shop
3. Hadi S. Kusumo	0	0	0.00%	48,629	1	-95.38%	48,629	0.55%	0.63%	Shopping Center Tenant
4. Yum Yum Donut Shops Inc 73	0	0	0.00%	26,595	1	-52.16%	26,595	0.30%	0.34%	Donut Shop
5. Vicki Chi	0	0	0.00%	14,000	1	-27.46%	14,000	0.16%	0.18%	Shopping Center Tenant
6. Yoo Ja Hwang	0	0	0.00%	10,000	1	-19.61%	10,000	0.11%	0.13%	Shopping Center Tenant
7. Enrique R. Kina	0	0	0.00%	10,000	1	-19.61%	10,000	0.11%	0.13%	Shopping Center Tenant
8. Edward D. Jones and Company	0	0	0.00%	5,811	1	-11.40%	5,811	0.07%	0.07%	Financial Advisor Office
9. Ray John Derek	0	0	0.00%	5,400	1	-10.59%	5,400	0.06%	0.07%	Shopping Center Tenant
10. Anthony Giordano	0	0	0.00%	3,500	3	-6.86%	3,500	0.04%	0.05%	Shopping Center Tenant
	\$8,606,091	2	110.16%	\$201,533	11	-395.26%	\$8,807,624	99.97%	113.48%	
Project Area Assessed Value	\$8,606,091			\$204,033			\$8,810,124			
Project Area Incremental Value:	\$7,812,571			(\$50,987)			\$7,761,584			

Claremont Successor Agency
Claremont Consolidated Redevelopment Project - Amendment No. 1

New Development Table

Table 5



7/8/2014

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing (1)</u>	000's omitted		<u>Start</u>	<u>Complete</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
					<u>Total Value</u>	<u>Added</u>						
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
	0	\$0.00	\$0	\$0	\$0				0	0	0	0
Transfers of Ownership from 1/1/2013 thru 12/31/2	0	Lump Sum	\$0	\$0	\$0				0	0	0	0
Transfers of Ownership after 1/1/2014	0	Lump Sum	\$0	\$0	\$0				0	0	0	0
Total Real Property			\$0	\$0	\$0				0	0	0	0

Claremont Successor Agency

Claremont Consolidated Redevelopment Project - Amendment No. 2

Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)



7/8/2014

Table 1

Taxable Values (1)		<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Real Property (2)		21,969	17,641	17,993	18,353	18,720	19,095	19,477	19,866	20,264	20,669
Personal Property (3)		<u>1,020</u>	<u>1,020</u>	<u>1,020</u>	<u>1,020</u>	<u>1,020</u>	<u>1,020</u>	<u>1,020</u>	<u>1,020</u>	<u>1,020</u>	<u>1,020</u>
Total Projected Value		22,989	18,661	19,014	19,373	19,740	20,115	20,497	20,886	21,284	21,689
Taxable Value over Base	591	22,398	18,070	18,423	18,782	19,150	19,524	19,906	20,295	20,693	21,098
Gross Tax Increment Revenue (4)		224	181	184	188	191	195	199	203	207	211
Unitary Tax Revenue		<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Gross Revenues (5)		225	182	185	173	0	0	0	0	0	0
LESS:											
SB 2557 Admin. Fee (6)		(4)	(3)	(3)	(2)	0	0	0	0	0	0
Pass Throughs											
Consolidated Fire Protection District (7)		(36)	(29)	(29)	(27)	0	0	0	0	0	0
L.A. County Taxing Entities (8)		(113)	(91)	(93)	(87)	0	0	0	0	0	0
SB 211 Statutory Tax Sharing Tier 1 (9)		(4)	(0)	(1)	(1)	0	0	0	0	0	0
SB 211 Statutory Tax Sharing Tier 2 (9)		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Revenues		<u>69</u>	<u>59</u>	<u>60</u>	<u>55</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

- (1) Taxable values as reported by Los Angeles County for fiscal year 2013-14.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% for 2014-15 and at 2% annually thereafter. Values for 2013-14 are reduced by \$2,565,000 for value loss due to 5 assessment appeals. Values for 2014-15 are decreased by -\$2.1 million for 4 transfers of ownership from 1/1/2013 through 12/31/2013 and decreased by \$2,328,863 for projected value loss to pending assessment appeals. Values for 2015-16 are increased by \$0 for 0 transfers of ownership after 1/1/2014.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) The limit on cumulative gross tax increment revenue received is \$6,000,000 and is projected to be reached during 2016-17.
- (6) L.A. County Administrative fee is actual for 2013-14 and estimated at 1.43% of Gross Revenue thereafter.
- (7) Consolidated Fire Protection District receives its share (15.9%) of general levy tax increment.
- (8) L.A. County Taxing Entities receive their share (50.1%) of general levy tax increment.
- (9) By the adoption of an amendment to the Redevelopment Plan under the terms of SB 211, the Agency has eliminated the Plan's time limit for incurrence of new debt (Jan. 1, 2004). By the elimination of this limit, the Agency is required to make statutory tax sharing payments beginning in the fiscal year following the date of the eliminated time limit. Using the assessed values for 2003-04 as the adjusted base year and beginning in 2004-05, Taxing Entities that do not have existing tax sharing agreements receive their shares of 25% of tax increment revenue net of Housing Set-Aside. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of tax revenue on incremental value above 10th year value net of Housing Set-Aside.

Claremont Successor Agency

Claremont Consolidated Redevelopment Project - Amendment No. 2

Projection of Incremental Taxable Value & Tax Increment Revenue

(000s Omitted)



7/8/2014

Table 2

		Total	Taxable Value	Gross Tax	SB 2557	Pass-Throughs	Statutory Tax Sharing		Tax
		<u>Taxable Value</u>	<u>Over Base</u>	<u>Revenue</u>	<u>Charge</u>	<u>Agreements</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Revenues</u>
			591						
1	2013-14	22,989	22,398	225	(4)	(148)	(4)	0	69
2	2014-15	18,661	18,070	182	(3)	(120)	(0)	0	59
3	2015-16	19,014	18,423	185	(3)	(122)	(1)	0	60
4	2016-17	19,373	18,782	173	(2)	(114)	(1)	0	55
5	2017-18	19,740	19,150	0	0	0	0	0	0
6	2018-19	20,115	19,524	0	0	0	0	0	0
7	2019-20	20,497	19,906	0	0	0	0	0	0
8	2020-21	20,886	20,295	0	0	0	0	0	0
9	2021-22	21,284	20,693	0	0	0	0	0	0
10	2022-23	21,689	21,098	0	0	0	0	0	0
11	2023-24	22,102	21,511	0	0	0	0	0	0
12	2024-25	22,524	21,933	0	0	0	0	0	0
13	2025-26	22,954	22,363	0	0	0	0	0	0
14	2026-27	23,393	22,802	0	0	0	0	0	0
15	2027-28	23,840	23,249	0	0	0	0	0	0
16	2028-29	24,297	23,706	0	0	0	0	0	0
17	2029-30	24,762	24,171	0	0	0	0	0	0
18	2030-31	25,237	24,646	0	0	0	0	0	0
19	2031-32	25,721	25,130	0	0	0	0	0	0
20	2032-33	26,215	25,624	0	0	0	0	0	0
21	2033-34	0	0	0	0	0	0	0	0
22	2034-35	0	0	0	0	0	0	0	0
23	2035-36	0	0	0	0	0	0	0	0
24	2036-37	0	0	0	0	0	0	0	0
25	2037-38	0	0	0	0	0	0	0	0
26	2038-39	0	0	0	0	0	0	0	0
27	2039-40	0	0	0	0	0	0	0	0
				764	(11)	(505)	(6)	0	243

Claremont Successor Agency
Claremont Consolidated Redevelopment Project - Amendment No. 2
Historical Values (1)



7/8/2014

Table 3

	Base Year	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
<u>Secured (2)</u>											
Land	566,330	7,434,713	9,512,595	9,702,846	9,896,899	10,094,834	10,146,504	10,122,453	10,198,670	9,103,863	9,200,939
Impts	24,579	11,152,498	9,258,862	15,838,768	16,089,085	16,465,322	16,739,079	16,699,405	16,825,148	14,812,856	14,954,111
Pers Prop	0	0	0	0	0	20,047	0	0	0	0	0
Exemptions	0	0	0	0	0	0	0	0	0	0	0
Total Secured	590,909	18,587,211	18,771,457	25,541,614	25,985,984	26,580,203	26,885,583	26,821,858	27,023,818	23,916,719	24,155,050
<u>Unsecured</u>											
Land	0	0	0	0	0	0	0	0	0	0	0
Impts	0	119,195	2,685,471	3,269,821	274,238	93,726	275,532	255,683	231,005	342,834	379,019
Pers Prop	0	903,941	2,120,356	2,364,960	1,512,576	215,977	18,395	7,414	5,519	996,870	1,020,069
Exemptions	0	0	0	0	0	0	0	0	0	0	0
Total Unsecured	0	1,023,136	4,805,827	5,634,781	1,786,814	309,703	293,927	263,097	236,524	1,339,704	1,399,088
GRAND TOTAL	590,909	<u>19,610,347</u>	<u>23,577,284</u>	<u>31,176,395</u>	<u>27,772,798</u>	<u>26,889,906</u>	<u>27,179,510</u>	<u>27,084,955</u>	<u>27,260,342</u>	<u>25,256,423</u>	<u>25,554,138</u>
Incremental Value:		19,019,438	22,986,375	30,585,486	27,181,889	26,298,997	26,588,601	26,494,046	26,669,433	24,665,514	24,963,229
Annual Change:			20.86%	33.06%	-11.13%	-3.25%	1.10%	-0.36%	0.66%	-7.51%	1.21%

(1) Source: County of Los Angeles Lien Date Rolls.

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

Claremont Successor Agency

Claremont Consolidated Redevelopment Project - Amendment No. 2

TOP TEN TAXABLE PROPERTY OWNERS

Fiscal Year 2013-14

Table 4



7/8/2014

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Sec. Inc. Value	Value	Parcels	% Unsec. Inc. Value	Value	% of Total Value	% of Inc. Value	
1. Auto Center Group	\$10,130,000	4	42.99%	\$0	0	0.00%	\$10,130,000	39.64%	40.58%	Vacant Auto Dealership
2. HFP Limited	9,562,318	2	40.58%	190,369	1	13.61%	9,752,687	38.16%	39.07%	Auto Dealerships
3. Penske Realty	1,870,000	1	7.94%	0	0	0.00%	1,870,000	7.32%	7.49%	Vacant Auto Dealership
4. Time Warner Cable	1,721,211	0	7.30%	0	0	0.00%	1,721,211	6.74%	6.89%	Cable Television Infrastructure
5. R and C Motor	0	0	0.00%	1,041,764	1	74.46%	1,041,764	4.08%	4.17%	Claremont Toyota Dealership
6. Stonewall Gray	871,521	1	3.70%	0	0	0.00%	871,521	3.41%	3.49%	Commercial Car Wash
7. Razzle Dazzle	0	0	0.00%	166,955	1	11.93%	166,955	0.65%	0.67%	Frozen Yogurt Shop
8.	0	0	0.00%	0	0	0.00%	0	0.00%	0.00%	
9.	0	0	0.00%	0	0	0.00%	0	0.00%	0.00%	
10.	0	0	0.00%	0	0	0.00%	0	0.00%	0.00%	
	\$24,155,050	8	102.51%	\$1,399,088	3	100.00%	\$25,554,138	100.00%	102.37%	
Project Area Assessed Value	\$24,155,050			\$1,399,088			\$25,554,138			
Project Area Incremental Value:	\$23,564,141			\$1,399,088			\$24,963,229			

Claremont Successor Agency
Claremont Consolidated Redevelopment Project - Amendment No. 2

New Development Table

Table 5



7/8/2014

						000's omitted						
<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing (1)</u>	<u>Total Value Added</u>	<u>Start</u>	<u>Complete</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
	0	\$0.00	\$0	\$0	\$0			0	0	0	0	
Transfers of Ownership from 1/1/2013 thru 12/31/2013	4 Lump Sum	\$9,250,000	\$9,250,000	\$11,338,719	(\$2,089)			(2,089)	0	0	0	
Transfers of Ownership after 1/1/2014	0 Lump Sum	\$0	\$0	\$0	\$0			0	0	0	0	
Total Real Property			\$9,250,000	\$11,338,719	(\$2,089)			(2,089)	0	0	0	

Claremont Successor Agency

Claremont Consolidated Redevelopment Project - Amendment No. 6

Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)



7/8/2014

Table 1

Taxable Values (1)	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Real Property (2)	263,102	265,125	299,414	305,403	311,511	317,741	324,096	330,578	337,189	343,933
Personal Property (3)	<u>13,073</u>	<u>13,073</u>	<u>13,073</u>	<u>13,073</u>	<u>13,073</u>	<u>13,073</u>	<u>13,073</u>	<u>13,073</u>	<u>13,073</u>	<u>13,073</u>
Total Projected Value	276,175	278,198	312,487	318,475	324,583	330,814	337,168	343,650	350,262	357,006
Taxable Value over Base	104,149	172,026	174,049	208,338	214,326	220,434	226,664	233,019	239,501	252,856
Gross Tax Increment Revenue (4)	1,720	1,740	2,083	2,143	2,204	2,267	2,330	2,395	2,461	2,529
Unitary Tax Revenue	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Gross Revenues	1,723	1,743	2,086	2,146	2,207	2,269	2,333	2,398	2,464	2,531
LESS:										
SB 2557 Admin. Fee (5)	(25)	(25)	(30)	(31)	(32)	(32)	(33)	(34)	(35)	(36)
Pass Throughs										
AB 1290 Statutory Tax Sharing Tier 1 (6)	(345)	(349)	(417)	(429)	(441)	(454)	(467)	(480)	(493)	(506)
AB 1290 Statutory Tax Sharing Tier 2 (6)	(32)	(36)	(93)	(103)	(114)	(124)	(135)	(146)	(157)	(168)
AB 1290 Statutory Tax Sharing Tier 3 (6)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Revenues	<u>1,321</u>	<u>1,334</u>	<u>1,546</u>	<u>1,583</u>	<u>1,621</u>	<u>1,659</u>	<u>1,698</u>	<u>1,738</u>	<u>1,779</u>	<u>1,821</u>

- (1) Taxable values as reported by Los Angeles County for fiscal year 2013-14.
- (2) Real property consists of land and improvements. Increased for inflation at 0.454% for 2014-15 and at 2% annually thereafter. Values for 2013-14 are reduced by \$1,313,316 for value loss due to 3 assessment appeals. Values for 2014-15 are increased by \$16,543,401 for 17 transfers of ownership from 1/1/2013 through 12/31/2013 and decreased by \$15,643,605 for projected value loss to pending assessment appeals. Values for 2015-16 are increased by \$28,986,488 for 6 transfers of ownership after 1/1/2014.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates will be directed to the levying entities.
- (5) L.A. County Administrative fee is actual for 2013-14 and estimated at 1.43% of Gross Revenue thereafter.
- (6) All Taxing Entities receive their shares of 25% of total tax increment revenue net of Housing Set-Aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of Housing Set-Aside. After year 30, Taxing Entities also receive 14% of tax revenue on incremental value above the year 30 value net of Housing Set-Aside.

Claremont Successor Agency

Claremont Consolidated Redevelopment Project - Amendment No. 6

Projection of Incremental Taxable Value & Tax Increment Revenue

(000s Omitted)



7/8/2014

Table 2

		Taxable Value		Gross Tax	SB 2557	Statutory Tax Sharing			Tax
		Total	Over Base	Revenue	Charge	Tier 1	Tier 2	Tier 3	Revenues
		<u>Taxable Value</u>	<u>104,149</u>						
1	2013-14	276,175	172,026	1,723	(25)	(345)	(32)	0	1,321
2	2014-15	278,198	174,049	1,743	(25)	(349)	(36)	0	1,334
3	2015-16	312,487	208,338	2,086	(30)	(417)	(93)	0	1,546
4	2016-17	318,475	214,326	2,146	(31)	(429)	(103)	0	1,583
5	2017-18	324,583	220,434	2,207	(32)	(441)	(114)	0	1,621
6	2018-19	330,814	226,664	2,269	(32)	(454)	(124)	0	1,659
7	2019-20	337,168	233,019	2,333	(33)	(467)	(135)	0	1,698
8	2020-21	343,650	239,501	2,398	(34)	(480)	(146)	0	1,738
9	2021-22	350,262	246,113	2,464	(35)	(493)	(157)	0	1,779
10	2022-23	357,006	252,856	2,531	(36)	(506)	(168)	0	1,821
11	2023-24	363,884	259,735	2,600	(37)	(520)	(180)	0	1,863
12	2024-25	370,901	266,751	2,670	(38)	(534)	(191)	0	1,907
13	2025-26	378,057	273,908	2,742	(39)	(548)	(203)	0	1,951
14	2026-27	385,357	281,208	2,815	(40)	(563)	(216)	0	1,996
15	2027-28	392,803	288,653	2,889	(41)	(578)	(228)	0	2,042
16	2028-29	400,397	296,248	2,965	(42)	(593)	(241)	0	2,089
17	2029-30	408,144	303,994	3,043	(43)	(609)	(254)	0	2,137
18	2030-31	416,045	311,896	3,122	(45)	(624)	(267)	0	2,186
19	2031-32	424,104	319,955	3,202	(46)	(640)	(281)	(9)	2,226
20	2032-33	432,325	328,176	3,285	(47)	(657)	(295)	(18)	2,268
21	2033-34	440,710	336,561	3,368	(48)	(674)	(309)	(28)	2,310
22	2034-35	449,263	345,114	3,454	(49)	(691)	(323)	(37)	2,354
23	2035-36	457,987	353,837	3,541	(51)	(708)	(338)	(47)	2,398
24	2036-37	466,885	362,736	3,630	(52)	(726)	(353)	(57)	2,443
25	2037-38	475,961	371,812	3,721	(53)	(744)	(368)	(67)	2,489
26	2038-39	485,219	381,070	3,814	(55)	(763)	(383)	(77)	2,535
27	2039-40	494,662	390,513	3,908	(56)	(782)	(399)	(88)	2,583
28	2040-41	504,294	400,144	4,004	(57)	(801)	(416)	(99)	2,632
29	2041-42	514,118	409,969	4,103	(59)	(821)	(432)	(110)	2,682
30	2042-43	524,139	419,990	4,203	(60)	(841)	(449)	(121)	2,732
31	2043-44	534,360	430,211	4,305	(62)	(861)	(466)	(133)	2,784
32	2044-45	544,786	440,637	4,409	(63)	(882)	(484)	(144)	2,837
				<u>97,696</u>	<u>(1,397)</u>	<u>(19,539)</u>	<u>(8,182)</u>	<u>(1,035)</u>	<u>67,543</u>

Claremont Successor Agency
Claremont Consolidated Redevelopment Project - Amendment No. 6
Historical Values of Aggregate Parcels Within the Adopted Project Area (1)



7/8/2014

Table 3

	Base Year					Revised		Revised					
Secured (2)	1999-2000	2004-05	2005-06	2006-07	2007-08	Base Year	2008-09	Base Year	2009-10	2010-11	2011-12	2012-13	2013-14
Land	48,111,372	68,073,709	71,091,187	85,927,723	99,443,839	48,106,637	112,655,570	50,356,368	120,044,420	120,521,570	120,808,706	123,556,787	129,326,514
Impts	44,956,786	57,654,247	66,142,606	74,413,738	90,278,963	44,956,786	102,354,041	44,956,786	104,435,692	124,500,106	125,483,130	125,529,415	127,190,012
Pers Prop	962,833	293,245	331,946	504,545	489,263	962,833	439,248	962,833	515,378	366,566	337,672	237,973	312,225
Exemptions	<u>(1,629,645)</u>	<u>(1,829,551)</u>	<u>(2,912,813)</u>	<u>(2,851,280)</u>	<u>(2,904,063)</u>	<u>(1,559,645)</u>	<u>(2,944,014)</u>	<u>(1,559,645)</u>	<u>(3,742,869)</u>	<u>(3,728,252)</u>	<u>(3,755,328)</u>	<u>(3,827,787)</u>	<u>(3,879,105)</u>
Total Secured	92,401,346	124,191,650	134,652,926	157,994,726	187,308,002	92,466,611	212,504,845	94,716,342	221,252,621	241,659,990	242,874,180	245,496,388	252,949,646
Unsecured													
Land	0	0	0	0	0	0	0	0	0	0	0	0	0
Impts	3,234,419	5,492,208	5,154,136	5,070,482	5,074,083	3,234,419	5,493,360	3,234,419	5,707,393	5,071,775	7,166,020	11,369,677	11,777,915
Pers Prop	6,324,824	8,849,860	10,631,654	14,785,396	15,033,053	6,324,824	13,296,984	6,324,824	14,200,341	10,255,352	11,831,722	13,552,104	12,844,405
Exemptions	<u>(126,286)</u>	<u>(53,573)</u>	<u>(62,766)</u>	<u>(45,000)</u>	<u>(10,000)</u>	<u>(126,286)</u>	<u>(55,000)</u>	<u>(126,286)</u>	<u>(55,000)</u>	<u>(20,000)</u>	<u>(1,273,751)</u>	<u>(1,645,767)</u>	<u>(83,813)</u>
Total Unsecured	9,432,957	14,288,495	15,723,024	19,810,878	20,097,136	9,432,957	18,735,344	9,432,957	19,852,734	15,307,127	17,723,991	23,276,014	24,538,507
GRAND TOTAL	101,834,303	138,480,145	150,375,950	177,805,604	207,405,138	101,899,568	231,240,189	104,149,299	241,105,355	256,967,117	260,598,171	268,772,402	277,488,153
Incremental Value:		36,645,842	48,541,647	75,971,301	105,570,835		129,340,621		136,956,056	152,817,818	156,448,872	164,623,103	173,338,854
Annual Change:			32.46%	56.51%	38.96%		22.52%		5.89%	11.58%	2.38%	5.22%	5.29%

(1) Source: County of Los Angeles Lien Date Rolls.

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

Claremont Successor Agency
Claremont Consolidated Redevelopment Project - Amendment No. 6
TOP TEN TAXABLE PROPERTY OWNERS
Fiscal Year 2013-14
Table 4



7/8/2014

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% Sec. Inc. Value	Value	Parcels	% Unsec. Inc. Value	Value	% of Total Value	% of Inc. Value	
1. Claremont Star	\$38,560,622	3	24.37%	\$843,997	3	5.59%	\$39,404,619	14.20%	22.73%	Hilton Doubletree Hotel
Pending Appeals on Parcels										
2. ROIC Claremont Center II	16,347,723	2	10.33%	0	0	0.00%	16,347,723	5.89%	9.43%	Retail Shopping Center
3. CHP Claremont California Owner	13,727,525	1	8.68%	0	0	0.00%	13,727,525	4.95%	7.92%	Medical/Dental Office Building
4. HFP Limited	8,033,532	3	5.08%	0	0	0.00%	8,033,532	2.90%	4.63%	Auto Dealerships
5. Po Cheong Lo Wang and Sze Ing	6,827,521	1	4.31%	0	0	0.00%	6,827,521	2.46%	3.94%	Residential Apartments
6. 6464 Woodman Court	6,759,872	1	4.27%	0	0	0.00%	6,759,872	2.44%	3.90%	Institutional Home for the Aged
7. 4 DQ Claremont	6,248,597	1	3.95%	0	0	0.00%	6,248,597	2.25%	3.60%	Business Park
8. Sea Tek	5,789,078	1	3.66%	3,177	1	0.02%	5,792,255	2.09%	3.34%	Self Storage Facility
9. Taylor Morrison of California	4,550,000	3	2.88%	0	0	0.00%	4,550,000	1.64%	2.62%	Vacant Residential Land
10. Diamond Grove	<u>4,311,429</u>	<u>4</u>	<u>2.72%</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>4,311,429</u>	<u>1.55%</u>	<u>2.49%</u>	Commercial Office/Self Storage
	\$111,155,899	20	70.25%	\$847,174	4	5.61%	\$112,003,073	40.36%	64.62%	
Project Area Assessed Value	\$252,949,646			\$24,538,507			\$277,488,153			
Project Area Incremental Value:	\$158,233,304			\$15,105,550			\$173,338,854			

Claremont Successor Agency
Claremont Consolidated Redevelopment Project - Amendment No. 6

New Development Table

Table 5



7/8/2014

<u>REAL</u>	<u>SqFt/ Units</u>	<u>Value</u>	<u>Total Value</u>	<u>Less Existing (1)</u>	000's omitted		<u>Start</u>	<u>Complete</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
					<u>Total Value</u>	<u>Added</u>						
	0	\$0.00	\$0	\$0	\$0	\$0			0	0	0	0
	0	\$0.00	\$0	\$0	\$0	\$0			0	0	0	0
	0	\$0.00	\$0	\$0	\$0	\$0			0	0	0	0
	0	\$0.00	\$0	\$0	\$0	\$0			0	0	0	0
	0	\$0.00	\$0	\$0	\$0	\$0			0	0	0	0
	0	\$0.00	\$0	\$0	\$0	\$0			0	0	0	0
	0	\$0.00	\$0	\$0	\$0	\$0			0	0	0	0
Transfers of Ownership from 1/1/2013 thru 12/31/2	17 Lump Sum		\$43,755,800	\$27,212,399		\$16,543			16,543	0	0	0
Transfers of Ownership after 1/1/2014	6 Lump Sum		\$35,869,000	\$6,882,512		\$28,986			0	28,986	0	0
Total Real Property			\$79,624,800	\$34,094,911		\$45,530			16,543	28,986	0	0

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APPENDIX D

AUDITED FINANCIAL STATEMENTS OF THE AGENCY PARTICIPANTS

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CITY OF SOUTH GATE, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2013

INDEPENDENT AUDITORS' REPORT

To the Honorable City Council of the City of South Gate
South Gate, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of South Gate, California, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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 opinions 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 opinions.



To the Honorable City Council of the City of South Gate
City of South Gate, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of South Gate, California, as of June 30, 2013, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Housing Authority Fund, and the Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



To the Honorable City Council of the City of South Gate
City of South Gate, California

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013 on our consideration of the City'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 City's internal control over financial reporting and compliance.

Lance, Soll & Lughard, LLP

Brea, California
December 17, 2013

CITY OF SOUTH GATE

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency Funds	Private- Purpose Trust Fund Successor Agency of the Former Community Development Commission
Assets:		
Cash and investments	\$ 274,713	\$ 5,435,705
Receivables:		
Notes and loans	-	860,654
Due from other governments	-	807,924
Land held for resale	-	1,463,492
Restricted assets:		
Cash and investments with fiscal agents	-	5,440,115
Capital assets:		
Capital assets, not being depreciated	-	1,686,000
Capital assets, net of accumulated depreciation	-	256,116
Total Assets	\$ 274,713	15,950,006
Liabilities:		
Accounts payable	\$ 407	15,644
Accrued interest	-	916,918
Deposits payable	274,306	50,036
Due to other governments	-	155,286
Long-term liabilities:		
Due in one year	-	3,869,731
Due in more than one year	-	50,373,869
Total Liabilities	\$ 274,713	55,381,484
Net Position:		
Held in trust for other purposes		(39,431,478)
Total Net Position		\$(39,431,478)

CITY OF SOUTH GATE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	Private- Purpose Trust Fund
	Successor Agency of the Former Community Development Commission
Additions:	
Taxes	\$ 6,670,413
Interest and change in fair value of investments	1,014,924
Contributions from City	175,260
Total Additions	7,860,597
Deductions:	
Administrative expenses	237,641
Contractual services	51,278
Interest expense	2,601,751
Depreciation expense	11,135
Reimbursement of prior taxes to County	15,986,897
Total Deductions	18,888,702
Changes in Net Position	\$ (11,028,105)
Net Position	
Beginning of the year, as originally reported	\$ (27,190,160)
Restatement	(1,213,213)
Beginning of the year, as restated	(28,403,373)
Changes in Net Position	(11,028,105)
End of the Year	\$ (39,431,478)

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 16: Construction Commitments

The following material construction commitments existed at June 30, 2013:

Project Name	Contract Amount	Expenditures to date as of June 30, 2013	Remaining Commitments
Upgrade Water Facilities	\$ 3,519,619	\$ 3,295,145	\$ 224,474
Sewer Improvements	836,816	809,661	27,155
Firestone Atlantic Improvements	6,589,445	3,593,768	2,995,677

Note 17: Net Position Restatement

Beginning net position of the governmental activities and the Utility Authority Water Fund have been restated by \$(833,537) and \$(586,624) respectively to write off deferred cost of issuance on long-term debt as a result of the implementation of GASB Statement No. 65.

Note 18: Successor Agency Trust for Assets of Former Community Development Commission

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of South Gate that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provided that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 11, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 7473.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

a. Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments	\$ 5,435,705
Cash and investments with fiscal agent	5,440,115
	<u>\$ 10,875,820</u>

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 18: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

b. Notes and Loans Receivable

Description	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Family Trust Note - Principal	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -
Family Trust Dudlex Housing Project	665,876	-	(51,222)	614,654
Llovio Ford, Inc	270,000	-	(24,000)	246,000
Town Center Plaza	1,159,072	-	(1,159,072)	-
Town Center Plaza	6,000,000	-	(6,000,000)	-
Total	<u>\$ 9,094,948</u>	<u>\$ -</u>	<u>\$ (8,234,294)</u>	<u>\$ 860,654</u>

On March 3, 1997, the Community Development Commission of the City of South Gate entered into a Disposition and Development Agreement with the South Gate Family Trust to provide improvement to certain real property which operates a Chrysler Plymouth Jeep Eagle Automobile Dealership within the boundaries of the South Gate Redevelopment Project No. 1. The South Gate Family Trust declared bankruptcy and the Community Development Commission secured a judgment against the South Gate Family Trust. Subsequently, the BlackRidge Real Estate Group, LLC (Developer) expressed interest in the property. In an implementation agreement dated January 26, 2012, the Commission agreed to modify its restriction on the use of the property and the Developer agreed to acquire the property for \$1,000,000. At June 30, 2013, the note was received in full.

On April 5, 1994, the Community Development Commission of the City of South Gate entered into a Disposition and Development Agreement with South Gate Realty Group for the development of certain Real property. South Gate Realty Group owns and operates a housing project located within the boundaries of the South Gate Community Development Commission at 8931 Dudlex Avenue consisting of 20 senior 1-bedroom units. South Gate Realty Group must comply with Housing and Urban Development (HUD) rents for 30 years from the certificate of occupancy date. The agreement states that 1/30th of the loan amount (\$51,222) will be forgiven each fiscal year starting from the occupancy date if South Gate Realty Group can illustrate compliance with the Disposition and Development Agreement (DDA). The DDA limits the rent at \$620 per unit less \$50 utility allowance for a net of \$570 per month or less. The compliance report is required to be submitted to the City each month in order to receive the \$51,222 annual forgiveness. At June 30, 2013, the outstanding balance on the loan is \$614,654.

On October 3, 1996, the Community Development Commission of the City of South Gate entered into a Disposition and Development Agreement with Llovio Ford Inc. to finance improvement of certain real property on which Llovio Ford Inc. operates an automobile dealership included within the boundaries of the South Gate Community Development Commission. Starting February 1, 1998, Llovio Ford Inc. shall make monthly payments on the 1st day of each month in the amount of \$2,000 for 25 years to be paid toward the principal of the note. At June 30, 2013, the outstanding balance is \$246,000.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 18: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

On January 21, 2003, the Commission entered into a promissory note with Town Center Plaza, LLC. The note is secured by a short form deed of trust dated February 24, 1999. As security for the repayment of the loan, the trust deed encumbers certain real property and improvements. Town Center Plaza, LLC, had not made payments as specified in the agreement. As a result, in fiscal year 2008-2009 the Commission had written off the note receivable to account for it as a contingent receivable. However, in fiscal year 2009-2010 a new purchase agreement was met and the note receivable was reinstated. At June 30, 2013, the note was received in full.

On August 2010, the Commission entered into a settlement agreement with Town Center Plaza, LLC and executed a new promissory note for \$6,000,000. The note bears interest at a rate of 3% per annum and the entire principal balance shall be due and payable on or before March 31, 2013. At June 30, 2013, the note was received in full.

c. Capital Assets

An analysis of capital assets as of June 30, 2013, follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets, not being depreciated				
Land	\$ 1,686,000	\$ -	\$ -	\$ 1,686,000
Total Capital Assets, Not Being Depreciated	1,686,000	-	-	1,686,000
Capital Assets, being depreciated				
Structures and Improvements	381,785	-	-	381,785
Machinery and Equipment	19,359	-	-	19,359
Total Capital Assets, Being Depreciated	401,144	-	-	401,144
Less Accumulated Depreciation				
Structures and Improvements	(114,534)	(11,135)	-	(125,669)
Machinery and Equipment	(19,359)	-	-	(19,359)
Total Accumulated Depreciation	(133,893)	(11,135)	-	(145,028)
Total Capital Assets, Being Depreciated, Net	267,251	(11,135)	-	256,116
Total Capital Assets, Net	\$ 1,953,251	\$ (11,135)	\$ -	\$ 1,942,116

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 18: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

d. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) as of June 30, 2013 is as follows:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013	Due Within One Year
Advances from City	\$ 20,613,962	\$ 979,118	\$ (1,075,000)	\$ 20,518,080	\$ 1,814,731
2002 Tax Allocation Bonds	12,270,000	-	(685,000)	11,585,000	720,000
2003 Tax Allocation Bonds	22,575,000	-	(1,290,000)	21,285,000	1,335,000
Total	<u>\$ 55,458,962</u>	<u>\$ 979,118</u>	<u>\$ (3,050,000)</u>	53,388,080	<u>\$ 3,869,731</u>
		Unamortized premium		855,520	
				<u>\$ 54,243,600</u>	

Advances from the City

A description of the advances payable to the City of South Gate as of June 30, 2013, consists of the following:

\$3,625,000 Advance

In July 1999, a \$3,625,000 advance was made between the Community Development Block Grant Special Revenue Fund and the Community Development Commission. The Community Development Block Grant Special Revenue fund received a \$3,625,000 Section 108 loan from the U.S. Department of Housing and Urban Development and loaned the proceeds to the Commission to help fund the development of the Towne Center Plaza. The interest rate on the note is 6% and the repayment date corresponds with the repayment of the Towne Center Plaza loan receivable, which is semi-annually on August 1st and February 1st of each year. The amount outstanding at June 30, 2013, is \$1,815,000.

\$12,000,000 Advance

A \$12,000,000 advance was made during the fiscal year ended June 30, 2002, to provide funds for redevelopment purposes. The advance accrues interest at the rate of 3.5% per annum. The repayment of the advance is annually due on March 1st of each year. The amount outstanding at June 30, 2013, is \$3,388,080.

On May 11, 2012, the Department of Finance did not qualify the advance of \$12,000,000, with an outstanding balance of \$3,388,080, as an enforceable obligation. As a result the prior year repayment of \$979,118 was reinstated. Health and Safety Code (HSC) section 34177 (d) (2) states that agreements, contracts, or arrangements between the City that created the Redevelopment Agency and the former Redevelopment Agency are not enforceable, unless issued within two years of the Agency's creation date or for issuance of indebtedness to third-party investors or bondholders. The Agency was established in 1973 and the reimbursement agreement was entered into in 2002, therefore, it is not considered an enforceable obligation. The Successor Agency is in the process of having the advance approved as an enforceable obligation.

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 18: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

\$15,185,000 Advance

In March 2002, the Commission entered into an agreement to borrow \$15,185,000 from the General Fund to provide for the advance refunding of the Commission's 1999 Subordinate Tax Allocation Revenue Notes and for the financing of certain redevelopment projects within the project area. The funding was provided through the issuance of the 2002 Series A Certificates of Participation issued by the City. The advance accrues interest between 4.8% and 5.0% per annum, payable semi-annually. Principal payments ranging from \$430,000 to \$1,105,000 are payable annually through September 2024. In the event that Commission tax revenues are not sufficient to pay the principal and interest on the advance, amounts shall be payable from any lawfully available funds of the City. The amount outstanding at June 30, 2013, is \$10,150,000.

\$7,280,000 Advance

In March 2002, the City's Community Development Commission entered into an agreement to borrow \$7,280,000 from the General Fund to provide for the advance refunding of the Commission's 1999 Subordinate Tax Allocation Revenue Notes. The funding was provided through the issuance of the 2002 Series B Certificates of Participation issued by the City. The advance accrues interest between 6.6% and 7% per annum, payable semi-annually. Principal payments ranging from \$165,000 to \$605,000 are payable annually through September 2024. In the event that agency tax revenues are not sufficient to pay the principal and interest on the advance, amounts shall be payable from any lawfully available funds of the Commission. The amount outstanding at June 30, 2013, is \$5,165,000.

The annual requirements to repay certain advances are as follows:

	\$3,625,000 Advance		\$12,000,000 Advance	
	Principal	Interest	Principal	Interest
2013 - 2014	\$ 215,000	\$ 134,325	\$ 679,731	\$ 52,002
2014 - 2015	230,000	117,107	703,907	28,212
2015 - 2016	240,000	98,816	102,144	3,575
2016 - 2017	255,000	79,427	-	-
2017 - 2018	275,000	58,535	-	-
2018 -2023	600,000	48,500	-	-
Total	<u>\$ 1,815,000</u>	<u>\$ 536,710</u>	<u>\$ 1,485,782</u>	<u>\$ 83,789</u>

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 18: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

	\$15,185,000 Advance		\$7,280,000 Advance	
	Principal	Interest	Principal	Interest
2013 - 2014	\$ 630,000	\$ 530,775	\$ 290,000	\$ 361,550
2014 - 2015	665,000	497,700	310,000	341,250
2015 - 2016	695,000	467,775	330,000	319,550
2016 - 2017	725,000	433,025	355,000	296,450
2017 - 2018	765,000	393,150	380,000	271,600
2018 -2023	4,515,000	1,284,850	2,330,000	920,500
2023 - 2028	2,155,000	163,000	1,170,000	124,250
Total	<u>\$ 10,150,000</u>	<u>\$ 3,770,275</u>	<u>\$ 5,165,000</u>	<u>\$ 2,635,150</u>

2002 Tax Allocation Revenue Bonds

In October 2002, the South Gate Public Financing Authority issued \$17,335,000 in Project Area No. 1 Tax Allocation Revenue Bonds. The net proceeds were used to purchase U.S. Government Securities to refund the remaining \$7,510,000 outstanding amount on the \$8,625,000 Housing Tax Allocation Bonds and to finance low and moderate income housing projects of the South Gate Community Development Commission. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 Bonds. As a result, the entire 1998 Bonds are considered defeased and the liability for those bonds has been removed from the government-wide financial statements.

The bonds mature in amounts ranging from \$485,000 to \$1,270,000 with interest rates ranging from 3% to 5.75% through September 1, 2024. The final payment of principal and interest on the loan must be made no later than June 15, 2024, in order to comply with the deadline to repay bonded indebtedness imposed on the redevelopment project by the redevelopment loan. Interest on the bonds is payable on March 1, 2003 and semi-annually thereafter on September 1 and March 1 of each year.

A reserve account is required to be maintained in an amount equal to the least of: (i) 10% of bonds outstanding with respect to which annual debt service is calculated; (ii) 125% of average annual debt service; or (iii) maximum annual debt service. As of June 30, 2013, the reserve requirement was \$1,336,006. The Authority purchased a Debt Service Reserve Fund Insurance Policy to meet this reserve requirement

The bonds were issued at a premium of \$300,974. As of June 30, 2013, the outstanding balance on the bonds is \$11,585,000 and the unamortized premium is \$157,654.

2003 Tax Allocation Revenue Bonds

In November 2003, the South Gate Public Financing Authority issued \$31,900,000 in Project Area No. 1 Tax Allocation Revenue Bonds with an average interest rate of 4.1% to advance refund \$31,075,000 of outstanding 1994 Project Area No. 1 Tax Allocation Bonds with an average interest rate of 4.6%. The net proceeds were used to purchase U.S. government securities that were deposited in an irrevocable trust

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 18: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

with an escrow agent to provide for all future debt service payments on the 1994 Bonds. As a result, the 1994 Bonds are considered defeased and have been paid in full.

The bonds mature in amounts ranging from \$1,045,000 to \$2,295,000 with interest rates ranging from 2% to 5.25% through September 1, 2024. Interest on the bonds is payable on March 1, 2004 and semi-annually thereafter on September 1 and March 1 of each year.

A reserve account is required to be maintained in an amount equal to the least of: (i) 10% of bonds outstanding with respect to which annual debt service is calculated; (ii) 125% of average annual debt service; or (iii) maximum annual debt service. As of June 30, 2013, the reserve requirement was \$2,406,531 and the balance held in the reserve account was \$2,408,209.

The bonds were issued at a premium of \$1,221,270. At June 30, 2013, the unamortized premium is \$697,866 and the outstanding balance on the bonds is \$21,285,000.

Debt Service Requirements

The Authority pledged, as security for bonds issued, either directly or through the Financing Authority, a portion of tax increment revenue (including Low and Moderate Income Housing set-aside and pass through allocations) that it receives. The bonds issued were to provide financing for various capital projects, accomplish Low and Moderate Income Housing projects and to defease previously issued bonds. Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$44,898,155 with annual debt service requirements as indicated below. For the current year, the total property tax revenue recognized by the Authority for the payment of indebtedness incurred by the dissolved redevelopment agency was \$6,670,413 and the debt service obligation on the bonds was \$3,739,387.

The following schedule summarizes the debt service to maturity requirements for bonds payable outstanding as of June 30, 2013:

	2002 Tax Allocation Revenue Bonds		2003 Tax Allocation Revenue Bonds	
	Principal	Interest	Principal	Interest
2013 - 2014	\$ 720,000	\$ 613,556	\$ 1,335,000	\$ 1,066,594
2014 - 2015	755,000	577,556	1,390,000	1,016,531
2015 - 2016	795,000	539,806	1,460,000	943,556
2016 - 2017	835,000	500,056	1,535,000	866,906
2017 - 2018	875,000	458,306	1,620,000	786,319
2018 -2023	5,130,000	1,536,469	9,450,000	2,565,281
2023 -2028	2,475,000	191,931	4,495,000	311,288
Total	\$ 11,585,000	\$ 4,417,680	\$ 21,285,000	\$ 7,556,475

CITY OF SOUTH GATE

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 18: Successor Agency Trust for Assets of Former Community Development Commission (Continued)

e. Commitments and Contingencies

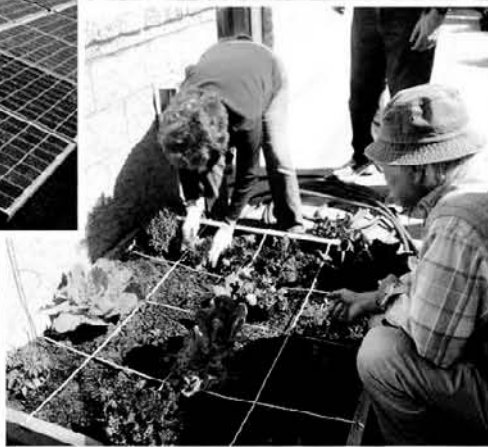
On May 13, 1998, the Community Development Commission of the City of South Gate entered into a Disposition and Development Agreement with South Gate Villas, LLC. In accordance with this agreement, a promissory note, dated October 27, 1998, was written whereby South Gate Villas, LLC, would pay the Commission \$7,030,000. However, subject to certain provisions included in the disposition and development agreement, \$243,333 would be forgiven annually for each of the next twenty-nine years. Since the provisions indicated in the disposition and development agreement have been significantly met and the possibility of repayment is remote, no receivable has been reflected. The accounting treatment is in accordance with generally accepted accounting principles.

In addition, the Community Development Commission of the City of South Gate has land held for resale in the amount \$1,463,492 which was acquired and recorded at acquisition cost. Due to the downturn of the economic condition of the State and potential sale of the land in the future, the City may record a potential loss due to the fair market of the asset at the time of the sale.

f. Net Position Restatement

Beginning net position of the Successor Agency has been restated by \$(1,213,213) to write off deferred cost of issuance on long-term debt as a result of the implementation of GASB Statement No. 65.

2013 Comprehensive Annual Financial Report



Year Ended June 30, 2013

*city of claremont,
california*



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Claremont, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Claremont, California, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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 opinions 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 opinions.



To the Honorable Mayor and Members of the City Council
City of Claremont, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Claremont, California, as of June 30, 2013, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Foothill Relinquishment Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



To the Honorable Mayor and Members of the City Council
City of Claremont, California

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 on our consideration of the City'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 City's internal control over financial reporting and compliance.

Lance, Soll & Loughard, LLP

Brea, California
December 12, 2013

CITY OF CLAREMONT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Agency Funds	Private- Purpose Trust Fund Successor Agency to the Former RDA
Assets:		
Cash and investments	\$ 340,119	\$ 1,269,125
Receivables:		
Accounts	-	35,075
Notes and loans	-	1,821,456
Accrued interest	-	2,000
Land held for resale	-	400,000
Restricted assets:		
Cash and investments with fiscal agents	-	5
Total Assets	\$ 340,119	3,527,661
Liabilities:		
Accounts payable	\$ 10,000	4,554
Accrued liabilities	304,121	1,698
Accrued interest	-	192,839
Deposits payable	25,998	-
Long-term liabilities:		
Due in one year	-	620,000
Due in more than one year	-	9,370,000
Total Liabilities	\$ 340,119	10,189,091
Net Position:		
Held in trust for other purposes		(6,661,430)
Total Net Position		\$ (6,661,430)

CITY OF CLAREMONT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2013

	Private- Purpose Trust Fund Successor Agency to the Former RDA
Additions:	
Taxes	\$ 1,242,795
Interest and change in fair value of investments	239,371
Contributions from City	4,808,456
Total Additions	6,290,622
Deductions:	
Administrative expenses	245,238
Contractual services	126,235
Interest expense	514,720
Contributions to other governments	2,065,560
Reimbursement of prior taxes to County	2,959,819
Total Deductions	5,911,572
Changes in Net Position	379,050
Net Position - Beginning of the Year	(7,040,480)
Net Position - End of the Year	\$ (6,661,430)

CITY OF CLAREMONT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 12: Commitments and Contingencies (Continued)

c. Commitments

The following material construction commitments existed at June 30, 2013:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2013</u>	<u>Remaining Commitments</u>
Indian Hill Storm Drain	\$ 1,588,712	\$ 1,549,977	\$ 38,735
Cemetery Expansion	419,565	198,733	220,832

As of June 30, 2013, in the opinion of City management there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the City.

Note 13: Fund Balance and Net Position Restatements

Beginning Net Position have been restated as follows:

Net Position

To record prior period adjustment for claims and judgements. See note 8a.	\$ 1,650,554
To expense debt issuance cost in the period the debt was incurred in accordance with GASB Statement 65, <i>Items</i> <i>Previously Reported as Assets and Liabilities</i> . See Note 1	(283,997)
	<u>\$ 1,366,557</u>

Note 14: Successor Agency Trust for Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Claremont that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 2012-05.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

CITY OF CLAREMONT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 14: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. This fund uses the economic resources measurement focus.

a. Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 1,269,125
Cash and investments with fiscal agent	5
	<u>\$ 1,269,130</u>

b. Notes Receivable

As of June 30, 2013, notes receivable consisted of the following:

	Notes Receivable
Claremont Village Expansion	\$ 1,775,000
Rehabilitation of Commercial Buildings	46,456
	<u>\$ 1,821,456</u>

In February 2006, the Agency entered into two Disposition and Development Agreements (DDA) with Claremont Village Expansion, LLC and Claremont Village Inn, LLC. The Agency agreed to convey real property to the Developers and the Developers agreed to construct specialty retail spaces and an inn within the Claremont Village area. In lieu of fixed payments of principal and interest, the Developers shall pay the Agency the distributable cash from operations for each fiscal year and in the event of a sale of distribution of the project, the distributions of net proceeds. At June 30, 2013, the

CITY OF CLAREMONT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 14: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

outstanding balance for the Claremont Village Expansion, LLC and the Claremont Village Inn, LLC notes were \$1,243,000 and \$532,000, respectively.

The Agency has developed a small business assistance program, which provides for the rehabilitation of eligible commercial buildings located in the Village and Foothill Project Areas through loans and other forms of assistance. The Agency's assistance is used to correct code violations, meet seismic safety requirements, improve the appearance, general condition and function of buildings and promote economic activity in the two project areas. At June 30, 2013, the Agency was owed \$46,456 for a loan made under the small business assistance program. The loan is evidenced by a note from the participant that is secured by a deed of trust, assignment of rents and/ or a personal or business guaranty. The term of the note is five years. Principal and interest, accruing at a rate of 5% per annum, are payable monthly.

c. Land and Buildings Held for Resale

Land and buildings held for resale are recorded in the Successor Agency at the lower of cost or market, but not greater than net realizable value. The amount recorded as assets held for resale as of June 30, 2013, was \$400,000.

d. Long-Term Debt

A description of long-term debt outstanding (excluding defeased debt) of the Successor Agency as of June 30, 2013, is as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Tax Allocation Bonds	\$ 10,570,000	\$ -	\$ 580,000	\$ 9,990,000	\$ 620,000
Notes payable	49,665	-	49,665	-	-
Total	<u>\$ 10,619,665</u>	<u>\$ -</u>	<u>\$ 629,665</u>	<u>\$ 9,990,000</u>	<u>\$ 620,000</u>

Tax Allocation Refunding Bonds

The Tax Allocation Refunding Bonds amount of \$9,990,000 at June 30, 2013, was comprised of the following:

2001 Tax Allocation Refunding Bonds

To refund the 1989 Tax Allocation Bonds and to finance the Claremont Redevelopment Project, the Agency issued Tax Allocation Refunding Bonds in the principal amount of \$8,610,000 on October 1, 2001.

The bonds maturing on or after August 1, 2011, are subject to optional redemption on August 1, 2012, and on each interest payment date thereafter, at a price equal to the principal amount, plus accrued interest to the redemption date plus a premium ranging from 1.00% to 2.00%.

CITY OF CLAREMONT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 14: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

The bonds are payable from Redevelopment Property Tax Trust Fund (RPTTF) money received from the State of California. The Agency has obtained a Debt Service Reserve Insurance policy from the trustee for a premium of 3% of the debt service reserve insurance policy amount to eliminate the use for a cash balance as required with this bond.

The annual requirements to amortize the 2001 Tax Allocation Refunding Bonds outstanding at June 30, 2013, were as follows:

Year Ending June 30,	Principal	Interest	Total
2013 - 2014	\$ 365,000	\$ 302,058	\$ 667,058
2014 - 2015	385,000	284,240	669,240
2015 - 2016	415,000	263,588	678,588
2016 - 2017	450,000	239,800	689,800
2017 - 2018	480,000	214,225	694,225
2018 - 2023	2,945,000	621,363	3,566,363
2023 - 2028	710,000	19,525	729,525
Totals	<u>\$ 5,750,000</u>	<u>\$ 1,944,799</u>	<u>\$ 7,694,799</u>

2004 Tax Allocation Revenue Bonds

To finance the Claremont Redevelopment Agency, Redevelopment Agency of the City of Lakeport, and Redevelopment Agency of the City of West Sacramento for a total principal amount of \$25,205,000. The Claremont Redevelopment Agency portion of the Tax Allocation Revenue Bonds issued in the principal amount of \$6,000,000 on December 1, 2004.

The bonds mature annually each September 1, 2005 to 2020, in amounts ranging from \$205,000 to \$1,090,000. In addition, term bonds in amounts of \$6,000,000 mature from September 1, 2022 to September 1, 2035. The term bonds bear interest ranging from 4.6% to 5.25% and are payable semi-annually each March 1 and September 1. The term bonds are subject to mandatory redemption on September 1, 2022, and on each August 1 in the years 2025, 2029, and 2035 at a price equal to the principal amount plus accrued interest to the redemption date. The bonds maturing on or after September 1, 2014, are subject to optional redemption on September 1, 2015, and on each interest payment date thereafter, at a price equal to the principal amount, plus accrued interest to the redemption.

The bonds are payable from RPTTF money received from the State of California. The Agency has obtained a Debt Service Reserve Insurance policy from the trustee for a premium of 3% of the debt service reserve insurance policy amount to eliminate the need for a cash balance as required by the bond.

CITY OF CLAREMONT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 14: Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

The annual requirements to amortize the 2004 Tax Allocation Revenue Bonds outstanding at June 30, 2013, were as follows:

Year Ending June 30,	Principal	Interest	Total
2013 - 2014	\$ 255,000	\$ 188,025	\$ 443,025
2014 - 2015	260,000	177,796	437,796
2015 - 2016	270,000	167,721	437,721
2016 - 2017	285,000	156,614	441,614
2017 - 2018	290,000	144,681	434,681
2018 - 2023	1,675,000	510,239	2,185,239
2023 - 2028	1,205,000	94,428	1,299,428
Totals	<u>\$ 4,240,000</u>	<u>\$ 1,439,504</u>	<u>\$ 5,679,504</u>

Notes Payable

On May 15, 2003, Citizens Business Bank loaned the Claremont Redevelopment Agency \$400,000 for costs related to the acquisition of 451 W. Arrow Highway. Loan payments are made quarterly each February 12, May 12, August 12 and November 12. Payments include principal and interest, which accrues at about 5.0%. The balance of the note was paid in full during the current year.

Pledged Revenue

Assembly Bill 1X 26 provided that upon dissolution of the Redevelopment Agency, property taxes allocated to redevelopment agencies no longer are deemed tax increment but rather property tax revenues and will be allocated first to successor agencies to make payments on the indebtedness incurred by the dissolved redevelopment agency. Total principal and interest remaining on the debt is \$13,374,303 with annual debt service requirements as indicated above. For the current year, the total property tax revenue recognized by the Successor Agency for the payment of indebtedness incurred by the dissolved redevelopment agency was \$1,242,795 and the debt service obligation on the bonds was \$1,095,979.

e. Insurance

The Successor Agency is covered under the City's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Successor Agency. Additional information as to coverage and self-insured retentions can be found in Note 10.

f. Commitments and Contingencies

At June 30, 2013, the Successor Agency was involved as a defendant in several lawsuits arising out of the ordinary conduct of its affairs. It is the opinion of management that settlements of these lawsuits, including losses for claims that are incurred but not reported, if any, will not have a material effect on the financial position of the Successor Agency.

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APPENDIX E

SUMMARY OF TRUST AGREEMENT

The following summary discussion of selected provisions of the separate Trust Agreements is made subject to all of the provisions of the applicable Trust Agreements. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series of Series 2014 Bonds are referred to the complete text of the Trust Agreements, copies of which are available upon request sent to the Trustee. The general terms of the Trust Agreements are substantially similar and are discussed summarily herein except for Series specific terms, which are detailed specifically.

Definitions

“Act” shall mean Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended and supplemented from time to time.

“Agency” shall mean, as the context requires, each or all of the following successor agencies participating the Refunding Program with respect to the Bonds issued under the applicable Trust Agreement, including, the Successor Agency to the Community Development Commission of the City of South Gate and the Successor Agency to the Claremont Redevelopment Agency, and their respective successors.

“Agency Indenture” shall mean, as the context requires, each or all of the indentures executed and delivered by a successor agency participating the Refunding Program with respect to the applicable Series of Bonds issued under the applicable Trust Agreement, as defined in the respective Appendices A and B.

“Agency Trustee” shall mean, as the context requires, each or all of the trustees or fiscal agents under the Agency Indentures.

“Authority” shall mean the County of Los Angeles Redevelopment Refunding Authority duly organized and existing under and pursuant to the laws of the State of California and a Joint Exercise of Powers Agreement, dated August 6, 2013, between the Los Angeles County Public Works Financing Authority and the County.

“Authorized Denominations” shall mean five thousand dollars (\$5,000) and any integral multiple thereof, but not exceeding the principal amount of Bonds maturing on any one date.

“Authorized Officer” shall mean the Chairman, Treasurer, Secretary or any other Person authorized by the Authority in a Written Order to perform an act or sign a document on behalf of the Authority for purposes of the applicable Trust Agreement.

“Bond” or **“Bonds”** shall mean any bond or all of the bonds, as the case may be, authorized and issued by the Authority and authenticated by the Trustee and delivered under the applicable Trust Agreement.

“Bond Counsel” shall mean Orrick, Herrington & Sutcliffe LLP or such other counsel of recognized national standing in the field of law relating to municipal bonds.

“Bond Register” shall mean the registration books specified as such in the applicable Trust Agreement.

“Bond Insurance Policy” shall mean the applicable insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal of and the interest when due on the (i) Insured Series 2014A Bonds, issued under the Series 2014A Trust Agreement, and (ii) Insured Series 2014B Bonds, issued under the Series 2014B Trust Agreement.

“Bond Insurer” or **“AGM”** shall mean Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof, as insurer of the Insured Series 2014A Bonds and the Insured Series 2014B Bonds.

“Business Day” shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which commercial banks in New York, New York or the city in which the Principal Corporate Trust Office of the Trustee is located are closed.

“Cash Flow Certificate” shall mean a written certificate executed by an Independent Financial Consultant.

“Chairman” shall mean the Chairman of the Authority.

“City” shall mean, as the context requires, one or all of the following: the City of Claremont, California, and the City of South Gate, California, and each respective successors.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

“Continuing Disclosure Agreement” shall mean, as the context requires, each or all of the following undertakings executed and delivered by a successor agency participating in the Refunding Program with respect to the Bonds issued under the applicable Trust Agreement, including, (i) that Continuing Disclosure Agreement, dated as of July 1, 2014, between the Authority and the Successor Agency to the Community Development Commission of the City of South Gate, relating to the South Gate Refunding Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and (ii) that Continuing Disclosure Agreement, dated as of July 1, 2014, between the Authority and the Successor Agency to the Claremont Redevelopment Agency, relating to the Claremont Refunding Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Cost of Issuance Fund” shall mean the Fund by that name established pursuant to the applicable Trust Agreement.

“Costs of Issuance” shall mean all items of expense directly or indirectly payable by or reimbursable to an Agency, the Authority or a City and related to the authorization, issuance, sale and delivery of the related Local Obligations and the Authority Bonds, including but not limited to publication and printing costs, costs of preparation and reproduction of documents, filing and recording fees, fees and charges of the Trustee and the related Agency Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of the Bonds, and any other cost, charge or fee in connection with the original issuance of the related Local Obligations and the Authority Bonds as provided in a Costs of Issuance invoice transmitted by the Authority to the related Agency at the time of the original issuance

of the Bonds to be paid from proceeds of the related Local Obligations in accordance with the applicable Trust Agreement (or similarly purposed section, if different) of each Agency Indenture.

“Debt Service Account” shall mean the account within the Revenue Fund by that name established and maintained pursuant to the applicable Trust Agreement.

“Dissolution Act” shall mean Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of the Law.

“Event of Default” shall mean any event of default specified as such in the applicable Trust Agreement.

“Federal Securities” means (a) non-callable direct obligations of the United States of America (“United States Treasury Obligations”), and (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“Fiscal Year” shall mean the fiscal year of the Authority, which at the date of each Trust Agreement is the period commencing on July 1 in each calendar year and ending on June 30 in the following calendar year.

“Funds” shall mean, collectively, (i) the Revenue Fund, the Interest Fund, the Principal Fund, the Redemption Fund, the Cost of Issuance Fund and the Rebate Fund, including all accounts in the Series 2014A Trust Agreement, and (ii) the Revenue Fund, the Interest Fund, the Principal Fund, the Redemption Fund and the Cost of Issuance Fund, including all accounts in the Series 2014B Trust Agreement

“Independent Financial Consultant” shall mean a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the applicable Agency and who, or each of whom:

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

“Insured Bonds” shall mean, collectively, the Insured Series 2014A Bonds and the Insured Series 2014B Bonds, or the Bond maturities identified as Insured Bonds in the applicable Trust Agreement.

“Insured Series 2014A Bonds” shall mean the County of Los Angeles Redevelopment Refunding Authority Tax Allocation Revenue Refunding Bonds, Series 2014A (Tax-Exempt) maturing on September 1 in the years 2021 through 2025, inclusive.

“Insured Series 2014B Bonds” shall mean the County of Los Angeles Redevelopment Refunding Authority Tax Allocation Revenue Refunding Bonds, Series 2014B (Federally Taxable) maturing on September 1 in the years 2021 through 2024, inclusive.

“Interest Fund” shall mean the Fund by that name established pursuant to the applicable Trust Agreement.

“Interest Payment Date” shall mean March 1 and September 1 in each year, commencing, with respect to the Bonds, on March 1, 2015.

“Local Obligations” shall mean, as the context requires, each or all of the following (in each case as such agreement or instrument may be amended from time to time):

(i) \$29,835,000 original principal amount of Successor Agency to the Community Development Commission of the City of South Gate, South Gate Project No. 1 Tax Allocation Refunding Bonds, Series 2014A (the “South Gate Series A Refunding Bonds”);

(ii) \$3,920,000 original principal amount of Successor Agency to the Community Development Commission of the City of South Gate, South Gate Project No. 1 Tax Allocation Refunding Bonds, Series 2014A (Federally Taxable) (the “South Gate Series B Refunding Bonds”); and

(iii) \$3,380,000 original principal amount of Successor Agency to the Claremont Redevelopment Agency Consolidated Redevelopment Project Tax Allocation Refunding Bonds, Series 2014A (the “Claremont Refunding Bonds”).

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Officer’s Certificate” shall mean a certificate signed by an Authorized Officer.

“Opinion of Bond Counsel” shall mean a legal opinion signed by Bond Counsel.

“Outstanding” shall mean, with respect to the Bonds and as of any date, the aggregate of Bonds authorized, issued, authenticated and delivered under the applicable Trust Agreement, except:

(a) Bonds cancelled or surrendered to the Trustee for cancellation pursuant to the provisions of the applicable Trust Agreement as described under the caption “TERMS OF BONDS – Cancellation of Bonds;”

(b) Bonds deemed to have been paid as provided in the applicable Trust Agreement; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the provisions of the applicable Trust Agreement as described under the caption “DEFEASANCE – Bonds Deemed to Have Been Paid.”

“Owner” shall mean, as of any date, the Person or Persons in whose name or names a particular Bond shall be registered on the Bond Register as of such date.

“Permitted Investments” shall mean any of the following to the extent then permitted by the general laws of the State of California applicable to investments by counties:

(1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank, trust company or bank holding company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively “United States Obligations”). These include, but are not necessarily limited to:

- U.S. Treasury obligations
All direct or fully guaranteed obligations
- Farmers Home Administration
Certificates of beneficial ownership
- General Services Administration
Participation certificates
- U.S. Maritime Administration
Guaranteed Title XI financing
- Small Business Administration
Guaranteed participation certificates
- Guaranteed pool certificates
- Government National Mortgage Association (GNMA)
GNMA-guaranteed mortgage-backed securities
GNMA-guaranteed participation certificates
- U.S. Department of Housing & Urban Development
Local authority bonds

(2) Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board (“FHLB”); (b) the Federal Home Loan Mortgage Corporation (“FHLMC”); (c) the Federal National Mortgage Association (FNMA); (d) Federal Farm Credit Bank (“FFCB”); (e) Government National Mortgage Association (“GNMA”); (f) Student Loan Marketing Association (“SLMA”); and (g) guaranteed portions of Small Business Administration (“SBA”) notes.

(3) Commercial Paper having original maturities of not more than 270 days, payable in the United States of America and issued by corporations that are organized and operating in the United States with total assets in excess of \$500 million and having “A” or better rating for the issuer’s long-term debt as provided by S&P, or Fitch and “A-1”, “F1” or better rating for the issuer’s short-term debt as provided by S&P or Fitch, respectively.

(4) The Los Angeles County Treasury Pool.

(5) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as “bankers’ acceptances,” having original maturities of not more than 180 days. The institution must have a minimum short-term debt rating of “A-1” or “F1” by S&P or Fitch, respectively, and a long-term debt rating of no less than “A” by S&P or Fitch.

(6) Shares of beneficial interest issued by diversified management companies, known as money market funds, registered with the U.S. Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.) and whose fund has received the highest possible rating from S&P and at least one other Rating Agency.

(7) Certificates of deposit issued by a nationally- or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank, in each case which has, or which is a subsidiary of a parent company which has, obligations outstanding having a rating in the “A” category or better from S&P or Fitch.

(8) Pre-refunded municipal obligations rated “AAA” by S&P meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(9) Repurchase agreements which have a maximum maturity of 30 days, or due on demand, and are fully secured at or greater than 102% of the market value plus accrued interest by obligations of the United States Government, its agencies and instrumentalities, in accordance with number (2) above.

(10) Investment agreements and guaranteed investment contracts with issuers having a long-term debt rating of at least “AA-” by S&P.

(11) Local Agency Investment Fund (established under Section 16429.1 of the California Government Code), provided that such investment is held in the name and to the credit of the Trustee, and

provided further that the Trustee may restrict such investment if required to keep moneys available for the purposes of the applicable Trust Agreement.

(12) Shares in a State of California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Prepayment” shall mean any amounts received with respect to a related Local Obligation earlier than the time scheduled for payment resulting from an optional redemption of such related Local Obligation (or portion thereof).

“Prepayment Account” shall mean the account by that name within the Revenue Fund established and maintained pursuant to the applicable Trust Agreement.

“Principal Corporate Trust Office” shall mean the office of the Trustee in Los Angeles, California.

“Principal Fund” shall mean the Fund by that name established pursuant to the applicable Trust Agreement.

“Principal Installment” shall mean, with respect to an applicable Principal Payment Date, the principal amount of Outstanding Bonds (including mandatory sinking fund payments) due on such date, if any.

“Principal Payment Date” shall mean (i) September 1 of each year commencing September 1, 2015, and ending September 1, 2025, with respect to the Series 2014A Bonds, and (i) September 1 of each year commencing September 1, 2015, and ending September 1, 2024, with respect to the Series 2014B Bonds.

“Rebate Fund” shall mean the Fund by that name established pursuant to the Series 2014A Trust Agreement.

“Rebate Instructions” shall mean those calculations and directions required to be delivered to the Trustee by the Authority pursuant to the Tax Certificate relating to the Series 2014A Bonds.

“Rebate Requirement” shall mean the Rebate Requirement defined in the Tax Certificate relating to the Series 2014A Bonds.

“Record Date” shall mean the close of business on the fifteenth (15th) day of the month preceding the month in which any Interest Payment Date occurs, whether or not such day is a Business Day.

“Redemption Fund” shall mean the Fund by that name established pursuant to the applicable Trust Agreement.

“Responsible Officer” shall mean any Vice-President, Assistant Vice-President, Trust Officer or other trust officer of the Trustee having regular responsibility for corporate trust matters.

“Revenue Fund” shall mean the Fund by that name established pursuant to the applicable Trust Agreement.

“Revenues” shall mean all amounts received by the Trustee as the payment of interest or redemption premium on, or the equivalent thereof, and the payment or return of principal of, or the equivalent thereof, all related Local Obligations, whether as a result of scheduled payments or Prepayments or remedial proceedings taken in the event of a default thereon, and all investment earnings on any moneys held in the Funds or accounts established under the applicable Trust Agreement, except the Rebate Fund relating to the Series 2014A Bonds.

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

“S&P” shall mean Standard & Poor’s Financial Services LLC and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally-recognized rating agency selected by the Authority.

“Secretary” shall mean the Secretary of the Authority.

“Securities Depository” shall mean, initially, The Depository Trust Company, New York, N.Y., or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other securities depositories, or no such depositories, as designated by the Trustee.

“Series 2014A Bonds” shall mean the County of Los Angeles Redevelopment Refunding Authority Tax Allocation Revenue Refunding Bonds, Series 2014A, delivered pursuant to the Series 2014A Trust Agreement.

“Series 2014A Trust Agreement” shall mean the Trust Agreement, dated as of July 1, 2014, between the Authority and the Trustee, pursuant to which the Series 2014A Bonds are to be issued, as amended or supplemented from time to time in accordance with its terms.

“Series 2014B Bonds” shall mean the County of Los Angeles Redevelopment Refunding Authority Tax Allocation Revenue Refunding Bonds, Series 2014B, delivered pursuant to the Series 2014B Trust Agreement.

Series 2014B Trust Agreement” shall mean the Trust Agreement, dated as of July 1, 2014, between the Authority and the Trustee, pursuant to which the Series 2014B Bonds are to be issued, as amended or supplemented from time to time in accordance with its terms.

“Special Record Date” shall mean the date established by the Trustee pursuant to the applicable Trust Agreement as a record date for the payment of defaulted interest on the Bonds.

“State” shall mean the State of California.

“Substitute Depository” shall mean the substitute depository as defined in the applicable Trust Agreement.

“Supplemental Trust Agreement” shall mean any trust agreement supplemental to or amendatory of the applicable Trust Agreement which is duly executed and delivered in accordance with the provisions of the applicable Trust Agreement.

“Tax Certificate” shall mean each certificate, relating to various federal tax requirements, including the requirements of Section 148 of the Code, signed by the Authority and those signed by each respective Agency on the date the Series 2014A Bonds are issued, as the same may be amended or supplemented in accordance with its terms.

“Tax-Exempt” shall mean, with respect to interest on any obligations of a state or local government, including interest on the Series 2014A Bonds, that such interest is excluded from the gross income of the holders thereof for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Treasurer” shall mean the Treasurer of the Authority.

“Trust Agreement” shall mean the applicable Trust Agreement, dated as of July 1, 2014, between the Authority and the Trustee, pursuant to which a Series of Bonds are to be issued, as amended or supplemented from time to time in accordance with its terms.

“Trustee” shall mean U.S. Bank National Association, a national banking association, in its capacity as trustee under each Trust Agreement and any other successor as trustee under the applicable Trust Agreement.

“Trust Estate” shall have the meaning ascribed thereto in the granting clause of the applicable Trust Agreement.

“Verification Report” shall mean a report of an independent firm of nationally recognized certified public accountants, or such other firm as shall be acceptable to the Bond Insurer, addressed to the Authority and the Trustee and the Bond Insurer, verifying the sufficiency of the escrow established to pay Bonds in full at maturity or on a redemption date.

“Written Request” or **“Written Order”** shall mean a written direction of the Authority to the Trustee signed by an Authorized Officer.

The Bonds

Authorization of Bonds. There shall be issued under and secured by the applicable Trust Agreement bonds in the form of fully registered bonds to be designated “County of Los Angeles Redevelopment Refunding Authority Tax Allocation Revenue Refunding Bonds, Series 2014__” (the “Bonds”). Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the applicable Trust Agreement. Notwithstanding any other provision contained in the applicable Trust Agreement, any interest not punctually paid or duly provided for, as a result of an Event of Default or otherwise, shall forthwith cease to be payable to the Owner on the Record Date and shall be paid to the Owner in whose name the Bond is authenticated at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof being given to the Owners not less than ten (10) days prior to such Special Record Date.

Bonds Mutilated, Destroyed, Stolen or Lost. In the event any Bond, whether temporary or definitive, is mutilated, lost, stolen or destroyed, the Authority may execute and, upon its request in writing, the Trustee shall authenticate and deliver a new Bond of the same principal amount and maturity as the mutilated, lost, stolen or destroyed Bond in exchange and substitution for such mutilated Bond, or in lieu of and substitution for such lost, stolen or destroyed Bond.

Application for exchange and substitution of mutilated, lost, stolen or destroyed Bonds shall be made to the Trustee at the Principal Corporate Trust Office. In every case the applicant for a substitute Bond shall furnish to the Authority and the Trustee security or indemnification to their satisfaction. In every case of loss, theft or destruction of a Bond, the applicant shall also furnish to the Authority and the Trustee evidence to their satisfaction of the loss, theft or destruction and of the identity of the applicant, and in every case of mutilation of a Bond, the applicant shall surrender the Bond so mutilated.

Notwithstanding the foregoing provisions of the applicable Trust Agreement as described under this heading (“Bonds Mutilated, Destroyed, Stolen or Lost”), in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bonds, the Trustee may pay the same (without surrender thereof except in the case of a mutilated Bond) instead of issuing a substitute Bond so long as security or indemnification is furnished as above provided.

Upon the issuance of any substitute Bond, the Authority and the Trustee may charge the Owner of such Bond with their reasonable fees and expenses in connection therewith. Every substitute Bond issued pursuant to the provisions of the applicable Trust Agreement as described under this heading (“Bonds Mutilated, Destroyed, Stolen or Lost”), by virtue of the fact that any Bond is lost, stolen or destroyed shall constitute an original additional contractual obligation of the Authority, whether or not the lost, stolen or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of the applicable Trust Agreement equally and proportionally with any and all other Bonds duly issued under the applicable Trust Agreement to the same extent as the Bonds in substitution for which such Bonds were issued.

Transfer and Registration of Bonds. The Bonds may be transferred or exchanged and title thereto shall pass only in the manner provided in the provisions for registration set forth in the form of the Bond contained in the applicable Trust Agreement as described under the heading “TERMS OF BONDS” and the Trustee shall keep books constituting the Bond Register for the registration and transfer of the Bonds as provided in the applicable Trust Agreement. All Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the Owner or by his attorney duly authorized in writing and all such Bonds shall be surrendered to the Trustee and cancelled by the Trustee pursuant to the applicable Trust Agreement. The Authority and the Trustee may deem and treat the Owner of any Bond as the absolute owner of such Bond for the purpose of receiving any payment on such Bond and for all other purposes of the applicable Trust Agreement, whether such Bond shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice to the contrary. Payment of, or on account of, the principal of and redemption premium, if any, on and interest on any Bond shall be made to such Owner or, if such Owner owns \$1,000,000 or more in aggregate principal amount of the Bonds upon such Owner’s written order. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Regulations with Respect to Exchanges or Transfers of Bonds. (i) In all cases in which the privilege of exchanging or registering the transfer of Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the applicable Trust Agreement. There shall be no charge to the Owner for any such exchange or registration of transfer of Bonds, but the Authority may require the payment of a sum sufficient to pay any tax or other governmental charge required to be paid with respect to any such exchange or registration of transfer. Neither the Authority nor the Trustee shall be required to register the transfer of or exchange of any Bond on or after the fifteenth (15th) Business Day immediately preceding the date on which the notice of redemption is scheduled to be mailed and ending on the date scheduled for redemption or any Bond selected for redemption.

(a) Upon surrender for exchange or transfer of any Bond at the Principal Corporate Trust Office of the Trustee, the Authority shall execute (which may be by facsimile) and the Trustee shall authenticate and deliver in the name of the Owner (in the case of transfers) a new Bond or Bonds of Authorized Denominations, in the aggregate principal amount which the registered Owner is entitled to receive.

(b) New Bonds delivered upon any transfer or exchange shall be valid obligations of the Authority, evidencing the same debt as the Bonds surrendered, shall be secured by the applicable Trust Agreement and shall be entitled to all of the security and benefits under the applicable Trust Agreement to the same extent as the Bonds surrendered.

Cancellation of Bonds. Upon the surrender to the Trustee of any temporary or mutilated Bond, such Bond surrendered for transfer or exchange, such Bonds purchased, redeemed or paid at maturity, the same shall forthwith be cancelled and the Trustee shall destroy such Bonds and upon written request of the Authority deliver a certificate of destruction with respect thereto to the Authority.

Bonds as Special Obligations. The Bonds shall be special obligations of the Authority, payable from and secured as to the payment of the principal thereof and the redemption premium, if any, and the interest thereon in accordance with their terms and the terms of the applicable Trust Agreement, solely from the applicable Trust Estate. The Bonds shall not constitute a charge against the general credit of the Authority or any of its members, and under no circumstances shall the Authority be obligated to pay principal of or redemption premium, if any, or interest on the Bonds except from the applicable Trust Estate. Neither the State nor any public agency (other than the Authority) nor any member of the Authority is obligated to pay the principal of or redemption premium, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State or any public agency thereof or any member of the Authority is pledged to the payment of the principal of or redemption premium, if any, or interest on the Bonds. The payment of the principal of or redemption premium, if any, or interest on the Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Authority) or any member of the Authority.

No agreement or covenant contained in any Bond or the applicable Trust Agreement shall be deemed to be an agreement or covenant of any officer, member, agent or employee of the Authority in his or her individual capacity and neither the members of the Authority nor any officer or employee thereof executing the Bonds shall be liable personally on any Bond or be subject to any personal liability or accountability by reason of the issuance of such Bonds.

Revenues and Funds

Establishment of Funds. There is established with the Trustee and the Trustee will agree to maintain the following special trust funds for the related Series of Bonds, which the Trustee shall keep separate and apart from all other funds and moneys held by it: the Revenue Fund (and the applicable Debt Service Account and the applicable Prepayment Account therein), the Interest Fund, the Principal Fund, the Cost of Issuance Fund, the Redemption Fund and the Rebate Fund.

Revenue Fund. (a) All Revenues under a particular Trust Agreement, other than Revenues described in paragraph (b) below, received by the Trustee shall be deposited by the Trustee into the applicable Debt Service Account within the Revenue Fund, which account is created by the applicable Trust Agreement. The Trustee shall transfer related Revenues from the applicable Debt Service Account, in the amounts and at the times specified in the applicable Trust Agreement for deposit into the following respective funds in the following order of priority, the requirements of each fund to be fully satisfied, leaving no deficiencies therein, prior to any deposit into any fund later in priority:

- (i) Interest Fund; and
- (ii) Principal Fund.

(b) All Revenues derived from Prepayments, or the acceleration of amounts due on related Local Obligations upon an event of default thereunder, received by the Trustee shall be deposited in the applicable Prepayment Account within the Revenue Fund, which account is created by the applicable Trust Agreement. Amounts in the applicable Prepayment Account shall be transferred as soon as practicable (and in any event prior to the next succeeding Interest Payment Date which is at least forty-five (45) days following receipt of such Prepayment) to the Redemption Fund to be used to redeem Bonds pursuant to the provisions of the applicable Trust Agreement as described under the heading “REDEMPTION AND PURCHASE OF BONDS – Redemption of Bonds,” subject to the terms of the provisions of the applicable Trust Agreement as described under the heading “REDEMPTION AND PURCHASE OF BONDS – Purchase in Lieu of Redemption.”

Interest Fund. The Trustee shall deposit in the Interest Fund not later than each Interest Payment Date from the applicable Debt Service Account an amount of related Revenues which together with any amounts then on deposit in said Fund is equal to the interest on the Bonds due on such date. On each Interest Payment Date, the Trustee shall pay the interest due and payable on the Bonds on such date from the Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the applicable Trust Agreement).

Principal Fund. The Trustee shall deposit in the Principal Fund not later than each Principal Payment Date from the applicable Debt Service Account an amount of related Revenues which together with any amounts then on deposit in said Fund is equal to the principal on the Bonds due on such date. On each Principal Payment Date, the Trustee shall pay the principal due and payable on the Bonds on such date from the Principal Fund. All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying principal on Bonds as it shall become due and payable.

Cost of Issuance Fund. Moneys deposited in the Costs of Issuance Fund shall be held by the Trustee in trust and applied to the payment of Costs of Issuance upon a Requisition of the Authority filed with the Trustee. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. In no event shall moneys from any other fund or account established under the applicable Trust Agreement be used to pay Costs of Issuance. All payments from the Costs of Issuance Fund shall be reflected on the Trustee’s regular accounting statements. At the end of six months from the date of issuance of the Bonds, or upon earlier receipt of a Written Order of the Authority stating that amounts in such fund are no longer required for the payment of Costs of Issuance, such fund shall be terminated and any amounts then remaining in such fund shall be transferred to each Agency Trustee for deposit in the Tax Allocation Fund (or similarly purposed fund if named differently) in proportion to the original amount deposited in the Cost of Issuance Fund by the related Agency Trustee. The Trustee shall then close the Costs of Issuance Fund.

Redemption Fund. (a) All moneys held in or transferred to the Redemption Fund pursuant to the provisions of the applicable Trust Agreement as described under paragraph (b) under the heading “REVENUES AND FUNDS – Revenue Fund,” shall be used for the purpose of redeeming or purchasing all or a portion of the Outstanding Bonds pursuant to the applicable Trust Agreement.

(b) The Trustee shall use amounts in the Redemption Fund solely for the payment of the redemption price of Bonds called for redemption pursuant to the applicable Trust Agreement or the

purchase price of Bonds purchased pursuant to the applicable Trust Agreement (accrued interest to the redemption or purchase date on such Bonds shall be paid from the Interest Fund).

Rebate Fund. The Trustee shall deposit in the Rebate Fund the Rebate Requirement all in accordance with Rebate Instructions received from the Authority. The Trustee will apply moneys held in the Rebate Fund as provided in the Series 2014A Trust Agreement as described under the heading “COVENANTS OF THE AUTHORITY – Tax Covenants” and according to instructions provided by the Authority. Subject to the provisions of the Series 2014A Trust Agreement as described under the heading “COVENANTS OF THE AUTHORITY – Tax Covenants,” moneys held in the Rebate Fund are pledged by the Series 2014A Trust Agreement to secure payments to the United States of America. The Authority and the Owners will have no rights in or claim to such moneys. The Trustee will invest all amounts held in the Rebate Fund in Permitted Investments as directed in writing by the Authority and all investment earnings with respect thereto shall be deposited in the Rebate Fund.

Upon receipt of the Rebate Instructions required by the Series 2014A Tax Certificate to be delivered to the Trustee, the Trustee will remit part or all of the balance held in the Rebate Fund to the United States of America as so directed. In addition, if the Rebate Instructions so direct, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as the Rebate Instructions shall direct. The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority including supplying all necessary information in the manner provided in the respective Tax Certificate to the extent such information is reasonably available to the Trustee, and shall have no liability or responsibility to monitor or enforce compliance by the Authority with the terms of the respective Tax Certificate.

The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to the provisions of the applicable Trust Agreement as described under the heading “REVENUES AND FUNDS – Rebate Fund,” other than from moneys held in the Rebate Fund or from other moneys provided to it by the Authority. The Trustee shall not be responsible for computing the Rebate Requirement. Computations of the Rebate Requirement shall be furnished to the Trustee or on behalf of the Authority in accordance with the respective Tax Certificate.

Notwithstanding any other provision of the applicable Trust Agreement, including in particular the provisions of the applicable Trust Agreement as described under the heading “DEFEASANCE,” the obligation to remit the rebate amounts to the United States and to comply with all other requirements of the provisions of the applicable Trust Agreement as described under the heading “REVENUES AND FUNDS – Rebate Fund,” and the respective Tax Certificate shall survive the defeasance or payment in full of the Tax Exempt Bonds.

Security for and Investment of Moneys

Security. All moneys required to be deposited with or paid to the Trustee in any of the Funds (other than the Rebate Fund) referred to in any provision of the applicable Trust Agreement shall be held by the Trustee in trust, and except for moneys held for the payment or redemption of Bonds or the payment of interest on Bonds pursuant to the provisions of the applicable Trust Agreement as described under the heading “DEFEASANCE,” shall, while held by the Trustee, constitute part of the applicable Trust Estate and shall be subject to the lien and pledge created by the applicable Trust Agreement.

Investment of Funds. So long as the Bonds are Outstanding and there is no default under the applicable Trust Agreement, moneys on deposit to the credit of the Revenue Fund, the Interest Fund, the Principal Fund, and the Cost of Issuance Fund and all accounts within such funds shall, at the request of an Authorized Officer, which may be telephonic if confirmed in writing within two (2) Business Days,

specifying and directing that such investment of such funds be made, be invested by the Trustee in Permitted Investments, and moneys held in the Rebate Fund or the Redemption Fund shall, at the request of an Authorized Officer, which may be telephonic if confirmed in writing within two (2) Business Days, specifying and directing that such investment of such funds be made, be invested by the Trustee in Federal Securities, and the Trustee shall be entitled to rely on such instructions for purposes of the applicable Trust Agreement as described under this heading (“Investment of Funds”). If no such instructions are provided, the Trustee shall invest such funds in Permitted Investments described in clause (6) of the definitions thereof, and the Trustee shall thereupon immediately request investment instructions from the Authority. The Trustee shall not be responsible for any losses or consequences of any investment if it follows such instructions in good faith. The Trustee and its affiliates may act as principal, agent, sponsor or otherwise with respect to any Permitted Investment.

The securities purchased with the moneys in each such Fund shall be deemed a part of such Fund. If at any time it shall become necessary or appropriate that some or all of the securities purchased with the moneys in any such Fund be redeemed or sold in order to raise moneys necessary to comply with the provisions of the applicable Trust Agreement, the Trustee shall effect such redemption or sale, employing, in the case of a sale, any commercially reasonable method of effecting the same. The Trustee shall not be liable or responsible for any consequences resulting from any such investment or resulting from the redemption, sale or maturity of any such investment as authorized pursuant to the provisions of the applicable Trust Agreement as described under this heading (“Investment of Funds”).

Investments in the Revenue Fund, the Interest Fund, the Principal Fund, the Redemption Fund, and the Cost of Issuance Fund may be commingled at the written direction of the Authority for purposes of making, holding and disposing of investments, notwithstanding provisions the applicable Trust Agreement for transfer to or holding in particular Funds amounts received or held by the Trustee; provided, that the Trustee shall at all times account for such investments strictly in accordance with the Funds to which they are credited and otherwise as provided in the applicable Trust Agreement.

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

Covenants of the Authority

Payment of Bonds; No Encumbrances. The Authority shall cause the Trustee to promptly pay, from related Revenues and other funds derived from the applicable Trust Estate pledged under the applicable Trust Agreement, the principal of and redemption premium, if any, and the interest on every Bond issued under and secured by the applicable Trust Agreement at the place, on the dates and in the manner specified in the applicable Trust Agreement and in such Bonds according to the true intent and meaning thereof. The Authority shall not issue any bonds, notes or other evidences of indebtedness or incur any obligations payable from or secured by the applicable Trust Estate, other than the Bonds.

Enforcement and Amendment of Local Obligations. The Authority shall enforce all of its rights with respect to the related Local Obligations to the fullest extent necessary to preserve the rights and protect the security of the Owners under the applicable Trust Agreement. The Authority covenants to take such actions as may be reasonable and necessary to compel the County Auditor-Controller to comply with the irrevocable direction of the related Agency to transfer to an account of the related Agency, held by the respective Agency Trustee under the related Agency Indenture, all amounts set forth in any duly approved Recognized Obligation Payment Schedule (“ROPS”) with respect to principal and interest payments due

on the related Local Obligations and any senior and/or parity obligations, and any deficiency in the related reserve accounts for such related Local Obligations and parity obligations related thereto.

The Authority and the Trustee may, without the consent of or notice to the Owners, consent to any amendment, change or modification of any related Local Obligation that may be required (a) to conform to the provisions of the applicable Trust Agreement (including any modifications or changes contained in any Supplemental Trust Agreement), (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of such related Local Obligation, (d) in connection with any other change therein which is not to the material prejudice of the Trustee or the owners of the Bonds pursuant to an Opinion of Bond Counsel, or (e) in the Opinion of Bond Counsel, to preserve or assure the exemption of interest on the Tax Exempt Bonds from federal income taxes or the exemption from California personal income tax. So long as the Bond Insurer shall be in compliance with its payment obligations under the applicable Bond Insurance Policy, the Bond Insurer shall be deemed to be the sole owner of the applicable Local Obligations for purposes of such consent.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee shall consent to any amendment, change or modification of any related Local Obligation without the mailing of notice and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and procured as in the applicable Trust Agreement as described under this heading (“– Enforcement and Amendment of related Local Obligations”). If at any time the Authority or the related Agency, as the case may be, shall request the consent of the Trustee to any such proposed amendment, change or modification of a related Local Obligation, the Trustee shall, upon being satisfactorily indemnified with respect to reasonable expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided by the applicable Trust Agreement as described under the heading “MISCELLANEOUS – Notice.” Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Owners. Nothing contained in the applicable Trust Agreement as described under this heading (“– Enforcement and Amendment of related Local Obligations”) shall be construed to prevent the Trustee, with the consent of the Authority, from settling a default under any related Local Obligation on such terms as the Trustee may determine to be in the best interests of the Owners.

Further Documents. The Authority covenants that it will from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of the applicable Trust Agreement; provided, that no such instruments or actions shall pledge the faith and credit or the taxing power of the Authority, any member of the Authority, any Agency, any City, the County of Los Angeles, the State of California, or any political subdivision thereof.

Tax Covenants.

(a) The Authority will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Tax Exempt Bonds under Section 103 of the Code. The Authority will not directly or indirectly use or permit the use of any proceeds of the Tax Exempt Bonds or any other funds of the Authority or take or omit to take any action that would cause the Tax Exempt Bonds to be “private activity bonds” within the meaning of Section 141(a) of the Code or obligations which are “federally guaranteed” within the meaning of Section 149(b) of the Code. The Authority will not allow ten percent (10%) or more of the proceeds of the Tax Exempt Bonds to be used in the trade or business of any nongovernmental units and will not lend five percent (5%) or more of the proceeds of the Tax Exempt Bonds to any nongovernmental units.

(b) The Authority will not directly or indirectly use or permit the use of any proceeds of the Tax Exempt Bonds or any other funds of the Authority to take or omit to take any action that would cause the Tax Exempt Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the Authority will comply with all requirements of Section 148 of the Code to the extent applicable to the Tax Exempt Bonds. In the event that at any time the Authority is of the opinion that for purposes of the provisions of the applicable Trust Agreement as described under this heading (“– Tax Covenants”) it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the applicable Trust Agreement, the Authority will so instruct the Trustee in writing, and the Trustee will take such actions as directed by such instructions.

(c) The Authority will pay or cause to be paid the Rebate Requirement as provided in the respective Tax Certificate. The provisions of the applicable Trust Agreement as described under this heading (“– Tax Covenants”) shall survive payment in full or defeasance of the Tax Exempt Bonds. The Authority will cause the Rebate Requirement to be deposited in the Rebate Fund as provided in the Series 2014A Tax Certificate (which is incorporated in the applicable Trust Agreement by reference).

The Trustee will conclusively be deemed to have complied with the provisions of the applicable Trust Agreement as described under this heading (“– Tax Covenants”) including the provisions of the respective Tax Certificate if it follows the directions of the Authority set forth in the respective Tax Certificate and the Rebate Instructions and shall not be required to take any actions under the applicable Trust Agreement in the absence of Rebate Instructions from the Authority.

(d) Notwithstanding any provision of the applicable Trust Agreement as described under this heading (“– Tax Covenants”), if the Authority shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under the provisions of the applicable Trust Agreement as described under this heading (“– Tax Covenants”) is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Tax Exempt Bonds, the Trustee and the Authority may conclusively rely on such Opinion in complying with the requirements of the applicable Trust Agreement as described under this heading (“– Tax Covenants”), and the covenants under the applicable Trust Agreement shall be deemed to be modified to that extent.

(e) The provisions of the applicable Trust Agreement as described under the heading “– Tax Covenants” shall survive the defeasance of the Tax Exempt Bonds.

Maintenance of Existence. The Authority shall maintain its existence, powers and authority as a joint powers authority under California law.

Continuing Disclosure. So long as any of the Bonds are Outstanding, the Authority covenants and will agree that it will comply with and carry out all of the provisions of the applicable Continuing Disclosure Agreement for which it has assumed responsibility as Dissemination Agent. Notwithstanding any other provision of the applicable Trust Agreement, failure of the Authority or the related Agency to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, the Trustee (at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Bondowners or Beneficial Owners of at least 25% aggregate principal amount of Bonds Outstanding, shall take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or each Agency to comply with its obligations under this paragraph and the applicable Continuing Disclosure Agreement. For purposes of this paragraph, “Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Notifications Required by the Act. The Trustee shall notify the Authority in writing if the Trustee fails to pay principal or interest due on any scheduled payment date for the Bonds and shall notify the Authority in writing of any withdrawal of funds from any reserve fund to pay principal and interest on a related Local Obligation, as applicable, and, in accordance with Section 6599.1(c) of the Act, the Authority shall notify the California Debt and Investment Advisory Commission of such failure or withdrawal, as applicable, within 10 days of the failure or withdrawal, as applicable.

Defaults and Remedies

Events of Default. The following shall constitute “Events of Default” under the applicable Trust Agreement:

- (a) if payment of interest on the Bonds shall not be made when due; or
- (b) if payment of any Principal Installment shall not be made when due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise; or
- (c) if the Authority shall fail to observe or perform in any material way any agreement, condition, covenant or term contained in the applicable Trust Agreement on its part to be performed, and such failure shall continue for thirty (30) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Authority by the Trustee or by the Owner(s) of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, provided, that if such default (other than a default arising from nonpayment of the Trustee’s fees and expenses) be such that it cannot be corrected within such thirty (30) day period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within such thirty (30) day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time; or
- (d) the Authority or any Agency shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Within five Business Days after obtaining actual knowledge of the occurrence of an Event of Default, the Trustee shall notify the Bond Insurer thereof. “Actual knowledge” shall mean the actual knowledge of a Responsible Officer of the Trustee.

Action on Default. Upon the happening and continuance of any Event of Default, the Trustee in its discretion may, or at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall upon notice in writing to the Authority, take whatever action at law or in equity as may appear necessary or desirable to protect and enforce any of the rights vested in the Trustee or the Owners by the applicable Trust Agreement or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the applicable Trust Agreement.

Other Remedies of the Trustee. Subject to the provisions of the applicable Agency Indenture, during the continuance of an Event of Default, the Trustee shall have the right to do the following:

- (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, including the right to receive and collect the related Revenues;
- (b) bring suit upon or otherwise enforce any defaulting related Local Obligation;

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners;

(d) as a matter of right, have a receiver or receivers appointed for the applicable Trust Estate and of the earnings, income, issues, products, profits and revenues thereof pending such proceedings, with such powers as the court making such appointment shall confer; and

(e) take such action with respect to any and all related Local Obligations or Permitted Investments as the Trustee shall deem necessary and appropriate, subject to the applicable Trust Agreement and to the terms of such related Local Obligations or Permitted Investments.

Effect of Discontinuance or Abandonment. In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Trustee and the Owners shall be restored to their former positions and rights under the applicable Trust Agreement, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Rights of Owners. Anything in the applicable Trust Agreement to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners in the applicable Trust Agreement, upon the happening and continuance of any Event of Default, the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the applicable Trust Agreement.

The Trustee may refuse to follow any direction that conflicts with applicable laws, the applicable Trust Agreement or that the Trustee reasonably determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability without adequate indemnification therefor.

Restriction on Owner's Action. In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in the applicable Trust Agreement under the heading "DEFAULTS AND REMEDIES," no Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the applicable Trust Agreement, or any other remedy under the applicable Trust Agreement or on the Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as provided in the applicable Trust Agreement and unless the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the applicable Trust Agreement, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are by the applicable Trust Agreement declared in every such case to be conditions precedent to the execution of the trusts of the applicable Trust Agreement or for any other remedy under the applicable Trust Agreement, it being understood and intended that no one or more Owners of the Bonds secured by the applicable Trust Agreement shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the applicable Trust Agreement, or to enforce any

rights under the applicable Trust Agreement or under the Bonds, except in the manner provided in the applicable Trust Agreement, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the applicable Trust Agreement, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions of this paragraph. Notwithstanding the foregoing provisions of this paragraph, the obligation of the Authority shall be absolute and unconditional to pay, but solely from the applicable Trust Estate, the principal of and the redemption premium, if any, and the interest on the Bonds to the respective Owners thereof at the respective due dates thereof, and nothing in the applicable Trust Agreement shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment. This section is subject in all respects to the provisions of the applicable Trust Agreement as described under the heading “MISCELLANEOUS – Bond Insurance Payment and Reimbursement Provisions.”

Power of Trustee to Enforce. All rights of action under the applicable Trust Agreement or under any of the Bonds secured by the applicable Trust Agreement which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners subject to the provisions of the applicable Trust Agreement.

Remedies Not Exclusive. No remedy in the applicable Trust Agreement conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the applicable Trust Agreement or existing at law or in equity or by statute.

Waiver of Events of Default; Effect of Waiver. Upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding Bonds the Trustee shall waive any Event of Default under the applicable Trust Agreement and its consequences. The Trustee may waive any Event of Default under the applicable Trust Agreement and its consequences at any time. If any Event of Default shall have been waived as provided in the applicable Trust Agreement, the Trustee shall promptly give written notice of such waiver to the Authority and shall give notice thereof by first class mail, postage prepaid, to all Owners of Outstanding Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein; and every power and remedy given by the provisions of the applicable Trust Agreement as described under the heading “DEFAULTS AND REMEDIES” to the Trustee and to the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

This section is subject in all respects to the provisions of the applicable Trust Agreement as described under the heading “MISCELLANEOUS – Bond Insurance Payment and Reimbursement Provisions.”

Application of Moneys. Any moneys received by the Trustee pursuant to the provisions of the applicable Trust Agreement as described under the heading “DEFAULTS AND REMEDIES” shall, after payment of all fees and expenses of the Trustee, and the reasonable fees and expenses of its outside counsel, if any, incurred in connection with the performance of the Trustee’s duties under the applicable Trust Agreement, be applied as follows:

(a) to the payment of the Owners entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

(b) to the payment of the Owners entitled thereto of the unpaid principal of and redemption premium, if any, and any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the applicable Trust Agreement) in the order of their due dates, and if the amount available shall not be sufficient to pay in full the principal of and redemption premium, if any, on such Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the Persons entitled thereto without any discrimination or privilege; and

(c) to be held for the payment to the Owners entitled thereto as the same shall become due of the principal of and redemption premium, if any, on and interest on the Bonds which may thereafter become due, either at maturity or upon call for redemption prior to maturity, and if the amount available shall not be sufficient to pay in full such principal and redemption premium, if any, due on any particular date, together with interest then due and owing thereon, payment shall be made in accordance with paragraphs (a) and (b) above.

Whenever moneys are to be applied pursuant to the provisions of the applicable Trust Agreement as described under this heading (“– Application of Moneys”), such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give prompt notice to the Owner of the deposit with it of any such moneys.

The Trustee

Duties, Immunities and Liability of Trustee.

(a) The Trustee shall, prior to 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 applicable Trust Agreement, and no implied duties or obligations shall be read into the applicable Trust Agreement against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise the rights and powers vested in it by the applicable Trust Agreement, and use the same degree of care and skill in their exercise as a reasonable individual would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Authority may, in the absence of an Event of Default, and upon receipt of an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or upon receipt of a written request of the Bond Insurer stating good cause, or upon receipt of a written request of the Bond Insurer following an Event of Default (irrespective of cause), or if at any time the Trustee shall cease to be eligible in accordance with paragraph (e) below, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, shall, remove the Trustee by giving written notice of such removal to the Trustee, and thereupon the Authority

shall promptly appoint a successor Trustee by an instrument in writing. The Authority shall promptly notify the Bond Insurer of any such removal and appointment.

(c) The Trustee may, subject to paragraph (d) below, resign by giving written notice of such resignation to the Authority and the Bond Insurer and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the Bond Register. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing, and shall notify the Bond Insurer of such appointment.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself 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 applicable Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee and the Bond Insurer a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the applicable Trust Agreement; but, nevertheless, at the written request of the Authority or 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 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 applicable Trust Agreement 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 applicable Trust Agreement. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts under the applicable Trust Agreement by first class mail, postage prepaid, to the Owners at their addresses listed in the Bond Register.

(e) Any Trustee appointed under the provisions of the applicable Trust Agreement as described under the heading "THE TRUSTEE – Duties, Immunities and Liability of Trustee" shall be a trust company or bank having the powers of a trust company or authorized to exercise trust powers, having a corporate trust office in California, having (or in the case of a bank, trust company or bank holding company which is a member of a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank, trust company or bank holding company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this paragraph the combined capital and surplus of such bank, trust company or bank holding company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph, the Trustee shall resign immediately in the manner and with the effect specified in the provisions of the applicable Trust Agreement as described under the heading "THE TRUSTEE – Duties, Immunities and Liability of Trustee."

(f) No provision in the applicable Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties under the applicable Trust Agreement unless the Owners shall have offered to the Trustee security or indemnity it deems reasonable, against the costs, expenses and liabilities that may be incurred.

(g) In accepting the trust created by the applicable Trust Agreement, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

(h) The Trustee makes no representation or warranty, express or implied, as to the compliance with legal requirements of the use contemplated by the Authority of the funds under the applicable Trust Agreement including, without limitation, the purchase of the related Local Obligations under the applicable Trust Agreement.

(i) The Trustee shall not be responsible for the validity or effectiveness or value of any collateral or security securing any related Local Obligation. The Trustee shall not be responsible for the recording or filing of any document relating to the applicable Trust Agreement or any related Local Obligation or of financing statements (or continuation statements in connection therewith) or mortgage or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests or lien on or in any collateral or security securing any related Local Obligation. The Trustee shall not be deemed to have made representations as to the security afforded thereby or as to the validity, sufficiency or priority of any such document, collateral or security of the Bonds.

(j) The Trustee shall not be deemed to have knowledge of any Event of Default under the applicable Trust Agreement unless and until a Responsible Officer shall have actual knowledge thereof at the Trustee's Principal Corporate Trust Office.

(k) The Trustee shall not be accountable for the use or application by the Authority or any other party of any funds which the Trustee has released under the applicable Trust Agreement.

(l) The Trustee shall provide a monthly accounting of all Funds held pursuant to the applicable Trust Agreement to the Authority within fifteen (15) Business Days after the end of each month and shall provide statements of account for each annual period beginning July 1 and ending June 30, within 90 days after the end of such period. Such accounting shall show in reasonable detail all financial transactions made by the Trustee during the accounting period and the balance in any Funds and accounts created under the applicable Trust Agreement as of the beginning and close of such accounting period.

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

(n) The permissive rights of the Trustee to do things enumerated in the applicable Trust Agreement shall not be construed as a duty unless so specified in the applicable Trust Agreement.

(o) The Trustee may appoint and act through an agent and shall not be responsible for any misconduct or negligence of any such agent appointed with due care.

Liability of Trustee. The recitals of facts in the applicable Trust Agreement and in the Bonds contained shall be taken as statements of the Authority, and the Trustee does not assume any

responsibility for the correctness of the same, and does not make any representations as to the validity or sufficiency of the applicable Trust Agreement or of the Bonds, and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations in the applicable Trust Agreement or in the Bonds assigned to or imposed upon it; provided, that the Trustee shall be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties under the applicable Trust Agreement except for its own negligence or willful misconduct. The Trustee (in its individual or any other capacity) may become the Owner of Bonds with the same rights it would have if it were not Trustee under the applicable Trust Agreement, and, to the extent permitted by law, may act as depository for and permit any of its officers, directors and employees to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount (or any lesser amount that may direct the Trustee in accordance with, and as provided in, the provisions of the applicable Trust Agreement) of the Bonds then Outstanding. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in principal amount (or any lesser amount that may direct the Trustee in accordance with, and as provided in, the provisions of the applicable Trust Agreement) of the Outstanding Bonds 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 applicable Trust Agreement. Whether or not therein expressly so provided, every provision of the applicable Trust Agreement or related documents relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of the applicable Trust Agreement described under the heading "THE TRUSTEE." All indemnifications and releases from liability granted in the applicable Trust Agreement to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

Indemnity for Trustee. Before taking any action or exercising any rights or powers under the applicable Trust Agreement, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all costs and expenses which it may incur and to indemnify it against all liability, except liability which may result from its negligence or willful misconduct, by reason of any action so taken.

Modification of Trust Agreement and Supplemental Trust Agreements

Supplemental Trust Agreements Without Consent of Owners. The Authority may, without the consent of the Owners, enter into any Supplemental Trust Agreement, which thereafter shall form a part of the applicable Trust Agreement, for any one or more of the following purposes:

- (a) to add to the agreements and covenants of the Authority contained in the applicable Trust Agreement other agreements and covenants thereafter to be observed, or to surrender any right or power in the applicable Trust Agreement reserved to or conferred upon the Authority; provided, that no such agreement, covenant or surrender shall materially adversely affect the rights of any Owner;
- (b) to cure any ambiguity, to supply any omission or to cure, correct or supplement any defect or inconsistent provisions contained in the applicable Trust Agreement or in any Supplemental Trust Agreement;
- (c) to make any change which does not materially adversely affect the rights of any Owner;

(d) to grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority;

(e) to subject to the applicable Trust Agreement additional collateral or to add other agreements of the Authority;

(f) to modify the applicable Trust Agreement or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America;

(g) to make any change necessary or appropriate to accommodate changes to the Dissolution Act; provided, that no such change shall permit the creation by the Authority of any lien prior to or on a parity with the lien of the applicable Trust Agreement upon the applicable Trust Estate or which will affect the times, amounts and currency of payment of the principal of or the redemption premium, if any, on or the interest on the Bonds;

(h) to evidence the succession of a new Trustee; or

(i) in the Opinion of Bond Counsel, to preserve or assure the exemption of interest on the Tax Exempt Bonds from federal income taxes or the exemption from California personal income tax.

The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, any particular Bond would be affected by any such modification or amendment of the applicable Trust Agreement and any such determination shall be binding and conclusive on the Authority and all Owners of Bonds. For all purposes of the provisions described in the applicable Trust Agreement described under the heading “MODIFICATION OF TRUST AGREEMENT AND SUPPLEMENTAL TRUST AGREEMENTS – Supplemental Trust Agreements Without Consent of Owners,” the Trustee shall be entitled to rely upon and shall be fully protected in relying upon an Opinion of Bond Counsel, in form and substance satisfactory to it, with respect to the extent, if any, to which any action affects the rights under the applicable Trust Agreement of any Owner. Notwithstanding anything to the contrary in the applicable Trust Agreement described under this heading “– Supplemental Trust Agreements Without Consent of Owners”), the written consent of the Bond Insurer shall be required prior to any amendment for the purposes set forth in paragraphs (b) or (c) above.

Trustee Authorized to Enter into Supplemental Trust Agreement. The Trustee is authorized to enter into any Supplemental Trust Agreement with the Authority authorized or permitted by the terms of the applicable Trust Agreement, and to make the further agreements and stipulations which may be therein contained, and for all purposes of this paragraph, the Trustee shall be entitled to rely upon and shall be fully protected in relying upon an Opinion of Bond Counsel, in form and substance satisfactory to it, to the effect that such Supplemental Trust Agreement is authorized or permitted by the provisions of the applicable Trust Agreement.

Supplemental Trust Agreements With Consent of Owners. Any modification or alteration of the applicable Trust Agreement or of the rights and obligations of the Authority or of the Owners of the Bonds may be made with the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding and the consent of the Bond Insurer; provided, that no such modification or alteration shall be made which will reduce the percentage of aggregate principal amount of Bonds the consent of the Owners of which is required for any such modification or alteration, or permit the creation by the Authority of any lien prior to or on a parity with the lien of the applicable Trust

Agreement upon the applicable Trust Estate or which will affect the times, amounts and currency of payment of the principal of or the redemption premium, if any, on or the interest on the Bonds or affect the rights, duties or obligations of the Trustee without the consent of the party affected thereby.

Notice and Information Requirements. The Authority shall deliver a copy of any modification or amendment to the applicable Trust Agreement to the Bond Insurer and S&P at least ten days prior to the effective date thereof. After the effective date, the Authority shall deliver to the Bond Insurer a full transcript of the original documents and proceedings relating to such modification or amendment.

Defeasance

Defeasance. (a) If (i) the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the applicable Trust Agreement, and (ii) all other amounts due and payable under the applicable Trust Agreement shall have been paid, then the Owners shall cease to be entitled to the lien created by the applicable Trust Agreement, and all agreements, covenants and other obligations of the Authority under the applicable Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the applicable Trust Agreement which are not required for the payment of the principal of and interest and premium, if any, on the Bonds.

(b) Subject to the provisions of paragraph (a) above, when any Bond shall have been paid and if, at the time of such payment, the Authority shall have kept, performed and observed all of the covenants and promises in such Bonds and in the applicable Trust Agreement required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then the applicable Trust Agreement shall be considered to have been discharged in respect of such Bond and such Bond shall cease to be entitled to the lien created by the applicable Trust Agreement, and all agreements, covenants and other obligations of the Authority under the applicable Trust Agreement shall cease, terminate, become void and be completely discharged and satisfied as to such Bond.

(c) Notwithstanding the discharge and satisfaction of the applicable Trust Agreement or the discharge and satisfaction of the applicable Trust Agreement in respect of any Bond, for as long as any Bond remain outstanding those provisions of the applicable Trust Agreement relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of the Bonds the funds so held by the Trustee as and when such payment becomes due.

Bonds Deemed to Have Been Paid. (a) If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bond and the payment of the interest thereon to the maturity or redemption date thereof, such Bond shall be deemed to have been paid within the meaning and with the effect provided in the provisions of the applicable Trust Agreement described under the heading "DEFEASANCE - Defeasance." Any Outstanding Bond shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the provisions of the applicable Trust Agreement described under the heading "DEFEASANCE - Defeasance" if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date,

the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the applicable Trust Agreement described under the heading “REDEMPTION AND PURCHASE OF BONDS – Notice of Redemption,” notice of redemption of such Bond on said redemption date, said notice to be given in accordance with the provisions of the applicable Trust Agreement described under the heading “REDEMPTION AND PURCHASE OF BONDS – Notice of Redemption,” (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Federal Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the interest to become due on such Bond on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bond, and (iii) in the event such Bond is not by its terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the owners of such Bond that the deposit required by clause (ii) above has been made with the Trustee and that such Bond is deemed to have been paid in accordance with the provisions of the applicable Trust Agreement described under this heading (“– Bonds Deemed to Have Been Paid”) and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bond. Neither the money nor the Federal Securities deposited with the Trustee pursuant to this paragraph (a) in connection with the deemed payment of Bonds, nor principal or interest payments on any such Federal Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for and pledged to, the payment of the principal of and, premium, if any, and interest on such Bonds.

(b) No Bond shall be deemed to have been paid pursuant to clause (ii)(B) of paragraph (a) above unless the Authority shall cause to be delivered (A) an executed copy of a Verification Report with respect to such deemed payment, addressed to the Authority and the Trustee, (B) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii)(B) of paragraph (a) above resulting in such deemed payment, which escrow agreement shall provide that no substitution of Federal Securities shall be permitted except with other Federal Securities and upon delivery of a new Verification Report and no reinvestment of Federal Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (C) a copy of an Opinion of Bond Counsel, dated the date of such deemed payment and addressed to the Authority and the Trustee, to the effect that such Bond has been paid within the meaning and with the effect expressed in the applicable Trust Agreement, and all agreements, covenants and other obligations of the Authority under the applicable Trust Agreement as to such Bond have ceased, terminated, become void and been completely discharged and satisfied. Such deliverables shall also be addressed to the Bond Insurer.

(c) The Trustee may seek and is entitled to rely upon (i) an Opinion of Bond Counsel reasonably satisfactory to the Trustee to the effect that the conditions precedent to a deemed payment pursuant to clause (ii) of paragraph (a) above have been satisfied, and (ii) such other opinions, certifications and computations, as the Trustee may reasonably request, of accountants or other financial consultants concerning the matters described in paragraph (b) above.

Miscellaneous

Dissolution of Authority. In the event of the dissolution of the Authority, all the agreements, conditions, covenants and terms contained in the applicable Trust Agreement by or on behalf of, or for the benefit of, the Authority shall bind or inure to the benefit of the successors of the Authority from time to time and any officer, board, commission, agency or instrumentality to whom or to which any power or duty of the Authority shall be transferred.

Parties Interested in the Trust Agreement. Except as in the applicable Trust Agreement otherwise specifically provided, nothing in the applicable Trust Agreement expressed or implied is intended or shall be construed to confer upon any Person other than the Authority, the Trustee and the Owners of the Bonds issued under the applicable Trust Agreement and the Bond Insurer any right, remedy or claim under or by reason of the applicable Trust Agreement, the applicable Trust Agreement being intended to be for the sole and exclusive benefit of the Authority, the Trustee and the Owners of the Bonds issued under the applicable Trust Agreement and the Bond Insurer.

Severability of Invalid Provisions. If any clause, provision or section of the applicable Trust Agreement is held illegal or invalid by any court, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections of the applicable Trust Agreement, and the applicable Trust Agreement shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained in the applicable Trust Agreement.

Governing Law. Each Trust Agreement shall be governed as to validity, construction and performance by the laws of the State.

Non-Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the applicable Trust Agreement, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the applicable Trust Agreement, and no interest shall accrue for the period from and after such nominal date.

Limitation of Liability. The Authority shall not be obligated to make any payments required under the applicable Trust Agreement or under any Bond, or be deemed to incur any liability under the applicable Trust Agreement or arising out of any of the transactions contemplated by the applicable Trust Agreement, payable from any funds or assets other than the applicable Trust Estate as provided in the applicable Trust Agreement. The Bonds and the obligation to pay principal of and interest thereon and any redemption premium with respect thereto will not constitute indebtedness or an obligation of the Authority, the members and officers of the Authority, any Agency, any City, the County of Los Angeles, the State of California or any other political subdivision thereof, within the meaning of any constitutional or statutory debt limitation, or a charge against the general credit or taxing powers of any of them. The Bonds shall be a special obligation of the Authority, payable solely from the applicable Trust Estate duly pledged therefor. Neither the faith and credit nor the taxing power of the Authority, any member of the Authority, any Agency, any City, the County of Los Angeles, the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds.

Unclaimed Money. Anything contained in the applicable Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest on, or principal or prepayment premium, if any, of any Bond which remains unclaimed for two (2) years after the date when such amounts have become payable, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date such amounts have become payable shall be paid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Authority for the payment of such amounts; provided, that before being required to make any such payment to the Authority, the Trustee shall, at the expense of the Authority, give notice by first class mail to all Owners and to the Securities Depository and the MSRB that such money remains unclaimed and that after a date named in such notice, which date shall not be less than sixty (60) days after the date of giving such notice, the balance of such money then unclaimed will be returned to the Authority.

Moneys Held for Particular Bonds. The money held by the Trustee for the payment of the principal of or premium or interest on particular Bonds due on any date (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of the applicable Trust Agreement as described under the heading “MISCELLANEOUS – Unclaimed Money,” but without any liability for interest thereon.

Bond Insurance Payment and Reimbursement Provisions. The following provisions shall govern in the event of a conflict with any contrary provision of the applicable Trust Agreement.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date (“Payment Date”) there is not on deposit with the Trustee, after making all transfers and deposits required under the applicable Trust Agreement, moneys sufficient to pay the principal of and interest on the applicable Insured Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the “Insurer's Fiscal Agent”) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the applicable Insured Bonds due on such Payment Date, the Trustee shall make a claim under the applicable Bond Insurance Policy and give notice to the Bond Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the applicable Insured Bonds and the amount required to pay principal of the applicable Insured Bonds, confirmed in writing to the Bond Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the applicable Bond Insurance Policy.

The Trustee shall designate any portion of payment of principal on applicable Insured Bonds paid by the Bond Insurer, 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 applicable Insured Bonds registered to the then current Owner, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Bond Insurer, registered in the name of Assured Guaranty Municipal Corp., 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 applicable Insured Bond shall have no effect on the amount of principal or interest payable by the Authority on any applicable Insured Bond or the subrogation rights of the Bond Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any applicable Insured Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the applicable Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners referred to in this Appendix E and in the related Trust Agreement as the “Policy Payments Account” and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the applicable Bond Insurance Policy in trust on behalf of Owners and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners in the same manner as principal and interest payments are to be made with respect to the applicable Insured Bonds under the sections hereof regarding payment of applicable Insured Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt

service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Authority will agree to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the applicable Bond Insurance Policy (the “Insurer Advances”); and (ii) interest on such Insurer Advances from the date paid by the Bond Insurer until payment thereof in full, payable to the Bond Insurer at the Late Payment Rate per annum, each including from amounts paid to the Authority by each respective Agency to the extent allocable to unpaid debt service on the related Local Obligations (collectively, the “Insurer Reimbursement Amounts”). “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 (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3.0%, and (ii) the then applicable highest rate of interest on the applicable Insured 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. The Authority will covenant and agree that the Bond Insurer Reimbursement Amounts are secured by a lien on and pledge of the Trust Estate and payable from such Trust Estate on a parity with debt service due on the applicable Insured Bonds, payable solely from the Trust Estate.

Funds held in the Policy Payments Account under a related Trust Agreement shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a bond payment date shall promptly be remitted to the Bond Insurer.

The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the applicable Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the applicable Bond Insurance Policy. Each obligation of the Authority to the Bond Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

The Authority shall pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses that the Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the applicable Trust Agreement or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the applicable Trust Agreement or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the applicable Trust Agreement or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Bond Insurer to honor its obligations under the applicable Bond Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the applicable Trust Agreement or any other Related Document.

After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority only after the payment of past due and current debt service on the applicable Insured Bonds.

The Bond Insurer shall be entitled to pay principal or interest on the applicable Insured Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Bond Insurance Policy) and any amounts due on the applicable Insured Bonds as a result of acceleration of the maturity thereof in accordance with the applicable Trust Agreement, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Bond Insurance Policy) or a claim upon the applicable Bond Insurance Policy.

The rights granted to the Bond Insurer under the applicable Trust Agreement or any other Related Document to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the applicable Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Bondowners or any other person is required in addition to the consent of the Bond Insurer.

Amounts paid by the Bond Insurer under the applicable Bond Insurance Policy shall not be deemed paid for purposes of the applicable Trust Agreement and the applicable Insured Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance with the applicable Trust Agreement. The applicable Trust Agreement shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the applicable Trust Agreement would adversely affect the security for the applicable Insured Bonds or the rights of the Owners, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no applicable Bond Insurance Policy.

The Bond Insurer shall be deemed to be the sole holder of the Bond Insured for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds insured by it are entitled to take pursuant to the applicable Trust Agreement pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. Remedies granted to the Bondholders shall expressly include mandamus.

No contract shall be entered into or any action taken by which the rights of the Bond Insurer or security for or sources of payment of the applicable Insured Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.

Any interest rate exchange agreement ("Swap Agreement") entered into by the Authority and/or Agency with respect to the Bonds or the Local Obligations shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Bond Insurer, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to debt service on the applicable Insured Bonds and on any debt on parity with the Bonds. The Authority and/or Agency shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Bond Insurer prior to the payment of any such termination amount that such payment will not cause the Authority and/or Agency to be in default under the Related Documents, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least "A-" and "A3" by Standard & Poor's (S&P) and Moody's Investors Service ("Moody's"). If the counterparty or guarantor's rating falls below "A-" or "A3" by either S&P or Moody's, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Bond Insurer. If the counterparty or the guarantor's long term unsecured rating falls below "Baa1" or "BBB+" by either Moody's or S&P, a replacement counterparty or guarantor, acceptable to the Bond Insurer, shall be required.

APPENDIX F

FORM OF OPINIONS OF BOND COUNSEL

Upon delivery of the Series 2014 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, proposes to render its final opinions in substantially the following forms with respect to each Series of Series 2014 Bonds:

[Date of Delivery]

County of Los Angeles Redevelopment Refunding Authority
Los Angeles, California

County of Los Angeles Redevelopment Refunding Authority
Tax Allocation Revenue Refunding Bonds, Series 2014A (Tax-Exempt)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Los Angeles Redevelopment Refunding Authority (the “Authority”) in connection with the issuance of its County of Los Angeles Redevelopment Refunding Authority Tax Allocation Revenue Refunding Bonds, Series 2014A (Tax-Exempt) (the “Series 2014A Bonds”), in the aggregate principal amount of \$33,215,000, issued pursuant to a Trust Agreement relating to the Series 2014A Bonds, dated as of July 1, 2014 (the “Trust Agreement”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the indentures, fiscal agent agreements or supplements thereto, each dated as of July 1, 2014 (collectively, the “Agency Indentures”) by and between the Agency Participants and respective trust banks, the Trust Agreement, the Tax Certificate of the Authority, dated the date hereof, relating to the Series 2014A Bonds and the tax certificates of the Agency Participants, dated the date hereof relating to the respective Local Obligations (collectively, the “Tax Certificate”), opinions of counsel to the Authority, the Agency Participants, the Trustee and others, certificates of the Authority, the Agency Participants, the Trustee 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 matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2014A 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 Authority. 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 Trust Agreement, the Agency Indentures and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2014A 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 Series 2014A Bonds, the Trust Agreement, the Local Obligations, the Agency Indentures and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, 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 joint powers authorities and successor agencies to former redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in the Trust Agreement or the Agency Indentures or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2014A Bonds and express no opinion with respect thereto.

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

1. The Series 2014A Bonds constitute the valid and binding special obligations of the Authority, payable solely from the Revenues and the other assets pledged therefor under the Trust Agreement.
2. The Trust Agreement has been duly executed and delivered by, and constitutes a valid and binding obligation of, the Authority.
3. The Agency Indentures and the Local Obligations issued thereunder have been duly executed and delivered by, and constitute valid and binding obligations of, the Agency Participants.
4. Interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and interest on the Series 2014A Bonds is exempt from State of California personal income taxes. Interest on the Series 2014A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2014A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

[Date of Delivery]

County of Los Angeles Redevelopment Refunding Authority
Los Angeles, California

County of Los Angeles Redevelopment Refunding Authority
Tax Allocation Revenue Refunding Bonds, Series 2014B (Federally Taxable)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Los Angeles Redevelopment Refunding Authority (the “Authority”) in connection with the issuance of its County of Los Angeles Redevelopment Refunding Authority Tax Allocation Revenue Refunding Bonds, Series 2014B (Federally Taxable) (the “Series 2014B Bonds”), in the aggregate principal amount of \$3,920,000, issued pursuant to a Trust Agreement relating to the Series 2014B Bonds, dated as of July 1, 2014 (the “Trust Agreement”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Indenture, dated as of July 1, 2014 (the “Agency Indenture”) by and between the Agency Participant and U.S. Bank National Association, as trustee, the Trust Agreement, opinions of counsel to the Authority, the Agency Participant, the Trustee and others, certificates of the Authority, the Agency Participant, the Trustee 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 matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2014B 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 Authority. 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.

We call attention to the fact that the rights and obligations under the Series 2014B Bonds, the Trust Agreement, the Local Obligations and the Agency Indenture and their enforceability may be subject to bankruptcy, insolvency, receivership, 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 joint powers authorities and successor agencies to former redevelopment agencies in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty

(including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in the Trust Agreement or the Agency Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2014B Bonds and express no opinion with respect thereto.

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

1. The Series 2014B Bonds constitute the valid and binding special obligations of the Authority, payable solely from the Revenues and the other assets pledged therefor under the Trust Agreement.

2. The Trust Agreement has been duly executed and delivered by, and constitutes a valid and binding obligation of, the Authority.

3. The Agency Indenture and the Local Obligations issued thereunder have been duly executed and delivered by, and constitute valid and binding obligations of, the Agency Participant.

4. Interest on the Series 2014B Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2014B Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX G

STATE DEPARTMENT OF FINANCE LETTERS

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EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

June 27, 2014

Mr. Bryan Cook, Assistant City Manager
City of South Gate
8560 California Avenue
South Gate, CA 90280

Dear Mr. Cook:

Subject: Approval of Oversight Board Action

The City of South Gate Successor Agency (Agency) notified the California Department of Finance (Finance) of its May 29, 2014 Oversight Board (OB) resolution on June 5, 2014. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution No. 2014-04 approving the issuance and sale of tax allocation refunding bonds is approved. This approval is specifically conditioned on the understanding that no refunding bonds will be issued unless such bonds meet the limitations in HSC section 34177.5 (a). Any debt service obligations listed in a Recognized Obligation Payment Schedule stemming from bonds issued not in compliance with that section will not be approved by Finance.

Please direct inquiries to Kylie Oltmann, Supervisor, or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Nellie Ruiz, Senior Accountant, City of South Gate
Mr. Douglas Baron, Director, Los Angeles County Finance and Investments
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office



EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

June 27, 2014

Mr. Colin Tudor, Assistant City Manager
City of Claremont
207 Harvard Avenue
Claremont, CA 91711

Dear Mr. Tudor:

Subject: Approval of Oversight Board Action

The City of Claremont Successor Agency (Agency) notified the California Department of Finance (Finance) of its May 15, 2014 Oversight Board (OB) resolution on May 22, 2013. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution No. 2014-03 approving the issuance and sale of tax allocation refunding bonds is approved. This approval is specifically conditioned on the understanding that no refunding bonds will be issued unless such bonds meet the limitations in HSC section 34177.5 (a). Any debt service obligations listed in a Recognized Obligation Payment Schedule stemming from bonds issued not in compliance with that section will not be approved by Finance.

Please direct inquiries to Kylie Oltmann, Supervisor, or Brian Dunham, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD

Assistant Program Budget Manager

cc: Mr. Brad McKinney, Senior Management Analyst, City of Claremont
Mr. Douglas Baron, Director, Los Angeles County Finance and Investments
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County
California State Controller's Office

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT, dated as of July 1, 2014 (this “Disclosure Agreement”), is by and between the COUNTY OF LOS ANGELES REDEVELOPMENT REFUNDING AUTHORITY, a joint exercise of powers agency duly organized and existing under the laws of the State of California (the “Authority”), and the [AGENCY PARTICIPANT], a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California (as successor agency, the “Agency”), in connection with the issuance of the Authority’s Tax Allocation Revenue Refunding Bonds, Series 2014A (Tax-Exempt) and the Tax Allocation Revenue Refunding Bonds, Series 2014B (Federally Taxable) (together, the “Authority Bonds”) pursuant to a Trust Agreement, dated as of July 1, 2014 (the “Trust Agreement”), between the Authority and U.S. Bank National Association, as trustee (the “Authority Trustee”).

WITNESSETH:

WHEREAS, the County of Los Angeles (the “County”) has developed a program (the “Refunding Program”) to assist the successor agencies to former community redevelopment agencies within the County to refund tax increment obligations pursuant to California Assembly Bill 1484 (Stats 2012 c. 26) (“AB 1484”) in order to provide debt service savings to successor agencies and to increase property tax revenues available for distribution to affected taxing entities, including the County; and

WHEREAS, the Authority is empowered under the provisions of Article 4, Chapter 5, Division 7, Title 1 of the California Government Code to issue its bonds for the purpose of purchasing certain local obligations issued by certain local agencies and other purposes, including refunding any of its then-outstanding bonds, and the purchase of tax allocation obligations issued by said successor agencies as described in Section 34173 of the California Health and Safety Code; and

WHEREAS, the Authority has determined to issue the Authority Bonds in order to provide funds to acquire certain local obligations issued by the Agency, among other obligations of other successor agencies, in order to assist the Agency in refunding outstanding bonds or other indebtedness pursuant to AB 1484; and

WHEREAS, the Agency has issued its [Named Project Area], [Named Tax Allocation Refunding Bonds] [Series 2014_] (the “Refunding Bonds”) pursuant to an [Indenture of Trust/Supplement], dated as of July 1, 2014 (the “Indenture”), by and between the Agency and [Trustee], as trustee (the “Agency Trustee”), as amended or supplemented from time to time in accordance with its terms; and

WHEREAS, such Refunding Bonds will be secured by a pledge of, and lien on, and shall be repaid from property tax revenues pledged under the Indenture; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the Authority and the Agency for the benefit of the holders and beneficial owners of the Authority Bonds and in order to assist the underwriters of the Authority Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Trust Agreement or the Indenture, as applicable.

“Annual Report” means any Annual Report provided by the Agency pursuant to, and as described in, Sections 2 and 3 hereof.

“Annual Report Date” means the date in each year that is the first day of the month following the eighth month after the end of the Agency’s fiscal year, which date, as of the date of this Disclosure Agreement, is March 1.

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

“Agency Redevelopment Project” shall have the meaning specified in [the related Agency Participant’s Appendix to the Official Statement].

“Agency Trustee” means [Trustee], as trustee under the Indenture, or any successor trustee, substituted in its place as provided thereunder.

“Authority” means the County of Los Angeles Redevelopment Refunding Authority duly organized and existing under and pursuant to the laws of the State of California and a Joint Exercise of Powers Agreement, dated August 6, 2013, between the Los Angeles County Public Works Financing Authority and the County.

“Authority Trustee” means U.S. Bank National Association, as trustee under the Trust Agreement, or any successor trustee substituted in its place as provided thereunder.

“Bonds” means, collectively, the Authority Bonds and the Refunding Bonds.

“City” means the City of [City], California.

“County” means the County of Los Angeles, a political subdivision of the State of California.

“County Auditor-Controller” means the Auditor-Controller of the County of Los Angeles.

“Disclosure Representative” means _____ or other officer as the _____ shall designate in writing to the Authority and the Dissemination Agent (if other than the Authority) from time to time.

“Dissemination Agent” means the Authority, acting solely in its capacity as Dissemination Agent hereunder, or any successor dissemination agent designated in writing by the Authority and which has filed with the Authority and the Agency a written acceptance of such designation.

“Listed Events” means any of the events listed in subsection (a) or subsection (b) of Section 4 hereof.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” means the Official Statement, dated July 17, 2014, relating to the Authority Bonds.

“Participating Underwriter” means any of the original underwriters of the Authority Bonds required to comply with the Rule in connection with the offering of the Authority Bonds.

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

Section 2. Provision of Annual Reports. (a) The Agency shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report which is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing with the report for the 2013-14 Fiscal Year. The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the Agency, if any, 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. If the Agency’s fiscal year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Authority Bonds by name and CUSIP number. The Dissemination Agent, on behalf of the Agency, shall obtain from the County and shall provide the Agency with the information specified in Exhibit B for inclusion in the Annual Report not later than 60 days prior to the date specified in this subsection (a).

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the Agency shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not

received a copy of the Annual Report, the Dissemination Agent shall contact the Agency and the Authority to determine if the Agency is in compliance with the first sentence of subsection (a) of this Section.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide any Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the Authority and the Agency certifying the filing date and that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement.

Section 3. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) The Agency's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 2 hereof, the Annual Report shall contain unaudited financial statements in a format similar to that used for the audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Agency, substantially similar to that provided in the corresponding tables relating to the Agency and the Agency Redevelopment Project in Appendix __ to the Official Statement (and where not specified by date or period for the preceding fiscal year):

(i) An update of the ten largest assesseees in substantially the format of Table __ of Appendix _ to the Official Statement for the most recent fiscal year;

(ii) An update of taxable assessed and incremental values in substantially the format of Table __ of Appendix _ to the Official Statement including the most recent fiscal year;

(iii) An update of tax levy, total collections and total collections as a percentage of the tax levy in substantially the format of Table __ of Appendix _ to the Official Statement including the most recent fiscal year;

(iv) An update of information related to Agency Redevelopment Project assessed valuation appeals in substantially the format of Table __-__ of Appendix _ to the Official Statement including the most recent fiscal year;

(v) An entry in substantially the format of the entries in Table __-__ of Appendix _ to the Official Statement reflecting the Tax Revenues of the most recent fiscal year;

(vi) An entry in substantially the format of the entries in Table __-__ of Appendix _ to the Official Statement reflecting the Debt Service Coverage for the bond year ending on September 1 following the close of the most recent fiscal year; and

(vii) If applicable in furtherance of an Agency covenant regarding Redevelopment Plan Limits, amount of all Agency debt outstanding secured by a pledge of the Tax Revenues and cumulative amount of Tax Revenues received by the Agency to date: (A) a statement of annual debt service remaining to be paid on all Outstanding Bonds and Parity Obligations and the amount of Tax Revenues which the Agency is permitted to receive under its Redevelopment Plan, (B) the amount of Tax Revenues allocated to the Agency during the one year period covered by the statement, and (C) the amount, if any, to be used or escrowed for use to pay principal and interest on Refunding Bonds and any Parity Debt.

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

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

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the Agency shall give, or cause to be given with respect to the Bonds, and hereby authorizes the Dissemination Agent to give, or cause to be given, with respect to the Bonds, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties.

- (iv) Substitution of credit or liquidity providers, or their failure to perform.
- (v) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).
- (vi) Tender offers.
- (vii) Defeasances.
- (viii) Rating changes.
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

For purposes of each event identified in paragraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section, the Agency shall give, or cause to be given with respect to the Bonds, and hereby authorizes the Dissemination Agent to give, or cause to be given, with respect to the Bonds, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

- (i) Unless described in paragraph (v) of subsection (a) of this Section, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds.
- (ii) Modifications to rights of holders of the Bonds.
- (iii) Optional, unscheduled or contingent Bond calls.
- (iv) Release, substitution, or sale of property securing repayment of the Bonds.
- (v) Non-payment related defaults.
- (vi) 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.

(vii) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Dissemination Agent shall, within one business day of obtaining knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and inform such person of the event.

(d) Whenever the Agency obtains knowledge of the occurrence of a Listed Event described in subsection (b) of this Section, the Agency shall determine if such event would be material under applicable Federal securities law.

(e) Whenever the Agency obtains knowledge of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that the occurrence of a Listed Event described in subsection (b) of this Section is material under subsection (d) of this Section, the Agency shall, or shall cause the Dissemination Agent to, file a notice of the occurrence of such Listed Event with the MSRB within ten business days of such occurrence.

(f) Notwithstanding the foregoing, notice of Listed Events described in paragraph (iii) of subsection (b) of this Section and in paragraph (vii) of subsection (a) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Authority Bonds pursuant to the Trust Agreement.

Section 5. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted as prescribed by the MSRB in electronic format.

Section 6. Termination of Reporting Obligation. The obligations of the Agency and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Authority Bonds relating to the Refunding Bonds or the legal defeasance, prior redemption or payment in full of all of the Refunding Bonds, if earlier. If such termination occurs prior to the final principal payment date of the Authority Bonds, the Agency or the Dissemination Agent, on behalf of the Agency, shall give notice of such termination in a filing with the MSRB.

Section 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent (if the Authority is not the Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent (if other than the Authority or the Authority Trustee), with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the Authority and the Agency.

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

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsections (a) or (b) of Section 4 hereof, 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 Authority Bonds, or the type of business conducted;

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

(c) the proposed amendment or waiver (i) is approved by holders of the Authority Bonds in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of holders or beneficial owners of the Authority Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Agency shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Agency. 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 a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall 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 9. Additional Information. Nothing in this Disclosure Agreement shall prevent the Agency from voluntarily disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other reasonable means of communication, or including such information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement. If the Agency chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 10. Default. The parties hereto acknowledge that in the event of a failure of the Agency or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Authority Trustee may (and, at the written direction of any Participating Underwriter or the holders of at least 25% of the aggregate amount of principal evidenced by Outstanding Authority Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Authority Trustee), or any holder or beneficial owner of the Authority Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency or the Dissemination Agent, as the case may be, to comply with its obligations

under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall (so long as the Authority is the Dissemination Agent) be entitled to the protections and limitations from liability afforded to the Authority under the Trust Agreement. The Dissemination Agent shall not be responsible for the form or content of financial statements made part of any Annual Report or notice of Listed Event or for information sourced to the Agency. So long as the Authority is the Dissemination Agent hereunder, no compensation shall be due from the Agency for the Dissemination Agent services provided herein. Any replacement Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement as may be agreed upon by the Agency. The Dissemination Agent (if other than the Authority or the Authority acting in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the Agency shall indemnify and save the Dissemination Agent (if other than the Authority) and the Authority harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or its willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Authority Bonds and the Refunding Bonds.

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

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

**COUNTY OF LOS ANGELES
REDEVELOPMENT REFUNDING
AUTHORITY**

By: _____
Mark J. Saladino,
Treasurer

[AGENCY PARTICIPANT]

By: _____
[Disclosure Representative]

ACCEPTED AND AGREED:

**COUNTY OF LOS ANGELES
REDEVELOPMENT REFUNDING
AUTHORITY, as Dissemination Agent**

By: _____
Authorized Officer

ACKNOWLEDGED AND AGREED:

**U.S. BANK NATIONAL
ASSOCIATION, as Authority Trustee**

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Los Angeles Redevelopment Refunding Authority

Name of Issue: County of Los Angeles Redevelopment Refunding Authority
Tax Allocation Revenue Refunding Bonds,
Series 2014_

Obligated Person: [Agency Participant]

Date of Issuance: July 31, 2014

NOTICE IS HEREBY GIVEN that the [Agency Participant] (the “Agency”) has not provided an Annual Report with respect to the above-named bonds as required by the Continuing Disclosure Agreement, dated as of July 1, 2014, by and between the County of Los Angeles Redevelopment Refunding Authority and the Agency. [The Agency anticipates that the Annual Report will be filed by _____.]

Dated: _____

COUNTY OF LOS ANGELES
REDEVELOPMENT REFUNDING
AUTHORITY, as Dissemination Agent, on
behalf of the [Agency]

cc: [Agency Participant]

EXHIBIT B

**INFORMATION TO BE ASSEMBLED BY THE
COUNTY OF LOS ANGELES REDEVELOPMENT REFUNDING AUTHORITY,**

relating to the

**[Agency Participant]
[Named Project Area]
[Named Tax Allocation Refunding Bonds], Series 2014_**

The Authority will provide the following financial information and operating data with respect to the Agency, substantially similar to that provided in the corresponding tables relating to the Agency and the Agency Redevelopment Project in Appendix _ to the Official Statement:

- (i) An update of the ten largest assessees in substantially the format of Table __ of Appendix _ to the Official Statement for the most recent fiscal year;
- (ii) An update of taxable assessed and incremental values in substantially the format of Table __ of Appendix _ to the Official Statement including the most recent fiscal year;
- (iii) An update of tax levy, total collections and total collections as a percentage of the tax levy in substantially the format of Table __ of Appendix _ to the Official Statement including the most recent fiscal year;
- (iv) An update of information related to Agency Redevelopment Project assessed valuation appeals in substantially the format of Table __ of Appendix _ to the Official Statement including the most recent fiscal year;
- (v) An update of Tax Revenues in substantially the format of Table __ of Appendix _ to the Official Statement including the most recent fiscal year;
- (vi) An entry in substantially the format of the entries in Table __ of Appendix _ to the Official Statement reflecting the Debt Service Coverage for the bond year ending on September 1 following the close of the most recent fiscal year; and
- (vii) If applicable in furtherance of an Agency covenant regarding Redevelopment Plan Limits, amount of all Agency debt outstanding secured by a pledge of the Tax Revenues and cumulative amount of Tax Revenues received by the Agency to date: (A) a statement of annual debt service remaining to be paid on all Outstanding Bonds and Parity Obligations and the amount of Tax Revenues which the Agency is permitted to receive under its Redevelopment Plan, (B) the amount of Tax Revenues allocated to the Agency during the one year period covered by the statement, and (C) the amount, if any, to be used or escrowed for use to pay principal and interest on Refunding Bonds and any Parity Debt.

BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Series 2014 Bonds, payment of principal of, premium (if any) and interest on the Series 2014 Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series 2014 Bonds, and other related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the Authority believes to be reliable, but the Authority does not take responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of the principal of, premium (if any) and interest on the Series 2014 Bonds or (b) certificates representing ownership interests in or other confirmation of ownership interests in the Series 2014 Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity (and each individual yield in the case of bifurcated maturities) of the Series 2014 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing 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; provided that nothing contained in such website is incorporated into this Official Statement.

Purchases of Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Series 2014 Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by

standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, 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 the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF SERIES 2014 BONDS FOR REDEMPTION.

DTC (or a successor securities depository) may discontinue providing its services as securities depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the Authority. The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC (or a successor securities depository) with respect to the Series 2014 Bonds. The Authority undertakes no obligation to investigate matters that would enable the Authority to make such a determination. In the event that the book-entry system is discontinued as described above, the requirements of the related Trust Agreement will apply.

THE AUTHORITY AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR PREMIUM, IF ANY, WITH RESPECT TO THE SERIES 2014 BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE AUTHORITY AND THE UNDERWRITERS ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE SERIES 2014 BONDS OR AN ERROR OR DELAY RELATING THERETO.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the Authority deems reliable, but the Authority takes no responsibility for the accuracy thereof.

DTC may discontinue providing its services as securities depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2014 Bonds are required to be printed and delivered as described in the related Trust Agreement.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2014 Bonds will be printed and delivered as described in the related Trust Agreement and payment of interest to each Owner who owns of record

\$1,000,000 or more in aggregate principal amount of Series 2014 Bonds may be made to such Owner by wire transfer to such wire address within the United States that such Owner may request in writing for all Interest Payment Dates following the 15th day after the Trustee's receipt of such request.

APPENDIX J

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, 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.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this 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 are authorized or required by law or executive order to remain closed. "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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM 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 AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

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